

THE ECONOMIST

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



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(Owing to the Easter Holiday THE ECONOMIST will be published next week on Thursday, April 6th, instead of Friday, April 7th)

Axis and Entente

THE immediate intention of Signor Mussolini's speech of last Sunday is clear: he wishes to move the French Government to ask him what further concessions in the colonial field will induce him once again to declare that Italy's claims in Africa have now been settled to the last farthing.

Superficially, of course, the speech is, as usual, preposterous. But those who have acquired experience in the study of Signor Mussolini's oratorical technique will know by this time that the significance of his utterances is to be looked for not in the demagogic high-lights but in the shadows. In the speech of last Sunday the unobtrusive antiphonal texts are the formulation of Italy's claims on France in exclusively colonial terms, with no reference to Corsica, Nice or Savoy, and the admission that, while perpetual peace is damnable, a "long period" of peace just now would be very nice.

What conclusion are we to draw? Is Mussolini genuinely asking France for some trifle as a consideration in return for which the Italian Government will refrain from taking up hostile arms? Or is Mussolini slyly intending us to interpret him thus, while his real object may be to deter us from closing our ranks and undermine our morale while he and his ally complete their preparations? If Mussolini really is trying to save his face, the non-territorial price asked might not be too high. But he has himself made it impossible to reach an agreement. For the only commodity

for which any price at all would be worth paying would be the complete and sincere dissociation of Italy from all plans for future aggression. And how can Mussolini hope, at this hour of day, to convince anybody of his sincerity? Moreover, the reference to the Note of December 17th, in which, according to the Duce, Italy's claims were set out, may be a sign of moderation, but it is also a trap. This Note abandoned the Agreement made with M. Laval in 1935 (which was welcomed at the time) and, as for further claims, merely stated that the conquest of Abyssinia had given Italy larger rights. But, as M. Daladier pointed out in his admirably firm broadcast on Wednesday, to accept this thesis as a basis of negotiation would be fatal. "It means that every new conquest or concession will create new rights, and the claims would be practically unlimited."

The fact is that the dictators have made it almost impossible to pay any attention to the substance of their claims. Form has necessarily become all-important. "For years," as M. Daladier said, "the right of peoples to self-determination was invoked to justify certain acts. Afterwards we were told of 'natural aspirations.' Now we are told of 'vital space,' which is no more than the eternal will to conquer." France is doubly right in not closing the door to negotiations; but, in refusing to take the initiative that would infallibly be interpreted as weakness, she deserves and will get, the most complete British support.

It will also be common ground between all parties in both France and England that we must remain vigilantly on our guard, and that there are certain passages in Mussolini's speech to which we must simply turn a deaf ear. For instance, we must not allow ourselves to be deflected for an instant, or by a hair's breadth, from our already grievously belated attempt to build up a "Peace Entente" between the States that do not intend to be the authors of aggression while they do fear to be the victims of it. The Duce's thesis about alliance is the same as his thesis about intervention in Spain; what is sauce for the goose is not sauce for the gander. According to the Duce, Italo-German intervention in Spain has been a public-spirited crusade on behalf of civilisation, but any Anglo-French intervention in Spain would have been a treacherous breach of the Non-Intervention Agreement. On the same principle he tells us now that the Axis and the Triangle are instruments of peace and order, but that any defensive combination on the part of other Powers would be an aggressive gesture which would evoke reprisals. His threat that the Triangle may be provoked by our defensive measures to take the offensive in all quarters of the globe will not persuade us that our need to concert measures of common defence is any the less urgent. And on what grounds can the dictators object, except that they and their followers are privileged beings who are not as other men are, and who may therefore take liberties that are not permissible to the rest of us? Our proposed peace declaration is to be open to everybody, as is, in theory, the Anti-Comintern Pact; and we are not even retorting to the Fascist Front by trying to form a contrary ideological front of our own. We are seeking to unite a totalitarian Power like Russia with democratic Powers like Great Britain and France for a common purpose which has nothing to do with ideologies but is a sheer concern for our own preservation.

Our proposed declaration needs, of course, to be reinforced by a full defensive military alliance between the key parties—just as the Anti-Comintern Pact is reinforced by the Axis, which is a military alliance in fact by this time, even if it is not yet so in name. And in the forming of this alliance our own Government must go ahead with the utmost resolution and energy. The Anglo-French defensive alliance, which exists already, is an indispensable nucleus; but the setting of the seal on it, in the President's visit last week, is only the beginning, and not the end, of our two Governments' present diplomatic task. The alliance will not have begun to be adequate for its purpose until it includes at least Russia as well; and our mutual security will not be assured until Poland, too, has

been persuaded to come in. There are, unfortunately, difficulties in getting both countries into a partnership. But both are essential—Poland because of her geographical position, Russia because of her great potential strength—and it must be the task of Anglo-French diplomacy to find a means of enlisting the support of both. Our sceptical, or defeatist, critics, may question the Russians' steadfastness or efficiency or both. These were questioned in the same spirit in 1914, and on that occasion not without reason, as the sequel showed. Yet should we have won the war of 1914-18 if Russia had not entered it in alliance with us? And would Russia be a Great Power, or even a sovereign independent State, to-day if she had not then had allies who made use of the eventual common victory in order to undo the peace of Brest-Litovsk? Those among us who still boggle at a Russian alliance to-day must reply to a plain question: Would they prefer not to have Russia as an ally in the event of our being attacked? The answer to this decisive question can only be in the negative.

Still more urgent, both for us and for the Poles, is the question of Poland. The Polish Government has already signified its unwillingness to adhere to a mere declaration of an intention to consult in the event of further acts of aggression on the Axis Powers' part, and their caution is only natural. A declaration unfortified by precise military commitments would merely give Hitler an excuse for denouncing the German-Polish Non-Aggression Pact of 1934, without giving Poland any compensating increase in practical security. Both London and Warsaw have difficult decisions to make. We, for our part, must resolve to assume the very heavy burden of guaranteeing frontiers and states in Eastern Europe, of abandoning the comfortable, short-sighted dream that we may be left in immunity while Hitler drives East. And the Poles, for their part, must abandon their own pipe-dream, that they may be left in neutrality while Hitler drives West. For Poland, as for Britain, to persist in an attempt at isolation now would mean nothing but obediently holding our throats up to be cut in turn. Poland must also make the difficult decision of contemplating the receipt of support from Russia. Polish nervousness on this score can be understood, though an alliance with the Western Powers should help to allay it. But if Poland prefers possible death at Nazi hands to the dishonour of association with the Soviets, then it is among the foolish virgins that she will rank, not the wise ones.

For all of us these hard decisions must be taken, lest bitterer ones still befall us. Events are visibly forcing decisions upon us. May they be the right ones.

Defence and Democracy

HOPES of peace and fears of war fluctuate daily, almost hourly, in the capitals of Europe. In England, one determination must not alter; that is, the resolve to be strong to resist aggression against a frontier that is to-day as close to the Carpathians and the Bosphorus as it is to the Rhine and the English Channel. Even to change the direction of foreign policy overnight is not enough. It is no less needful to call together the nation's entire resources of men, material and organisation in a sincere and single-minded effort to preserve freedom and peace against the threat of force.

It is hardly possible to question that this objective is now clearly seen by the Government. The estimates that have been presented to Parliament for the fighting services and the decision to double the Territorial Army bear witness to the decision that has been taken to make England strong. In the sphere of civilian defence, too, after delays and hesitations that only lately threatened

disaster, a new hand with a new policy has forged the needed framework for action. The Civil Defence Bill, which was made public a week ago, summarises the steps taken or proposed by the Lord Privy Seal, in conjunction with the Home Secretary, the Minister of Health and the Secretary of State for Scotland, for the protection of persons and property in air raids. It vests in Sir John Anderson the executive powers that he has apparently lacked hitherto; and states the contribution the Exchequer is prepared to make in aid of the schemes that are outlined. It is an administrative and financial code for civilian defence.

The terms are far-reaching. Local authorities are given power to earmark private premises and acquire land for the provision of shelters, first-aid and hospital accommodation. Employers in factories, mines and offices with more than fifty workers are put under compulsion to furnish their staffs with approved protection and to secure

their training in air-raid routine. The powers already being exercised by local authorities to site and erect the steel shelters delivered free to poorer householders and to strengthen the basements of dwellings are regularised. Public utility undertakers are called upon to take appropriate measures, not only to ensure the functioning of essential services in war time, but also to train and safeguard their employees.

Notable gaps in earlier air-raid precautions are closed. Special measures are envisaged to maintain and expand railway, dock and harbour services, as well as public utilities. The Central Electricity Board is authorised to acquire the reserve stocks of plant and equipment without which the country's electricity supplies would be fatally vulnerable. Provision is made for the assembly of essential A.R.P. stocks: emergency supplies of water for fire-fighting; materials for repairing roads, bridges and buildings; and blankets, mattresses and vehicles for evacuation.

None of these items is new. It has been known for some time that, stone by stone, Sir John Anderson was constructing an edifice of this design. What is of great importance is the approach which the Bill makes to the financial obstacles that have hitherto impeded the progress of defence. The dual responsibility of central and local authorities for the financing of administrative services is, even at the best of peace times, scarcely satisfactory. In the case of A.R.P. it has been dangerously unsatisfactory, leading for more than two years to almost endless wrangling. Private firms and public corporations, too, have been uneasy and querulous about their undefined share of the burden of defending their property.

All this is now set down in black and white. The Government's readiness to advance some 70 per cent. towards the cost of local schemes approved under the 1937 A.R.P. Act was already known. This Bill virtually completes the picture. For local authorities, the provision of approved public shelters, above or below ground, will rank for grant under the 1937 Act. So, too, will the erection of steel shelters, the strengthening of basements and the adaptation and protection of hospitals. Local authorities are to be reimbursed for their outlay in assisting the Minister to plan and execute evacuation arrangements; and the Government will be responsible for the purchase of evacuation materials and equipment.

Owners or occupiers of factories, mines and offices will receive a grant per £ of their capital expenditure on shelter accommodation equal to the standard rate of income tax. Except in the special cases of railway and electricity undertakers, grants will be given up to 50 per cent. of approved outlay on measures to secure the due functioning of undertakings in war time, including camouflage and the dimming of lights. To the railway companies a grant not exceeding the total cost of measures taken to maintain essential services in war will be given—subject to the repayment of not more than half in the event of control of the railways being assumed by the State on certain specified terms. Up to 85 per cent. of the cost of providing services and facilities specially for war use will be given to dock and harbour undertakings; and the Central Electricity Board will receive up to 50 per cent. of the cost of acquiring reserve equipment and defraying the capital charges of steps to ensure the war-time functioning of electricity undertakings.

It may now be assumed that these financial details have been agreed to by the parties concerned. There may, indeed, be anomalies still to be smoothed out in practice. But the time for controversy of this kind is long since past. Read aright, this Bill should register not simply a policy and a programme, but an attitude as well, an attitude that does not end here with protection against air raids. The time has come for the acceptance by the Government and all sections of the people of their inescapable duty to do all that is necessary in the face of danger without debate

or demur. This Bill will compel public and private enterprises to protect their property and their employees. It is a step forward, but only a step. Every single citizen has an obligation in this matter. This, too, should be made legally binding. The voluntary method of recruitment has not failed. But it has not succeeded either, and there is no time to lose.

This is true over the whole of our national life. Compulsion is not a creed or doctrine to be accepted or denied. Nor is it a desirable thing in itself. It is now the sole possible means to an end that is ineluctably written in the logic of contemporary events. The rumour that the Cabinet is split over this issue is gravely disturbing; and it is a poor consolation that the publicly intransigent opposition of the Labour movement's leaders to compulsion of all kinds may be due to distrust of the Government's foreign policy rather than to deliberate indifference to realities. The facts can be simply stated: England is required to mobilise her resources to the last man, the last pound and the last machine to safeguard her own and Imperial frontiers and to resist aggression in foreign fields. It is the need for swift and drastic action, recognised by a vast majority of the population, that has made the compelling statement of every man's and every woman's immediate duty inevitable. To wait upon the outbreak of hostilities for the building up of the forces needed to fight by the side of our allies or for the introduction of the machinery required to make the maximum use of the country's capital, labour and commerce would be foolish and fatal; for the war has already begun. Only by realising this to the full, and acting upon it, can the peace the whole world wants be snatched from the jaws of disaster.

The truth is that, even in a free country, those who will the end must also will the means. Indeed, it is only in a democratic country that compulsion, if it is imposed by an elected Parliament to serve an end a majority of the people calls for, can be tolerable. It needs a Government with wider support than Mr Chamberlain's can claim at present to impose it. It needs to be applied at every point in the national hierarchy to be fair—and effective. But it is indispensable. The Peace Front cannot be forged in chancelleries alone. We need men to swell the fighting and defence services to war strength. We need men and women at full stretch to make essential goods. We need to mould production and distribution strictly to the pattern of military priorities and vital foreign trade. Because we are a democracy, the compulsion we impose upon ourselves will be deliberately more careful of violating tender consciences than totalitarian orders could ever pretend to be. But it is also because we are a democracy that we must act.

The democracy we are defending demands agreement, it is true; but not agreement on every item of the effort required; only on the general proposition that effort without stint or delay is in fact imperative. That agreement already exists. It has always been a national failing to confuse the true and only practice of democracy with actual English ways and institutions. The charge made by two distinguished—and democratic—foreign journalists in a letter this week to *The Times*, that it was our insular immunity from invasion, and not an "exceptionally strong democratic instinct," that enabled us to escape the more rigid obligations of national preparedness in the past, is no less than the truth. The test of our democracy to-day is not whether it can maintain the letter of its procedures intact but whether it can consent to defend its spirit to the uttermost. The obligations laid by Sir John Anderson upon local authorities and employers of labour are only a pale reflection of the obligations that ought at once to be laid upon industry by a Minister of Supply and upon all citizens by the Ministers of Labour and War. What we do not do by avowed consent to-day may be forced upon us by hasty fiat in a more menacing to-morrow.

Nazi Economics

IN comparison with the torrent of books on the political, moral and philosophical aspects and achievements of the National Socialist Revolution in Germany, there have been very few studies of the economic side of the Nazi regime. The majority of the studies that have been made of it have been of doubtful quality and of still more doubtful trustworthiness. It is therefore easy to understand the motives that led Mr C. W. Guillebaud to undertake an economic history of Germany since 1933. Unfortunately, even after his book* has appeared, it must still be regretfully recorded that the first comprehensive and instructive analysis of Nazi economics remains to be written.

Laudably, Mr Guillebaud is determined to be impartial. But there are two brands of impartiality. The first is for the student to rid his mind of all prepossession and prejudice, but to retain his analytical and critical faculties. The second variety of impartiality consists in merely recording without question the official accounts of what happened and the official explanations of why it happened. Of the two possible brands of impartiality, Mr Guillebaud has definitely chosen the second. He confines himself, for example, to German official figures. Official figures, it is true, must form the basis of all reasoning. But to accept them only, and without question, has two grave defects. First, it excludes all private estimates, either Mr Guillebaud's own or anybody else's; in the specific case of Germany, Mr Guillebaud's insistence on official figures causes him to omit all analysis of the Budget and to attempt no quantitative estimate of the part played by re-armament in the total of "Investment." Secondly, official figures frequently require close analysis before their meaning is clear; and Mr Guillebaud does not examine his tools.

Not only does Mr Guillebaud restrict himself to official sources. He persistently puts upon them an interpretation that Dr Goebbels could not make more favourable; he seems to be strangely unaware of all the contradictions in the beliefs he reports. A few examples will make this clear. The foreign creditor of Germany will lift his eyebrows at the statement "Down to the end of 1937 it was in fact possible to preserve a favourable balance of trade and to *redeem* (our italics) a considerable part of the foreign debt." After a lengthy explanation that prices, wages, profits, investment are all strictly controlled according to a central plan, and that demand is not allowed to affect production through prices or profits, Mr Guillebaud concludes: "It must be borne in mind that German National Socialism is opposed in principle to State management." Or, to take another case: Mr Guillebaud describes the very favoured and privileged position of the peasant in the Nazi scheme of things, but entirely fails to mention that there is a very large flight from the land, discussed with every semblance of alarm throughout the German Press. The most remarkable and significant fact about Mr Guillebaud's book, however, is this: only once in its entire length is it even suggested that the Nazi economy is a war economy. That is in a footnote, only four pages from the end, in which it is remarked (quite incidentally) that "the German economic system under existing conditions has many of the characteristic features of a war-time economy." Is it true impartiality to omit all political considerations in approaching an economic system that is entirely governed by politics?

Mr Guillebaud cannot be accused of incorrect facts or arguments. There are some slips (for example, the argument on page 45 that in the early years of the Nazi period employment went up more than unemployment

went down is contradicted, not confirmed, by the table on page 46) and quite a few contradictions (e.g. the statement on page 31—*itself an obiter dictum*—that "there was no question of a real recovery in the late months of 1932," is disproved on page 44 and again on page 52). But on the whole the book is all too "correct." So correct is it that it could be published in Germany without the alteration of more than a page or two. Knowing what we do of Dr Goebbels, that is severe criticism.

From the economist's point of view, Mr Guillebaud is chiefly interested in the Nazi experiment as a successful demonstration of the doctrines of expansionism that have been mainly associated with the name of Mr Keynes. The Nazis, he says, have proved that it is possible, by initiating investment and paying for it out of credit expansion, to increase employment and expand the creation of wealth. This can go on without any inflation until the stage of "full employment" is reached. Germany has reached this stage. Moreover, argues Mr Guillebaud, although the whole system is dependent on "Investment," it is not bound up with re-armament. What is more, the standard of living has not been depressed, it has risen to above the 1929 level. There is thus no reason why the system should not continue.

Now if it is true that the Nazi experiment is a triumphantly successful demonstration of the correctness of Mr Keynes' doctrines, the fact is one of supreme importance. It well deserves analysis. It will be as well, first of all, to examine the contention that Germany has reached "full employment." That there is a shortage of labour in Germany is undeniable; but how has it come about? The figures in the following table show what has happened to the working populations of Germany and Great Britain since 1929.* (1929 is, of course, the fairest basis of comparison, since comparison with 1932 would merely show that Germany had a more severe depression; in 1929 the unemployment percentage in Great Britain was 10.3 and in Germany 9.6):—

INCREASE IN POPULATION OF WORKING AGE AND DISPOSITION OF SAME, 1929-1937-1938, GERMANY AND GREAT BRITAIN
(All figures are in per cent. of population of working age in 1929)

	1937		1938	
	Germany	Great Britain	Germany	Great Britain
Population of working age	+4	+6½	+4½	+7½
Employed	+13½	+4½	+4½	+3½
Unemployed	-2½	+1½	-3½	+1½
Armed Forces	+2	+1½	+2½	+1½
Others (i.e. housewives, unoccupied, etc.)	+2½	+1½	+5½	+1½
	+4	+6½	+4½	+7½

The first two columns show the changes that occurred between 1929 and 1937. The German population of working age increased by 4 per cent. Of this increase, 1½ per cent. were absorbed into useful employment. The expansion of the armed forces took 2 per cent. (a low estimate), while a further 2½ per cent. went into the residual category, the largest constituent of which is formed by housewives. In short, half of the increase in the population of working age went into what is usually deemed employment, half into other categories. The reduction of 2½ per cent. in unemployment was almost exactly offset by the increase in the armed forces. In Great Britain, not only was the increase in the working-age population nearly twice as

* The calculations are based on official figures except for a very conservative estimate of the size of the German armed forces, which are put at no more than 1,000,000 in 1937 and 1,200,000 in 1938.

big, but as much as two-thirds of it was absorbed into useful employment. The fact that unemployment showed a small increase was due to the fact that there was virtually no increase in the number of uniformed men. The figures for 1938 (still in comparison with 1929) are naturally somewhat more favourable to Germany. But the fundamental truth is exactly the same: our unemployment experience has been less favourable, partly because our increase in working-age population has been larger, and partly because we have not raised a huge army. If what has happened in Germany is "full employment," then any country, it would appear, can attain it at any time by putting a million or two men into barracks.

Secondly, is what has happened in Germany a demonstration of Mr Keynes' theories? When the Nazis first took office they attempted to create employment by means of public investment of the usual (i.e. non-military) type. In 1933 and 1934 they had some success. But from the middle of 1934 until the middle of 1935, when re-armament began in earnest with the reintroduction of conscription, the progress was very slow. Up to this point the lessons of the German experiment would seem to be the same as those of the American experiment—namely, that a "public works" policy is of assistance in the first phase of recovery but that it appears to get stuck half-way up the recovery curve. Since the inception of re-armament the Nazi policy can hardly be regarded as a Keynesian experiment. For Mr Keynes' theory depends entirely upon the existence of the "multiplier"—i.e. upon the fact that men who are given work by public investment will spend their increased incomes and themselves create employment. But in re-arming Germany every effort has been made to defeat the multiplier. Every sort of device (described by Mr Guillebaud) has been adopted to prevent the re-employed worker from spending his increased income and to cut down the expenditure of other workers as well. There is a revealing footnote on page 238 of Mr Guillebaud's book. "It is actually easier (above all in a *laissez-faire* economy) to maintain full employment if there are not fruits (i.e. if investment is unproductive)." Precisely. The point of Mr Keynes' theory is that in a peace-time economy, because of the multiplier, a comparatively small increase in public investment will result in a comparatively large increase in the national income and that it is possible in this way to regain full employment. The Nazis, however, now regard "full employment" not as an objective but as a nuisance. What the Nazi policy proves is that if you go in for a gigantic re-armament policy, even if you try to suppress the multiplier, you arrive sooner or later at a shortage of labour, Mr Guillebaud could have proved this from the experience of any Great Power between 1914 and 1918.

Thirdly, what has happened to the standard of living? Mr Guillebaud thinks it is higher than in 1929. He arrives at this conclusion by correcting the official index of wages by the official index of the cost of living—a hazardous procedure in any country, but doubly so in Germany, where it fails to take any account either of deterioration in quality or of shortages. Mr Guillebaud reinforces his view with figures of consumption *per capita* of certain foodstuffs. The pitfalls of official statistics may be illustrated in this connection. Mr Guillebaud quotes figures of the consumption of meat, 44.9 kg. in 1929 and 45.9 kg. in 1937. These are the official figures. But there is another set of official figures of the total supply of meat, which was 51.60 kg. in 1929 and 53.22 kg. in 1937. Now if consumption is worked out as a percentage of available supply, the figures will be found to be 87.0 per cent. in 1929 and 86.4 per cent. in 1937. It is a matter of common knowledge in Germany that very large supplies of meat were being canned and stored for war-time in 1937. Thus if "consumption" was the same proportion of supply as in 1929, there is a *prima facie* probability

that it includes storage. But, in any case, the really relevant point is not whether the German standard of living is so many points above or below that of 1929. What is of significance is, first, that the German standard of living has been marking time during the past decade while that of Britain and other countries has been advancing at an astonishing speed; and, secondly, that since full employment is now attained, any further increase in re-armament, such as is announced every other week, must infallibly trench upon the standard of consumption. This is a dilemma from which no new tax plan, such as that announced this week (and reported on page 14), can provide a way of escape.

Mr Guillebaud's fourth point is that Germany's investment economy is not exclusively, or even mainly, an armament economy. That depends on definitions. According to Mr Guillebaud, the Second Four-Year Plan (which "it would be a mistake" to regard "as a whole as merely a phase of re-armament") is "the mobilisation of all the resources of modern applied science and technique in the service of economic progress." If the manufacture of synthetic rubber or petrol at several times the cost of the natural commodity is economic progress rather than preparation for war, then Mr Guillebaud is right.

It is a very great pity that an economist of Mr Guillebaud's standing should have allowed himself to be so bemused by the German success in reaching "full employment." As has been demonstrated above, there is nothing very remarkable about the German "full employment" or very creditable about the way in which it has been brought about. So far as the creation of employment is concerned we have done quite as well in Great Britain, with a great many other economic benefits to boot. Yet there are many sentences in Mr Guillebaud's book which can only be interpreted as meaning that he identifies "full employment" with "economic well-being." It is perfectly true that the classical economists paid far too little attention either to the evils of unemployment or to the amendments that its existence made necessary in their reasoning. But we shall surely be making a greater mistake if we elevate the mere obliteration of the unemployment register to the status of a supreme goal of policy. The Nazis have deliberately forsworn all the increase in consumption and in the standard of life that their system might have created in order to pile up weapons of destruction. "With any general measure of appeasement in Europe," says Mr Guillebaud, "leading to a decrease in armament expenditure, it should certainly be possible to raise further the German standard of living." *Que Messieurs les assassins commencent!*

It is not the custom of *The Economist* to devote two pages to the review of a single book. The exception may be excused on the ground that Mr Guillebaud's book illustrates the dangerous tendency among democratic economists to play the Nazis' game, to develop an economic inferiority complex towards them, and, looking only at the unemployment figure, to acclaim their policy as successful beyond the ordinary measure. Whether by good fortune or by good management, British economic policy has done just as well in the creation of employment and infinitely better in the enhancement of the standard of living. We have no reason whatever to fear any fair comparison. There are, indeed, lessons to be learned from Germany. But they are lessons in the skilful management of a war economy. The foremost of them are the Germans' success in controlling the foreign exchanges (i.e. distorting the natural intercourse of the nations for political ends) and in controlling prices and wages (i.e. preventing the worker from reaping the fruits of his labour so that they may be diverted to armaments). Thanks to the Nazis' success, these lessons will be useful to us. But they have little or no relevance to the economics of a peace-loving community.

* "The Economic Recovery of Germany." By C. W. Guillebaud. (London) Macmillan & Co., Ltd. 303 pages. 10s. 6d.

Capital Market Control?

SINCE the Chancellor's announcement, on February 20th, that we are to borrow £350 millions out of total defence expenditure of £580 millions during the coming year, discussion has been concentrated on the question whether such borrowing is likely to prove inflationary. In general, these arguments have reached only a provisional conclusion, for the effect of expanded borrowing, even on this scale, is limited, first, by the existence of various "slacks" in the banking system, and is dependent, secondly, upon the civil demand for long-term capital.

On the second factor, the conclusions suggested by a survey of capital market operations during the past quarter are reassuring. We may assume at the outset that positive inflationary reactions (as opposed to mild expansionary symptoms) are to be avoided and, further, that the authorities have not, as yet, contemplated any formal regimentation of the capital market (apart from the more or less *ad hoc* control exercised over foreign transactions). Under such conditions the authorities may well feel satisfied that the total amount raised by direct public borrowing during the first quarter of this year was lower than in the corresponding period of any year since 1932. Industry is not, at the moment, a serious competitor for available savings.

The total amount raised directly from the public last quarter amounted to no more than £19,633,300, compared with £27,733,700 for the first quarter of 1938. But the former figure, small though it is, was actually swollen to the extent of £7,387,500 by that rarity, a debenture issue

of a British railway company. If the totals shown in the first section of Table I are compared with the detailed analyses in Tables II and III, the poor contribution which British industry made to the capital figures last quarter will be readily seen. At the same time, direct borrowing by home corporations shows a fall from £9,669,300 to £1,455,000, for the close season in this market was only terminated in February by the successful Essex loan.

It is naturally tempting to relate the total of £20 millions for direct borrowing last quarter—a period of slowly strengthening confidence which terminated abruptly with a major crisis—to the potential margin between available savings and defence requirements next year. But if the burden of defence borrowing in the next financial year were to be split more or less equally between the banking system and the long-term market, there would seem to be no special technical difficulty, assuming that the terms were made attractive, in floating a loan of the order of £175 millions. Even in 1933, when the volume of national savings was almost certainly lower than it is to-day, the amount raised directly by the British Government exceeded £150 millions, and the figures for the past quarter suggest that the Treasury would be confronted with no greater volume of industrial borrowing than in 1933.

So far, the comparisons have been based on direct public offers, which constitute our "old basis." The second parts of Tables I and II analyse total issues and company issues

TABLE I
TOTAL BORROWING (Million £)

First Quarter of Year	British				Empire	Foreign	Total Issues	Indices
	Government	Home Corporations*	Others	Total Home				
By Direct Public Offer (Old Basis) 1928 = 100								
1928	85.8	1.0	47.6	134.4	21.6	13.0	169.0	100
1932	Dr. 3.0	9.8	6.0	12.8	4.9	Nil	17.7	10
1933	8.5	9.5	8.7	26.7	2.3	0.0	29.0	18
1935	3.0	3.1	18.3	24.4	2.7	0.2	27.3	16
1936	0.7	40.5	15.7	55.9	4.8	0.2	61.9	37
1937	0.3	8.9	28.8	38.0	5.0	Nil	43.0	26
1938	0.7	9.7	10.7	21.1	4.2	2.4	27.7	16
1939	0.3	1.5	14.1	15.9	3.5	0.2	19.6	11
Including "Permission to Deal" (New Basis) 1935 = 100								
1935	3.0	3.8	57.4	64.2	9.1	1.4	74.7	100
1936	0.7	40.9	43.3	84.9	6.5	3.3	94.7	127
1937	6.9	9.3	71.2	87.4	26.3	1.1	114.8	154
1938	0.7	10.2	24.3	35.2	6.9	2.5	44.6	59
1939	0.3	1.5	21.6	23.4	8.2	0.2	31.8	43

* Including country and public board loans.

TABLE II
TOTAL COMPANY ISSUES (Million £)
First Quarter of Each Year

	1932	1933	1934	1935	1936	1937	1938	1939
By Prospectus								
Debentures	11.9	3.5	2.0	4.6	4.1	7.8	3.3	3.1
Preference	1.7	3.4	3.4	7.9	4.4	7.1	2.3	0.9
Ordinary	0.7	2.0	6.2	8.7	12.1	18.6	9.6	5.2
Total (Old Basis)	14.3	8.9	11.6	21.2	20.6	33.5	15.2	9.2
Including Permission to Deal								
Debentures	...	...	...	15.0	5.9	12.5	7.1	6.3
Preference	...	...	...	14.4	10.7	12.5	3.8	1.6
Ordinary	...	...	...	37.9	35.1	72.3	20.5	13.5
Total (New Basis)	...	...	...	67.3	51.7	97.3	31.4	21.4

TABLE III
ANALYSIS OF NEW CAPITAL APPLICATIONS (Excluding Conversions)

	Total for First Quarter of Years			
	Old Basis		New Basis	
	1938	1939	1938	1939
British Government Loans	750,000	250,000	750,000	250,000
Colonial Government Loans	Nil	1,287,900	317,400	1,287,000
Foreign Government Loans	Nil	Nil	Nil	Nil
British Corporation, County and Public Board Loans	9,669,300	1,455,000	10,177,400	1,455,000
Colonial Corporations and Public Boards	1,990,000	Nil	1,890,000	Nil
Foreign Corporations	Nil	Nil	Nil	Nil
British Railways	Nil	7,387,500	Nil	7,387,500
Colonial Railways	Nil	Nil	Nil	Nil
Foreign Railways	Nil	Nil	30,100	Nil
Australasian Mines	279,600	Nil	279,600	Nil
South African Mines	1,655,500	852,300	2,343,500	1,805,400
Other Mines	250,000	1,355,900	570,400	4,855,900
Exploration, Financial and Investment Trust	1,742,300	114,600	4,280,200	1,028,100
Breweries and Distilleries	340,000	444,700	788,200	444,700
Merchants, Importers, etc.	Nil	68,700	Nil	88,700
Stores and Trading	Nil	Nil	336,400	1,037,500
Estate and Land	11,000	Nil	113,000	Nil
Rubber	Nil	Nil	Nil	90,300
Oil	2,399,100	Nil	2,399,100	Nil
Iron, Coal, Steel and Engineering	284,600	2,315,000	1,348,600	3,169,100
Electric Light, Power and Telegraph	2,610,000	1,236,000	3,741,800	1,236,000
Tramway and Omnibus	85,900	Nil	2,141,300	894,300
Motor Traction and Manufacturing	Nil	Nil	Nil	Nil
Gas and Water	590,700	Nil	832,300	1,513,100
Hotels, Theatres and Entertainment	2,140,900	666,600	2,467,600	666,600
Patents & Proprietary Articles	Nil	Nil	Nil	Nil
Docks, Harbours and Shipping	Nil	Nil	1,067,100	Nil
Banks and Insurance	920,000	Nil	920,000	Nil
Manufacturing and Miscellaneous	2,016,800	2,280,000	7,700,500	4,508,400
Total	27,733,700	19,633,300	44,596,500	31,815,500

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

	1934	1935	1936	1937	1938	1939
British Government	Nil	Nil	Nil	Nil	Nil	Nil
Other Conversions	43.3	67.8	44.2	28.6	13.3	1.1
Total	43.3	67.8	44.2	28.6	13.3	1.1

on the "new basis" set up in 1935. Thus the figures include securities in respect of which the Stock Exchange gave "permission to deal." Total issues on this basis, however, also show a substantial reduction from £44,596,500 for the first quarter of 1938 to £31,815,500 for the first quarter of 1939. The latter figure, in fact, amounted to 43 per cent. of the total for 1935 and to only 27.7 per cent. of the total for 1937. Company issues on the "new basis" make no better showing than on the "old basis," for the total has fallen by £10 millions to £21.4 millions over the past twelve months. In other words, the fall in industrial issues made directly to the public has not been offset by an expansion in issues made to shareholders, or in the placing of blocks of new industrial securities in the market.

The moribund state of the capital market between January and March this year may have advantages for the formidable programme of defence borrowing which lies ahead, but it also reflects the pallid state of industrial enterprise. It is no accident that the list of important issues on page 67 consists very largely, and in the case of prospectus issues entirely, of fixed interest capital. The occasional small industrial offers which have appeared during the last quarter have adopted a yield basis for their equity shares which, in the heyday of the 1936-37 new issue boomlet, would have seemed fantastic. The ordinary share speculator who was willing to consider a yield basis of 10 per cent. or less three years ago is to-day left

almost unmoved by propositions offering 20 per cent. or more.

It is too soon to decide whether the new issue market, under the subjection of recurrent political crises, has relapsed into semi-permanent idleness. If competition for industrial capital were to become stronger, some measure of influence, if not direct compulsion, would doubtless be sought by the authorities. The latter have experience of the effectiveness of "requests," which worked so well to facilitate the War Loan conversion, and which to-day form the actual basis by which large areas of the new issue market, from corporation loans to foreign transactions, come under official scrutiny. But if control were to be sought, it would need to extend well beyond the formal boundaries of the new issue market. The truth is that so much of modern saving is semi-automatic in form—such as life insurance and mortgage payments, and amounts set aside to company reserves—that regimentation of the capital market, in the full economic sense, would form only one aspect of the mobilisation of finance and industry at large. But if the present trend of direct industrial borrowing is maintained, such steps may not be necessary, so long as defence borrowing is confined to its present limits, and so long as political conditions permit the raising of new defence money on reasonable terms to the Treasury and on attractive terms to the investor. Unfortunately, neither assumption can be regarded as certain.

Topics of the Week

Parliament and the Crisis.—Lord Baldwin's great talent as a commoner was his notable facility for changing his policy without losing his supporters. His successor in the Premiership has not the same political pliancy. Yet, at the moment, it appears more likely than not that the reversal of his policy of appeasement may leave Mr Chamberlain still entrenched in office. It was loyalty rather than conviction which moved the mass of Tories to stand by their leader without demur in the bewildering and disappointing post-Munich days. Now that Mr Chamberlain has opened his eyes to the true nature of the menace without, and now that in both diplomacy and arms he is clearly prepared to take forthright steps to buttress, not only England's safety, but also the independence of England's friends, conviction can reinforce allegiance. The Prime Minister's very definite statement to the Commons that the current discussions with like-minded Powers had gone much beyond mere consultations; his reported unqualified condemnation of the Fuehrer's "perfidy" in the vigorous address he delivered this week to the Conservative 1922 group; and Wednesday's decision to double the war strength of the Territorial Army: all these and other signs show that the differences between Mr Chamberlain and his critics have become differences of means rather than of ends. Nevertheless, once nation-wide agreement has been attained about the grim reality of present dangers and the need for strong measures to meet them, it is means that are all-important. Here lies the difference between the critical motion tabled by 35 dissentient Government supporters on Tuesday and the counter-expression of confidence put down by 177 of the faithful on the following day. Mr Eden, Mr Duff Cooper, Mr Churchill, their brethren on the Government benches, and a large part of the Opposition are calling for the re-formation of the National Government on a broader basis and the assumption of plenary powers over industry, wealth and manpower "to enable this country to put forward its maximum military effort in the shortest possible time." Released at last from the pious duty to approve a passive and dangerous foreign policy, the bulk of the Conservatives, on the other hand, are apparently content to leave things as they are; and, although their ranks probably include a majority prepared for conscription and compulsion, they seem sufficiently impressed by Mr Chamberlain's sincere confidence in the efficacy of voluntary methods to permit

him to give them a further trial. In this latter respect their stand is similar to the formal position of the Labour Opposition, who are afraid to concede full powers to Mr Chamberlain and his colleagues.

The Next Step.—Actually this state of "politics as usual" is an impermanent position. The fact is that all the parties are waiting to see what comes of the Peace Front, and, judged by the comparatively cordial exchange of questions and answers in the Commons this week, even the Labour leaders are ready to believe that Mr Chamberlain and Lord Halifax are doing their best to get results. It is generally realised that the decision here is not England's alone. But, when the best, or the worst, is known about the Peace Front, a drastic review of the balance of political forces in Parliament cannot be avoided. Even if, as seems not unlikely, Mr Chamberlain does sit more firmly in the saddle, it will only be by dint of taking into account two facts: first, that the war-time devices of a compulsory National Register, universal National Service and a Ministry of Supply are now absolutely necessary means to make his new policy work; and, secondly, that a large majority of the electorate, on the Left as well as on the Right, is willing, and even anxious, to accept the imposition of new and stringent duties. Such measures are not party measures. Whether Mr Chamberlain continues to rule or not, the only Government that can schedule and enforce universal national duties is a truly National Government. It so happens that, owing to the conjuncture of an autocratically led and docile Government group and an ineffective Opposition, such an administration, which alone would be really representative of public opinion, is not likely to emerge in the normal way. The true test of Mr Chamberlain's stature as a statesman in coming weeks will be whether he is willing and able to make such a Ministry. If he does not, then it will be England's political wisdom and resources of leadership that will be tested to the same inescapable end.

Making a Real Army.—This is a time for deeds, not words, and Wednesday's announcement that the field establishment of the Territorial Army was to be doubled

and brought up to a strength of 340,000 men (in addition to the 100,000 Territorials allocated to anti-aircraft duty) will do more to inspire confidence at home and abroad in England's firmness of resolve than a whole series of resolute speeches. The disposition of man-power for Home and Imperial Defence will remain unchanged, and the new divisions will be trained and equipped to expand the Field Force which will be available to act as an expeditionary army in Europe. The change is thus intended to implement directly England's new foreign policy. The Field Force will now consist, when complete, of 32 divisions instead of the 19 recently announced by the War Minister; it will be made up of six Regular and 26 Territorial divisions and will number over 400,000 men. Deeds do not end here, however: it will need a colossal recruiting campaign to raise the new personnel; and it will need a vast industrial effort to produce, as rapidly as possible, the training accommodation and equipment, the rifles, guns and materials that such a force will require. And it will need speedy success in the co-operative forging of fresh military commitments on the Continent to make the decision to build up a new Army worth while. This extension of our armed man-power is not an end; it is a promising beginning.

France in Conscription.—The decrees passed these last two weeks and valid until November 30th next carry the principle and practice of conscription into the lives of Frenchmen more thoroughly than ever before in the history of the Third Republic, the war years excepted. The consent of the French people to be organised for war can hardly go further than that already given to the powers which the Government has assumed, meaning as they do a deep-reaching control over man and machine power. Enough decrees have now been published to reveal the Government's intentions and permit a brief review. Broadly, the decrees divide themselves into three main classes, those affecting military defence, industrial production, and budgetary economy. As regards the first, the Army is to be strengthened by expanding the number of professional cadres to allow of an additional 422 professional officers and 2,500 non-commissioned officers, by a further mechanisation, and by the raising of new African levies. Key military commands are to be strengthened and reorganised, new personnel recruited for A.R.P. and, most striking of all, a much tighter control maintained over the publication of military information. Compared with our own Official Secrets Act the decree makes interesting reading: according to the *Journal Officiel* it is forbidden under all circumstances to divulge, give out, publish, or reproduce military information of any kind not already published by the Government. Another 2,600 ratings are to be recruited for the Navy, and conditions improved as an inducement to longer service. Thus far we are within the bounds of military conscription. The decrees affecting industry are another matter. Here there are radical, almost revolutionary, changes. In all "national defence industries" (and the term has a very wide application) the 40-hour week gives way to one of 60 hours or more, the only compensations being in the payment of overtime rates for hours worked above forty. Far-reaching in its effects on industrial organisation and its implications on personal liberty is the priority which all manufacturers must give to State over private orders; and complementary to this are decrees which forbid industries working on State contracts to compete for labour, or employers to take on men already in jobs, while registered unemployed workers are now bound to accept work on national defence on pain of losing a year's benefits if they refuse. The whole of this complicated procedure, serialised as it is with qualifications and obligations, is to be supervised by a committee established under the aegis of the Ministry of National Defence. Their task will be to co-ordinate in order of priority all "national defence" production, to buy raw materials, collect stocks, and finance contracts.

Along with this unstinted conscription of human and mechanical resources there is a number of decrees which

will carry further the work already done by M. Reynaud's "Axe Committee." The Government is taking the chance of economising in a number of ways which would be difficult if not impossible in the piping times of peace. The main purpose of the decrees under this heading is to bring under central control some of the 65 autonomous "offices" through which a part of French government is executed, with the dual aim of ending bad administration and of reducing the number of civil servants. The decision to limit the number of civil servants—no new posts are to be added in 1939 and vacant posts are not to be filled—again carries a step further measures advised by M. Reynaud last November (*The Economist*, November 19, 1938, page 368). M. Caillaux has called the financially independent "offices" the "seed-bed of all abuse," and their total expenditure is as much as 3½ milliard francs per year, a figure that will be a good deal reduced now that 15 of them have been abolished. Of the public services now to come under central control the most important are the administrations of the autonomous ports of Le Havre and Bordeaux, and a number of technical schools; and, of the offices to be suppressed, outstanding are the National Office for Industrial Property and the National Office for Liquid Fuel. The Government's present temper may be tested by the summary treatment meted out to the administration of Marseilles, whose corruption and misuse of power are almost legendary. A special administrator responsible to the Prime Minister has been appointed to haul Marseilles government out of its moral and material abyss and give it a new constitution which will resemble that of Paris. Against this concerted invasion upon their municipal and personal liberty the French have raised surprisingly small protest; only the C.G.T. has signified dissent by resolving against the 60-hour week, but even here the opposition promises to be for bargaining rather than for boycotting. And this silence can only mean that the French are thinking, as the *Temps* puts it, that "we are not at war—but we are no longer at peace."

Germany, Poland, Lithuania.—Poland's position today bears an unpleasant resemblance to Czecho-Slovakia's twelve months ago, after Hitler's seizure of Austria. Today, Poland, in her turn, is half encircled between two arms of the German octopus. On the south, the German protectorate over Slovakia outflanks the Poles, as the German annexation of Austria outflanked the Czechs; on the north, East Prussia and Memel play the same part in Germany's strategy against Poland as German Silesia played in the Czech tragedy. It is also not improbable that the northern arm of the octopus may be soon and seriously lengthened, to Poland's detriment. We cannot rule out the possibility that, in the near future, Lithuania may go the same way as Slovakia. On paper, Lithuania has obtained from Germany, in exchange for the retrocession of Memel, not only the promise of a free zone in that port, but also a guarantee of the integrity of what remains of her territory. This guarantee, however, is conditional on Lithuania's joining no anti-German alliance, and the outlet through Memel, which now depends entirely on Germany's good will, is the only outlet to the sea that Lithuania possesses. Thus Germany now has a strangle-hold on Lithuania, which may prove tantamount, in fact if not in form, to that protectorate over Slovakia which Germany has already established in plain terms. And the subjugation of Lithuania might be accelerated by domestic strains and stresses of which the change of Government at Kovno may be a portent.

These German moves to north and south of Poland are being accompanied, in the German Press, by a drum-fire of vituperation of the Poles on account of their alleged atrocities against the German minority in their midst. A similar verbal artillery preparation preceded each of the three German offensives against Czecho-Slovakia that have resulted, within a period of less than twelve months, in the extinction, at least for the moment, of the assaulted country's independence. This ominous

precedent has not been lost on the Poles, and the spirit of the people is no doubt expressed in an article, published on March 25th, in a newspaper which is the official journal of the Polish Ministry of War, declaring that Poland will fight for her independence against all comers, however strong they may be in man-power and equipment. An unobtrusive, but apparently extensive mobilisation is being carried out, and there is a most remarkable spate of private gifts to the Government for the country's defence. Whether the German threats are preludes to aggression or merely attempts to dissuade Poland from making any arrangement with Great Britain remains to be seen in the immediate future. But it is as certain as anything can be in this world that, if Germany does attack Poland, there will be war. But, if war there is to be, it is a matter of life and death for all of us that Germany should not be the victor. Polish gallantry cannot wholly offset Germany's big battalions and big munitions plants. And, if Poland were to insist on fighting our common battle without allies, she would be courting a disaster which would not be hers alone. This aspect of Poland's problem is touched upon in the first of our leading articles this week.

Germany Exploits Roumania.—Now that the facts are emerging it is possible to see how far-reaching is the hold which Germany's new trade treaty gives her on Roumania; and, having seen, to realise how little reason there is for the merchants and politicians of the rest of the world to sit back with sighs of relief. For if it is not true that Roumania has bound herself entirely to Germany, it is true that the future development of this country of nineteen million people will now be carried out only with the intimate collaboration of the Reich. With this in mind we may catch at the full implications of the policy of gentlemanly disinterest in Balkan Europe hitherto pursued, in fact if not in theory, by Great Britain: the history of the last three years shows Roumania ready (if not always over-willing) to do more trade with the Western Powers, and with each lost opportunity brought nearer the virtual surrender of her free development to Germany's skilful blend of patience and pressure. The new treaty, which is not far from that surrender, is to be operated within the terms of the commercial agreement signed between Germany and Roumania last December (*The Economist*, December 24, 1938) and arranges for Roumania to dispose of her surplus food production in exchange for machinery, manufactured goods, and armaments on lines explained by our Berlin Correspondent on page 16. Now that the Reich, with Bohemia-Moravia, provides 49 per cent. of Roumania's imports and buys 36 per cent. of her exports (against 38 per cent. and 26 per cent. respectively for Germany with Austria), the fact that Roumania may still make trade concessions and agreements with other countries is of limited consolation. In passing it may be remarked how

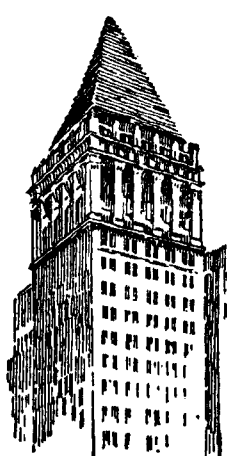
well these swollen proportions emphasise the purchase which the new Reich can exert on countries which traded with Czecho-Slovakia: Poland, for instance, now buys from Germany about one-quarter of her imports. All the emphasis in the treaty is on the planned adaptation of a complete national economy to another nation's requirements which must be rare if not unique in history. And although in looking at this adaptation a liberal eye might discern the outline of a new Eastern Europe integrated smoothly within itself and progressing towards higher standards of living whilst retaining its essential agrarian character, the outline would be marred by that menace of political domination which it is not possible to forget. It is silly to pretend that Roumania has let down the Western Powers: she has merely done the best for herself in the circumstances. The Roumanians least of all have desired those circumstances.

Facts About Roumanian Oil.—The most important fact about Roumanian oil is that the wells are steadily giving out. Production has been falling for several years, and in 1938 was only 6,603,000 metric tons. As things are, only a small fraction of Britain's oil supplies come from Roumania, only about one-tenth of Germany's, but as much as one-fifth of Italy's. The Petroleum Press Bureau has compiled the following table:—

	ROUMANIAN OIL EXPORTS BY COUNTRIES		
	(Metric tons)	1936	1937
Germany	1,072,402	435,281	703,732
Austria	341,804	91,710	*
Italy	653,222	575,800	556,535
United Kingdom	846,276	580,182	549,227
Czecho-Slovakia	290,799	354,131	294,887
France	866,322	603,868	289,338
Egypt	300,867	278,884	283,309
Greece	111,201	249,244	200,215
Hungary	252,166	288,411	198,078
Jugoslavia	132,955	164,658	143,161
Spain	166,273	229,351	142,853
Belgium	75,317	52,863	120,089
Other countries and ships ..	1,875,107	1,763,954	1,022,011
Total	6,884,716	5,668,337	4,503,431

* Included in Germany.

In 1938 Germany imported from Roumania 13.3 per cent. of her total oil imports of 5,268,000 tons (last December's agreement gave her the right to acquire 25 per cent. of Roumania's oil production), so she is still far from the goal of oil self-sufficiency within the confines of Eastern Europe. Moreover, it is relevant at least in peace-time that by far the greater part of Roumania's oil is produced by companies owned by foreign (i.e. neither Roumanian nor German) capital. The table brings out the fact that the United Kingdom is one of the leading buyers, that in 1937 France was actually at the top of the list, and that in 1938 France and Britain purchased 838,565 metric tons,



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against Germany's and Italy's 1,260,267 tons. Meanwhile total oil exports have fallen from 6,884,716 metric tons in 1936 to 5,668,337 in 1937 and 4,503,431 in 1938, by products as follows:—

ROUMANIAN OIL EXPORTS BY PRODUCTS
(Metric Tons)

	1936	1937	1938
Crude oil	628,585	472,402	335,437
Gasoline	2,096,671	1,829,865	1,586,360
Kerosene	1,146,815	952,116	827,084
Lubricants	37,208	34,841	40,580
Gas oil	1,181,748	897,339	763,369
Fuel oil	1,764,167	1,454,086	917,605
Other products	29,522	27,688	32,996
Total	6,884,716	5,668,337	4,503,431

Aid for Shipping and Shipbuilding.—Ever since the publication of the shipping industry's proposals for assistance early this year (they were summarised on page 65 of *The Economist* of January 14th) both shipowners and shipbuilders have anxiously awaited the Government's decision. Although complete details of the Government's scheme have yet to be worked out, Mr Oliver Stanley was able to give a rough outline of its nature in reply to a question in the House of Commons last Tuesday. The Government has rightly decided to tackle the problems of shipping and shipbuilding as a whole.

(a) *Deep Sea and Near Continental Tramps.*—A subsidy of £2,750,000 per annum is to be made available for a period of five years, actual payments to be governed by a sliding-scale based on freight rates. As a condition the Government will expect the industry to continue its efforts of promoting an international agreement designed to adjust the demand of tonnage to the supply. There will be no subsidy for coasting tramps.

(b) Instead of the Liner Defence Fund demanded by the shipping industry, it is proposed to appoint an Advisory Committee for an experimental period of two years to examine and advise the Government "regarding requests for assistance from liner companies whose services are endangered by foreign competition." Each case would be considered on its merits.

(c) In order to encourage shipowners to place new orders with shipbuilders owners of tramps and cargo liners are to receive a grant not exceeding £500,000 per annum during the next five years, with the exception of any year in which earnings did not justify public expenditure. Secondly, the Government propose to make available £10,000,000 for loans to shipowners on favourable terms during the next two years for the purpose of building tramps and cargo liners, other than refrigerated and passenger vessels.

(d) Finally, the Government propose to make £2,000,000 available for the purchase of suitable vessels which, though still capable of service, would otherwise be sold to foreign makers for breaking-up. This proposal follows closely Mr Hieldin's scheme for the laying-up of a reserve of shipping to be used in emergency.

In addition to the financial assistance the Government will continue to take all possible steps to promote the interests of British shipping in connection with trade negotiations and other discussions with foreign Governments.

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is entitled to have, what it has never been given, a convincing explanation by a disinterested inquiry, of why the costs of British shipping, and especially of British shipbuilding, are so much higher than those of other countries whose general position is not dissimilar from ours. It is all to the good that assurances have been received from the shipbuilding, marine engineering and steel industries that they will not raise prices as a result of the prospective increase in shipbuilding orders. But why is it that Great Britain, which used to build the world's cheapest ships, now builds almost the world's dearest?

The Cotton Bill.—We have become so accustomed to Parliamentary debates about the statutory regulation of industrial enterprise being made into bitter pitched battles by the intransigent opposition of vested interests, that the peaceable passage which the Cotton Industry (Reorganisation) Bill seems likely to receive appears at first glance surprising. It was read a second time in the Commons on Monday without a division and the Government spokesmen's comment on the debate, that no member had opposed the principle of the measure, was justified. True, the Opposition Committee are fighting a rearguard action. But their contention that the majorities received for the Bill in the ballots held in the various sections of the industry were not sufficiently large to justify statutory approval, reads only like, say, the claim of the Municipal Reformers in London that Labour wins local elections because the right sort of citizens refrain from voting. Many merchants are, admittedly, hostile to the Bill. But, as the merchanting and distributive sections of the industry are almost certainly too large and costly for its efficiency, to have aroused this hostility may in fact be a sign of grace in a measure which offends all too few interests in a business which is very urgently in need of very drastic treatment. The Opposition Committee claim, rightly, that the Bill will not ensure the recapture of markets lost in countries which now manufacture their own textiles or markets won by competitors with cheaper lines. No Bill could do that. Many of these markets have, in the nature of things, gone for good; and, for the rest, it is only by efficient production at lower prices still that ground can be regained. The Bill presumably represents the industry's own plans for scaling itself down to suit its shrunken world status and for achieving maximum efficiency under these conditions. It may very well fail to do this, because it may bear too conspicuously the mark of an "agreed" scheme, devised as a compromise to offend as few as possible of the people who have an interest in the *status quo*. It will certainly fail to do so if it simply puts up prices and leads to none of the surgical operations the cotton industry needs. A chance to do something bold and really effective for Lancashire may indeed have been lost. But, as the Opposition Committee's own crusted distaste for this Bill shows, the cottonmen, no more than the coalowners last year, are scarcely ripe for heroic measures.

Rayon's Claim.—As it stands, the Cotton Bill is at least innocuous. Even so, it is hardly reasonable that the different trade of rayon making should have been dragged by the heels into its scheme. The rayon industry is a newcomer in the textile field, but it employs over 100,000 workers. While the output of the cotton industry has fallen by 40 per cent. since 1913, that of the rayon industry has risen by 22 per cent. The earlier stages of rayon-making have no connection at all with cotton; the initial process of continuous filament spinning being carried out by exclusively rayon producers. The later stages are not so distinct: rayon can and is woven on the same looms as cotton; and it is for this reason that the Cotton Bill cavalierly proposes to bring rayon weaving (as distinct from rayon spinning, which is specifically excluded) within the scope of the cotton reorganisation schemes. On balance, the proposal, even if it has some justification in expediency, is unjust and uneconomic. Technically rayon is

far ahead of cotton. In consumption they are not seldom rivals. To impose the control of the cotton interests upon the rayon industry would be to risk the serious blocking of progress in technique and price in a branch of textile manufacture which has the unusual felicity to enjoy a prosperous outlook.

Death of a Republic.—On Wednesday, thirty-two and a half months after the first day's fighting, the civil war ended in Spain. While the Falangist "fifth columns" mingle with General Franco's soldiers in the surrendered cities of Madrid, Valencia, Cartagena and Alicante, the Republican leaders have gone and their armies are melting away. General Miaja has gone to Algeria, and his soldiers wearily back to their villages. No other reply was possible to the offensive which General Franco launched on all fronts during the previous week-end. The civil arm is taking over, and with its coming we may hope that there will be an end to drumhead justice; and, perhaps it was not without significance that the troops walking into Madrid were in time to fraternise with the last defenders. Both Signor Mussolini and Herr Hitler have sent General Franco wordy eulogies in telegraphic form, and Señor Suñer, Nationalist Minister of the Interior, has broadcast to the democracies the news that their struggle for Bolshevism is finally defeated. We can be grateful to them for reminding us that this was no ordinary civil war, no mere blazing away of one faction against another, but a conflict of Good and Evil, with the big battalions on the side of the angels. But the reminder is superfluous. For nearly three years the Spanish Republic was borne up by the willing sacrifice of human lives: if at the end it has perished beneath a flow of words and its obsequies attended by gross congratulation, we shall be the less likely to forget the real cause of its death.

Hungary and Slovakia.—On March 23rd, in Berlin, a treaty was signed establishing a German protectorate over Slovakia for 25 years, and conceding to Germany, in exchange, extensive military rights and facilities in Slovak territory. On the 24th it was reported from Bratislava that Hungarian troops had launched a fresh invasion of Slovak territory in the Už Valley, on the border between Slovakia and Carpatho-Ruthenia, and in this region the fighting has since continued, in the air as well as on the ground, with appreciable casualties on both sides. Does not this Hungarian military offensive bring the German-Slovak treaty of March 23rd into play? The Hungarians maintain that it does not—on the ground that the frontier between Slovakia and Ruthenia, unlike that between Slovakia and Hungary herself, has not yet been defined or delimited. The Hungarians' object is to gain control of the whole length of a railway, running up this valley and crossing the Carpathians at its head, and to safeguard it by obtaining vantage points immediately to the west, since this railway affords a third line of communication between Hungary and Poland.

The German attitude towards the affair remains sphynx-like. The news of the fighting has not been allowed to figure in either the German or the Czech Press. Manifestly the Hungarians are reckoning on being able to produce a *fait accompli* which it will not be worth Germany's while to countermand; and the calculation seems to be well grounded. Dr Goebbels was in Budapest this week, and doubtless explained the German attitude. In allowing Hungary to conquer Ruthenia, Germany was already waiving her previous objection to the establishment of a common frontier between Hungary and Poland, and, this decision once taken, it obviously matters little to Germany exactly how far east or west the new Slovak-Ruthenian frontier is drawn. Ruthenia would have been of importance to Germany if she had been able to wait long enough to enable her to build military roads along the

Slovak-Ruthenian corridor from Silesia and Austria to the Roumanian frontier and build up from Ruthenia a widespread movement of Ukrainian nationalism. But time is pressing; and in any case it becomes clearer each week that Hungarian sovereignty can only be exercised within the very narrow limits of the German ambit.

Japan, China and Europe.—On March 21st the Japanese Foreign Minister, Mr Arita, telegraphed to the German Foreign Minister, Herr von Ribbentrop, his congratulations on the German annexation of Czecho-Slovakia as a step which "will contribute much towards the stabilisation of Europe and the cause of world peace." Japanese diplomacy has a way of carrying the misuse of words to lengths so extravagant as to be humorous, if humour were intended; but we may be sure that Mr Arita no more meant to be funny on this occasion than the authors of the many previous gems of Japanese official phraseology. No doubt Mr Arita's real meaning is that Hitler's latest blow has so gravely disturbed the stability of Europe and so seriously prejudiced the cause of world peace that there will be good fishing for Japan as well as Germany in the troubled waters. This message from Tokyo to Berlin has to be read in conjunction with Signor Mussolini's threat, in Rome last Sunday, that any attempt to build up a defensive alliance of the peacefully intentioned powers might be countered by an attack upon them, on the part of the totalitarian Powers, in all quarters of the globe. Are plans being discussed for a Japanese seizure of British and French possessions in the Far East in the event of the Axis Powers launching an attack in the West? The military junta which is in the saddle in Japan to-day is in a position not unlike Hitler's; it can make spectacular conquests but cannot transmute these into economic harvests; and it may therefore be tempted to follow suit to Hitler in trying to conjure away the disappointment of its own people by sweeping off the board any pawns that happen to be commanded by its pieces. Yet the seizure of Hongkong or Indo-China would be still less decisive for the fate of the world than the seizure of Czecho-Slovakia; and acts of aggression which would bring down upon Japan a long-range Anglo-French naval blockade, and which might lead in the end to the intervention of the United States and Russia, would be disastrous for a Japan who is still bogged in China. This dilemma, it would appear, has come to a head in Tokyo recently as the result of a German proposal to turn the Anti-Communist Pact into a military alliance. To judge by a statement made by Baron Hiranuma, the Prime Minister, on Wednesday, the moderates have, for the moment, succeeded in convincing or in out-voting the military, since Baron Hiranuma was at pains to say that Japan was neither totalitarian nor democratic and therefore confronted neither *bloc*. This attitude is certainly in Japan's own interest—no less so because it is also in the interest of the democratic powers.



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The World Overseas

The attention of our readers is drawn to an alteration in the presentation of this section of *The Economist*. Two changes are involved. In the first place, in addition to our Correspondents' dispatches, it is proposed to print in this section other articles of a factual and descriptive nature. To prevent misunderstanding, items contributed by our regular Correspondents will be specifically acknowledged to them (e.g. "From our New York Correspondent"), and they must not be held responsible for any article bearing no attribution, or a less specific acknowledgment (e.g. "From an American Correspondent.")

Secondly, our Correspondents' dispatches will, in the future, take the form more of articles on matters of particular interest than merely of regular reports. Such statistical and other information as has been regularly given in the Overseas Correspondence in the past will, however, continue to appear.

It is hoped that these changes, which are more of form than of substance, will add to the interest of this section of the paper without in any way detracting from its value.

Holland and the Next War

HOLLAND's problem is how to remain neutral. And this problem of how to avoid the impact of almost incalculable forces on small but vulnerable Holland and on her enormous, but equally vulnerable, colonial possessions, is at the centre of Dutch political discussion at the moment. The recent announcement by Dr Patijn, the Foreign Minister, that his country's territory would not be open to the free passage of "League" troops advancing against an aggressor, emphasises how alive the Dutch are to the chance they have of becoming the inhabitants of a battlefield. Holland has been neutral in Europe for over one hundred years: will she be able to remain so in the future?

She means to try. Both at home and abroad the Dutch Government is taking measures to detach itself from possible European quarrels: at home by preparing economic and military defences, and abroad by severing Dutch diplomacy from automatic commitments. Together with the other "Oslo" States Holland has declared that she cannot subscribe to those parts of the Covenant of the League which involve members in collective war; and in doing so Dr Patijn has only extended the policy which, under Jonkheer de Graeff in 1937, refused a guarantee treaty with Germany on the ground that the independence of Holland rested in natural right and the determination of the Dutch to defend it. King Leopold's visit to The Hague last November, cancelling as it did old scores reckoned up for years past, has completed the tale of Holland's good-neighbourliness.

The economic side of Dutch neutrality is causing much heart-searching in Holland at the moment and may be briefly stated. It is clear that the Dutch could be made to suffer grievously by German economic pressure, unless Germany's enemies would supply Holland with food and other necessities of life. In 1937 the port of Rotterdam, by river and canal traffic alone, handled 3,190 million metric tons out of a total for all Dutch ports, by sea, river, and canal, of 10,853 million metric tons; and the total effect of a closed German frontier may be gathered from the following table:—

IMPORT, EXPORT, AND TRANSIT TRAFFIC

	1937	
	In thousands of metric tons Inwards	Outwards
By sea	31,415	26,225
By river and canal:		
Over the Belgian frontier	9,285	14,431
Over the German frontier	33,589	25,938
By railway and light railway:		
Over the Belgian frontier	674	2,703
Over the German frontier	2,517	795
By road:		
Over the Belgian frontier	190	350
Over the German frontier	168	89

Thus 46 per cent. of all goods arriving in Holland come over the German frontier; and, apart from sea transport, the proportion is as high as 77 per cent.

But if the Dutch have much to fear from a closed German frontier, war experience showed that the effect of an Allied boycott would be entirely disastrous. Until well on in 1915

the Dutch had commercial cause to thank their stars for neutrality: after that date they had good reason to complain of the belligerents' conception of what neutrality should be, and by 1918 they were facing the prospect of genuine privation. Even with their ability to build ships for themselves they could not keep up with the sinking and commandeering which became more and more intense as the war lengthened. The piling up of contraband laws, the unrestricted submarine warfare, and, as a last straw, the invocation by the Allies in 1917 of the "Right of Angary" which excused them for laying hold of Netherlands shipping wherever they found it in harbour, these and other obstacles to Dutch commerce conspired to make of neutrality a sorry condition, and one which it was increasingly difficult to maintain without transgressing the narrow laws which each belligerent competed with the other to apply. Inward clearings to Dutch ports fell from 12,454 ships in 1914 to 1,177 in 1918.

Dependence on Imports

The following two tables show to some extent how Holland is dependent on imported goods:—

	1937	
	In metric tons Imports	Exports
Mining products.....	10,512,000	6,663,000
Agricultural products, including various foodstuffs	4,733,000	3,484,000
Textiles	100,000	87,000
Metallurgical, shipbuilding, carriage works	1,855,000	532,000

Although crisis regulations had been introduced at the earliest stages of the war and had reached by 1918 an immensely complicated structure based on import control by the Netherlands Overseas Trading Company, on export control by the Netherlands Export Company, and on control of home production by a great number of compulsory producers' associations; although by 1917 there existed laws for requisitioning ships and prohibiting the sale or hire of Netherlands shipping to foreign clients; and although general rationing was brought in towards the summer of 1918 and legislation drawn up for bringing grassland under the plough: nothing that was done or could be done was able to avert the prospect of dire shortage during the coming winter. The Armistice intervened just in time.

Below are listed several vital commodities which the Dutch must import. The figures shown are import balances expressed in metric tons:—

1937		1937	
Barley	209,134	Mineral oils other than petrol, benzene, and heavy combustion oils	499,300
Maize	961,710	Kerosene.....	258,910
Wheat	568,500	Heavy combustion oils	213,300
Timber	1,775,450	Rubber products	7,900
Petrol	265,581		
Benzene	242,320		

In 1937 the United Kingdom, with a population over five times that of the Netherlands, had an import balance of wheat amounting to 3,900,000 tons, and of barley to 250,000 tons, while the annual imports of oil into the United Kingdom are about 10 million tons compared with the Netherlands's 1,500,000 tons. To this list must, of course, be added heavy imports of coal and metallurgical goods, but enough has been said to show that, even if Germany were able to continue export of food and raw materials to Holland during time of war, without overseas imports Dutch industry would be unable to carry on. The trials of 1918, when Government control of food and raw materials had been more or less strict for three years, proved this: and it was even doubtful, at that time, whether the Dutch would be able to feed themselves from the products of their own soil.

The Dutch, therefore, have every reason to prepare for the next war with backward glances at what they suffered in the last. They are at present doing what they can to curtail some of their more obvious liabilities. At the end of last December the Government put before the States General eight bills containing a system of measures designed to enable peace-time organisation of economic as well as military defence, with particular regard to agriculture, rationing, prices, requisitioning of ships, and war insurance. Yet, in the end, it is clear that a neutral Holland can live through a long war only if the belligerents are prepared to respect her neutrality and also, in the case of the maritime Powers, to support it by allowing imports from overseas.

Neutrality depends on immunity from military attack; and it is on the military side that less clear-cut conclusions are possible. Along with their economic defences the Dutch Government are pressing on with re-armament and, largely through the enrolment of private enterprise, of civilian defence. A number of provincial municipal bodies and even separate industrial concerns are providing themselves with anti-aircraft batteries and staffs to man them, and the production of gas-masks, almost unheard of last October, is also going ahead. By 1941 the naval programme should be completed, providing Holland with a modern force of three cruisers, two flotilla-leaders, twelve destroyers, twenty-four submarines and, lately ordered, twenty Scott-Paine motor torpedo boats for coastal defence. The total airforce may be estimated at about 600 machines, of these the Navy having about eighty and the Colonial army about 117. Numbers are being increased by purchases abroad as well as by production at home.

Although a system of fortifications consisting of concrete pill-boxes and similar obstacles is in course of construction along the German frontier and on parts of the coast, no one in Holland imagines that the Dutch army would be able to defend the whole country from invasion. It is generally supposed that, in face of German attack, the army would retreat to the dyke area centring on Amsterdam and containing parts of the provinces of Utrecht, Gelderland, North and South Holland, including The Hague and Rotterdam; and, having blown up bridges and opened a number of dykes, keep the enemy outside the flooded area.

Given the dual consideration that Holland will resist invasion and, in fact, will be better able to pass on what food-stuffs she can (not a great deal, once imports are cut off and the needs of her own eight millions supplied) if left in comparative peace, it is clear that Herr Hitler had good reason for offering a guarantee of the Dutch-German frontier. How far he would go in wartime, and how far Holland would be able to resist his more pressing overtures, is much less clear. But the odds are on the side of successful neutrality.

America's Dwindling Millionaires

[FROM OUR NEW YORK CORRESPONDENT]

THIS is 1939, ten years since the fateful year 1929, when the Era of Prosperity unbounded ended. Men's minds are not a little filled with the contrasts and comparisons that a decade has wrought. To take one instance: according to the American Iron and Steel Institute, the United States production of steel ingots and castings in 1938 was 28,250,000 gross tons, or one-fourth of the world output. In 1929 it was one-half of the world output.

Or to take another case: the chief feature of the period 1921-29 was an enormous expansion of credit against stock market collateral—in direct bank loans to customers, in bank

loans to brokers in turn re-lent to the brokers' customers, and in stock market loans through brokers from non-bank lenders ("brokers' loans for the account of others"). Of that great fabric of loans only a fraction survived the Great Deflation.

The structure of credit has been rebuilt. But it has been rebuilt of credit extended to the Federal Treasury. Its economic derivations are quite different. In the 'twenties, confidence or, as it proved, over-confidence, gave the bank credit created an extreme velocity; in the 'thirties, although the volume of deposits exceeds, and has for a long time exceeded, even the high figures of the late 'twenties, the velocity of their turnover has remained low, both absolutely and relative to the total of deposits. Throughout the 'twenties, with only brief interruptions, our resources of material and personnel were almost fully occupied—almost continuously; so far, in the 'thirties, our resources of material and personnel have never been fully utilised; and, while it is doubtful whether our material is now equal to what it was in the late 'twenties, our personnel has increased year by year. The result is that the physical industrial equipment per employable adult is probably considerably inferior to what it was in the 'twenties—certainly the late 'twenties.

Ten Years of Change

The last ten years have seen drastic changes, too, in national wealth. The national income has fallen and there are fewer rich men to-day than there were in the Prosperity Era. These are the most bodeful changes, even though there has, of course, been a marked rise in national income and the number of fortunes since the depression days of the early thirties. Preliminary figures of the individual income tax returns for 1937 have been published by the Treasury. For 1937, 6,231,431 returns were filed, of which 3,310,201 were taxable. The number of returns was 16.8 per cent. greater than for 1936; and the number of taxable returns increased by about the same proportion. The total net income reported was about \$21,000 millions, or approximately one-third of the estimated "national income paid out," an increase of about 11.3 per cent. over 1936. The increase was in the lower income grades, so that the total income reported on taxable returns rose only 8.6 per cent., although the number of taxable returns increased 17.5 per cent.

The greatest increase occurred in the lowest income grade—in incomes under \$5,000 a year; the number of these returns rose from 2,165,404 in 1936 to 2,607,901 in 1937, with total incomes on the returns of \$5,281 millions and \$6,411 millions, respectively. The number of incomes in the \$5,000-\$10,000 bracket also rose from 417,111 to 469,149 returns, with total incomes of \$2,839 millions in 1936 and \$3,158 millions in 1937. In the \$10,000-\$25,000 bracket, the number of returns and the total of incomes increased only slightly. Above \$25,000 both the number of returns and the total income were lower in 1937 than in 1936.

The striking comparison, however, is between the figures for 1937 and those of, say, ten years ago. The most marked change has occurred in the top grades. If a single bracket is made of persons reporting net income in excess of \$100,000, persons who properly could be referred to as "the rich," the change is remarkable. And it is this class that has been

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singled out for special attention in our tax legislation, as the following table shows:—

THE OVER-£100,000 BRACKET

	Number of Returns	Net Income (\$000,000)	Federal Tax (\$000,000)	Average Rate of Tax %	Net Income after Federal Tax (\$000,000)
1929	14,816	4,368	653	15	3,715
1930	6,202	1,571	239	15	1,332
1931	3,184	779	109	15	670
1932	1,836	383	110	29	273
1933	2,051	467	137	30	330
1934	1,907	420	180	42	340
1935	2,624	569	244	43	325
1936	4,691	970	488	50	482
1937	4,124	857	432	50	425

The so-called "average rate" in this table is not the actual rate of tax, but simply the proceeds of the Federal tax divided by the net income; the actual rates applicable to the lower incomes in the bracket have been, of course, substantially less than those on the higher incomes.

No Funds for Equities

These figures of the income left to this wealthy group after the payment of Federal tax are enormously important. In 1929, those very rich persons had a vast capacity for investment; and they had a preponderant preference for investment in equities. Ten years ago the sum disposable by this group, even making allowance for the fact that a considerable proportion of its income represented realised capital gains rather than current income, is comparable, let us say, to the sums annually available to the life insurance companies—the typical institutional investor, limited to investment in obligations. It is true that 1929 was, in regard to capital gains, obviously a "fluke" year. Even so, it is significant that in 1936-37, the best years since 1929, the number of income returns in the high bracket had fallen by two-thirds and, more important still, the group's net income after payment of Federal taxes has dropped by over four-fifths. The capacity of the very rich to invest out of income has been reduced almost to vanishing point.

Again, in the 'twenties, the high incomes were the principal source of equity capital for American enterprise, just as the insurance companies were the principal source of debt capital for American enterprise. Since the 'twenties the premium income of the insurance companies has been well maintained; there is a supply of debt capital available so large as to make the rates extremely low. But the supply of equity capital in so far as it came from these groups—and there is a good deal of evidence that it came in large measure from individuals in the rather high brackets—has been pretty well shut off.

To some extent, it has been shut off directly by taxation itself. The average tax rate is approximately three times what it was ten years ago. But a more important factor has been the actual disappearance of large incomes.

In the past, the principal source of equity capital in the United States has been the wealthy individual. As the number and wealth of wealthy individuals has shrunk, the supply of equity capital has shrunk. It is hard to avoid the conclusion that the shrinkage of the supply of equity or risk capital is intimately associated with the simultaneous development of the phenomenon of chronic (as contrasted with cyclical) unemployment.

Indeed, the shrinkage in the number of large individual fortunes has had a wide variety of social consequences. They are only gradually becoming apparent. For example, all kinds of charitable or philanthropic organisations have found their donations and bequests diminished; and various forms of religious activity have had to be curtailed. The diminution of the national income over the past ten years is an obvious and familiar fact. But the great changes in distribution are less well known; and it is probably these that have had the more important consequences for American society.

Germany's New Finance Plan

[FROM OUR BERLIN CORRESPONDENT]

THE continued political expansion of the Third Reich has led to further financial difficulties. The international situation and the need for economic reconstruction make any action in capital works and expenditure for the moment

impracticable; and the total public debt in Germany already amounts to about Rm. 60,000-70,000 millions. Once more new financial devices are needed.

Recent years have seen a succession of expedients to finance State expenditure. In March last year Dr Schacht made known a new plan in which Treasury delivery certificates were to replace the special bills formerly used to finance armaments. His object was to secure greater control over public expenditure and to limit the growing burden of debt; after six months the delivery certificates themselves were intended to disappear, and public works were to be paid for out of current receipts and Government loans.

The operation of this plan was prevented by political events, by the Anschluss and the Sudetenland crisis. This led to a financial crisis at the end of the year and, finally, to the removal of Dr Schacht from the Reichsbank presidency, when he was not permitted to put through his plan to cut the knot by considerably increasing taxes. Dr Schacht's successor then put into operation a programme of half measures and temporary expedients (*vide The Economist* of March 4, page 440). Recent events in Central Europe have further increased the financial tension; it is clear that Herr Funk's measures have been inadequate to solve the problem.

At bottom, Germany's financial problem is just this: public expenditure is far above public receipts. The growing volume of short-term debts must be consolidated and new short-term financing facilities must be created. It is to meet this situation that the New Finance Plan has been devised.

Briefly, the Plan is as follows. The delivery certificates, which replaced the special armaments bills last year, will themselves be replaced on May 1st next by tax certificates, of which there are to be two kinds. The Reich, the provinces, the communities, the railways, the Post Office, the motor highways and other public undertakings (as well as other organisations still to be named) are to pay 40 per cent. of the cost of contractors' deliveries and other services in these tax certificates, half to be paid in one kind of certificate and half in the other. The contractors, in turn, will have the right to use these tax certificates to pay for goods and services up to 40 per cent. of their cost; and the new instruments will thus be usable as cash.

Two Kinds of Tax Certificates

The first kind of tax certificates (Type I) will be accepted by the authorities at their nominal value as payment for Reich taxes and dues six months after their issue. The second kind of certificates (Type II) will be accepted for tax payments at 12 per cent. above their nominal value when 37 months have elapsed since their issue, which means that they pay an interest of about 4 per cent. In order to prevent the certificates of Type I from flowing back too quickly to the Treasury, they carry with them certain tax benefits for their possessors. For instance, a special allowance for depreciation charges (on machinery, etc.) is to be given to holders of the certificates, both in the case of taxes on capital and taxes on profits. This means that the possessors of tax certificates of Type I will be able to write off larger sums than correspond to the normal rate of depreciation. After uninterrupted possession of Type I certificates for ten months (only 6 months in 1939) the allowance will amount to 20 per cent. of the total holding of tax certificates; after another year it will be 25 per cent.; after another twelve months, 30 per cent.; and after a third year 35 per cent. Discrimination will also be made in favour of the export trades. The rate of rebate will be raised by 10 per cent. in the case of industries whose export business amounts to at least 25 per cent. of their total turnover.

By these means it is hoped to ensure that the tax certificates will only return to the Reich after several decades. One danger is that people may sell their holdings of Reich loans in order to buy tax certificates and reap the benefits of possessing them. To prevent this, the new decree specifies that in the case of tax certificates acquired by sale of Reich loan holdings, the special allowance is greatly decreased in value. The second kind of tax certificates (Type II) can be accepted as collateral for loans, and may be handled by the banks. Their circulation is to be guided in relation to volume of liquid assets available.

Since future tax receipts in cash will fall because these tax certificates are to be used for tax payments, an increased income tax is to be levied. Briefly, the tax will amount to 30 per cent. of the sum by which the taxpayer's taxable income has increased compared with the preceding year. The increase in the wages of State officials will not be affected

by this tax, since Rm. 600 of any increase in income are to be free of the tax: and there are, in addition, a number of other allowances and reliefs.

A Fresh Phase in Nazi Finance

The new Plan marks a fresh phase in Nazi finance. In future, Reich loans are to be issued only in exceptional cases. This means that the capital market should now be open to a much greater extent to meet the financial needs of private enterprise—which is specially important in present circumstances. So far as the Government itself is concerned, the financing of its expenditure by means of these tax certificates means that the Reich will be relieved of some of its obligations to pay interest. On the other hand, the burden of interest and amortisation on Reich loans since 1935 already amounts to Rm. 735 millions, and by 1947 it will reach a peak of Rm. 1,265 millions. The 12 per cent. to be added after three years to the face value of Type II certificates represents only a book-keeping transaction; it will not actually be paid out, but will be equivalent to a reduction in tax receipts.

The net effect of the Plan is that borrowing by means of short-term instruments will continue; the long-term method is no longer possible. But, in the new measures, care has been taken to see that repayment will stretch over a period of several decades.

It cannot be disguised that the introduction of tax certificates of this kind signifies a further step towards inflation, since (within certain limits) the certificates can be used as money. Meanwhile, the certificates have the somewhat meretricious advantage of not being counted as an increase in the currency circulation in the Reichsbank reports.

The truth is that the Plan cannot be regarded as a real clearing-up of the German financial situation. It never can be cleared up as long as expenditure is greater than income. All the Plan can do is to tide over an acute financial crisis. And the simultaneous introduction of a new tax shows that financial health cannot be restored without further increases in taxation. The point is simple: unproductive investment cannot be financed much longer without a deterioration of the standard of living of the people.

Indeed, even as a device to ease financial tension, the Plan is by no means certain to succeed. The actual value of the tax certificates that will be put into circulation cannot yet be estimated, but it is likely to run to many milliards of Reichsmarks during the next few years. Since the Plan means tying up, not only the short-term capital of industry and banking, but also other capital which would otherwise be employed for the purchase of Reich loans, the question arises whether the new system of financing may not lead to even greater tension. The fact is that it is by no means certain that, in these circumstances, the hope of making the capital market available for private industrial loans would in the event be realised.

Confidence and Revival in France

[FROM OUR PARIS CORRESPONDENT]

THE latest annexations of the Third Reich show the magnitude to which the foreign danger has grown in a single year. The fact that the United States has found it necessary to issue warnings to Germany and Japan shows that there is no country, however far afield, that can feel itself secure. The international situation is more menacing than ever.

Yet there are no signs of undue alarm in France. It is most noticeable that there has been no renewed flight of capital from this country during the present crisis. The reason for this calm is twofold. Since no country abroad or overseas is safe, investors feel that French capital must be defended in France itself. There is no haven of refuge.

Again, the domestic scene has changed. The social conflicts that lately split French economic life have ceased. The forty-hour week which impeded all attempts to rebuild industrial prosperity and speed-up the output of arms has gone in fact, if not entirely in principle. The Treasury is for the moment well stocked, and war orders are being promptly paid for.

French capital therefore is being used for home defence. Economic activity is more and more concentrated upon industries turning out the goods of war. Investment is in general limited to the short-term issues of the State for arms and defence purposes; and investment in private enterprise

lags far behind. The portfolio of the Bank of France of commercial bills stands at about the same value as in the crisis year, 1935, even though the franc has since been devalued by 60 per cent.

The activity of the war industries is already being felt. In February the index of industrial production stood at 89 compared with 87 in January, 86 in December and 81 in October. It was five points above the figure for February a year ago, which is remarkable when it is remembered that, say, the figure for last October was as much as 9 points below that for October, 1937.

Unemployment, too, is beginning to decline earlier in the year than usual, and more markedly. The number of persons wholly out of work on March 18 was 404,304. This was 3,146 fewer than in the previous week and 4 per cent. smaller than the total unemployed on February 11. Last year, by contrast, the corresponding fall was 1 per cent.

Average daily output in a number of major industries has also risen. The production of coal in February, for instance, was 4,022,127 tons: output per day was 188,336 tons, against 186,420 tons in January and 180,808 tons in February, 1938. Electricity output has risen, too: in January it amounted to 1,430 million Kwh. (reckoning in only the 114 most important companies) compared with 1,324 million Kwh. (by the same companies) in January, 1938.

Only the Beginning

The current revival is only the beginning. France has now been put upon a war-production footing by M. Daladier's latest decrees, whose effects have not yet been felt, and the centralisation of military supplies and output will produce large results. This week has seen only decrees supplementary to the initial reorganisation and reconstruction measures. One set of five registered the important decision to expand the personnel of the Navy. Another batch of four were designed to stimulate export sales by working out fiscal reliefs for manufacturers for the export trades.

Meanwhile, fiscal receipts are increasingly satisfactory. Indirect taxes yielded 5.1 million francs more in February than was estimated and 618 millions more than in February, 1938. And prices have remained firm.

	Wholesale Prices	Feb. 18th	Feb. 25th	Mar. 4th	Mar. 11th	Mar. 18th	Mar. 25th
General Index		675	676	678	678	679	680
Domestic products ...		698	700	703	703	706	707
Imported products ...		634	633	632	633	631	630
Foodstuffs		648	650	651	649	651	654
Industrial products ...		700	699	702	705	703	703

Nor has France remained idle in the sphere of trade diplomacy. A new trade arrangement has just been made with Poland, which will enter into force on April 1 and aims at reviving exchanges between the two countries, chiefly by a system of private compensations, for which purpose a new French-Polish organisation will be created. Negotiations with Bucharest, too, have been resumed and are likely to be rapidly concluded.

Democracy Defends Itself

[FROM A SWISS CORRESPONDENT]

THE threatened expulsion from Italy of three Swiss journalists—one from each language canton—for writing what was not pleasing to the Italian Government, is a reminder of the difficult position which Switzerland occupies in Europe. The Great War added much to Switzerland's neutral tradition; yet with the rise of the dictatorships that

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role is increasingly difficult to play. The expulsion orders in question have now been revoked: the danger to Switzerland's freedom of the Press, both from within and from without remains. Since the *Anschluss* with Austria, with Nazi propaganda ever more active, that dual danger has been brought nearer.

Not long ago there were three newspapers in Switzerland which enjoyed German subsidies—the *Schweizerdegen*, the *Schweizervolk*, and the *Angriff*—copies of which were freely distributed in the German-speaking cantons. These newspapers were edited by veiled Nazi organisations like the *Volksbund*, the *Eidgenössische Sozialistische Arbeitspartei*, and the *Bund Treuer Eidgenossen*, and their object was to praise the Nazi regime on the one hand, and on the other to abuse the Swiss Government, criticise the authorities' decisions, make fun of democracy, and generally express contempt for the Parliamentary system.

Backed by public opinion, the Federal Government took measures to stop these and similar activities. Last December the Federal Council issued a decree against foreign intrigue and propaganda, providing heavy fines and imprisonment for any who tried to overthrow the constitutional regime of the Confederation or of the cantons. Fines of £100 and three months' imprisonment will be meted out to those who issue or circulate inaccurate news or news so altered as to endanger the Confederation in any way; to those who systematically ridicule democratic principles; and to those who stir up hatred against any section of the people on grounds of nationality, race, or religion. The decree further empowers the Federal Government to dissolve groups or undertakings which come under the above headings, to limit or stop their activities, and to confiscate their property. Offending newspapers may be suspended for periods of six months.

This decree remains in force until, during the present session, Parliament has voted a law to take its place. Although it was at first widely criticised in Switzerland as going too far and constituting a serious threat to the liberty of the Press—since it enables the Government to penalise even those who disagree only on legitimate policy—public opinion is now reassured. From the first it was clear, from their vigorous and widespread reaction, that German-speaking Swiss remained unimpressed and little influenced by Nazi propaganda. It was recently explained by Councillor Herr Baumann, chief of the Federal Department of Justice and the Police, and author of the decree, that there was no intention of threatening Press freedom so long as it was not misused, but only to restrain those who, deliberately and publicly, made a practice of scoffing at institutions which are the essence of Swiss democracy.

This is encouraging; but when the Government comes to discuss the measure, it is to be hoped that it will be very wary of creating what the *Journal de Genève*, last December, called "the crime of opinion."

Trade Alliance with Roumania

[FROM OUR BERLIN CORRESPONDENT]

UNDER the pressure of recent weeks' political events, the German-Roumanian economic negotiations which had been going on for some time were brought to a quick conclusion. Roumania has met the majority of Germany's demands and given up her opposition to a German monopoly of her foreign trade, presumably because she could expect no real and immediate help in resistance from the Western Powers. For the Third Reich, Roumania is an extraordinarily important source of foodstuffs and raw materials, especially since the Russian reservoir is no longer at her disposal and other raw material and food markets are being closed to Germany for political reasons.

The new economic agreement consists of an economic plan to operate over several years during which agricultural

production in Roumania (cereals, fodder, oil seeds, fibrous plants, etc.) is to be adapted to German needs. The same applies to Roumania's agricultural industries and refineries, as well as to her timber and forestry trades. The agreement provides for the exploitation of Roumanian natural wealth by Germans in exchange for German deliveries of machinery and fixed plant.

A mixed German-Roumanian company is to be founded for the exploitation of mineral oil, for working the deposits of copper sulphur pyrites in the Dobrukscha, the chromium ores of the Banat region, the manganese ores near Vatra Dornei-Rosteni and bauxite, and for the establishment of an aluminium industry. The Roumanian system of communications is to be enlarged and extended, and trade is to be facilitated by the creation of industrial and trade organisations, the institution of warehouses and free-port zones.

Germany has bound herself by the agreement to supply Roumania with war material and machinery for the armaments industry. Payments will be made through German-Roumanian clearings. The agreement is something new. It is not limited to the mutual expansion of commercial exchanges by the setting up of quotas, but rather sets out to organise and adapt the Roumanian economy to German needs that Roumania will automatically deliver the greater part of her goods to Germany; and Roumania's cereals, industrial plants, mineral oil and ores are of vital importance to Germany. In effect, Germany now has not only a foreign trade monopoly in Roumania, but also an economic monopoly.

The following figures show how close the connection between the two countries already is:—

ROUMANIAN FOREIGN TRADE

(In million lei)

	Imports	Exports	Germany's share (Germany and Austria)	
1937	20,285	31,568	37.3%	26.0%
1938	18,516	21,572	38.0%	26.3%
			(with Austria and Czecho-Slovakia)	
1937	...	...	53.5%	34.2%
1938	...	...	49.4%	35.8%

ROUMANIA'S MOST IMPORTANT EXPORT PRODUCTS (1937)

Percentage exported to

Products	Old Reich	Germany and Austria	Austria and Czecho-Slovakia
	(Million lei)	%	%
Benzine	5940.3	15.0	20.1
Wheat	5232.3	8.3	16.0
Petrol	2331.1	9.1	16.8
Timber and hard- wood boards ...	2247.6	13.8	14.6
Gas oil	1830.3	4.8	5.3
Maize	1735.5	61.2	69.0
Crude petroleum	1644.8	0.5	2.8
Rye	1314.7	21.5	68.4
Barley	1276.4	57.4	69.4
Pigs	757.1	9.9	39.5
Cattle	379.9	0.7	12.1
Lubricating oil ...	114.3	33.3	33.5
Oats	58.6	18.3	94.3

LARGEST EXPORTERS TO ROUMANIA (% of Roumania's Imports)

	1929	1933	1937	1938
Germany	24.1	18.6	29.3	...
Austria	12.5	9.2	11.7	...
Greater Germany	...	...	37.3	38.0
Greater Germany plus C.S.R.	50.2	37.6	53.5	49.4
Great Britain	7.3	14.9	9.4	8.1
France	5.5	10.5	6.1	7.2
Italy	6.9	10.5	4.3	5.1

LARGEST IMPORTERS FROM ROUMANIA (% of Roumania's Exports)

	1929	1933	1937	1938
Germany	27.6	10.6	22.8	...
Austria	9.4	6.6	4.5	...
Greater Germany	...	...	26.0	26.3
Greater Germany plus C.S.R.	43.2	22.0	34.2	35.8
Great Britain	6.4	15.4	8.8	11.0
France	4.5	12.4	5.7	4.2
Italy	7.7	9.2	6.6	6.3

A Country of Old Men

[FROM OUR DUBLIN CORRESPONDENT]

THE results of the Census of 1936 are now being published, and much interest has been aroused by the statistics dealing with the ages and fertility of the population. Eire is becoming a country of old people. The number of persons aged 65 years and over expressed as a percentage of those between 15 and 64 is 15.4 per cent., the highest in the world. This abnormal age-grouping is the result of the emigration of young people and of the fall in the natural increase of the population. The number of children under five fell between 1926 and 1936 by 6.8 per cent., and this decline was confined entirely to the rural areas. This is stated by the editors of the Census to have been the result of an increase in the average age at marriage and a decline in the fertility of married women from other causes. This decline in the rate of growth of the rural population is productive of many problems in the sphere of education; half-empty schools and redundant teachers are the order of the day.

The reports of the annual meetings of the railway companies were the occasion of much criticism of the Government's transport policy. While it was admitted that the difficulties of the railways were partly caused by the general economic depression in the country, it was emphasised that road competition was not only unfair but expensive in the long run, in that it would prevent the railways from keeping up their services to the public. Complaint was also made of the rising cost of labour and raw materials.

The Dublin Tramway Company is the only bright spot in the Irish transport system. This company, which possesses a monopoly of passenger transport in Dublin, has effected a change-over from trams to buses on many routes, has paid a dividend and has reduced fares. The whole transport problem is being investigated by a tribunal, whose task is by no means easy.

Pig Problems

The Prices Commission has issued a report on the bacon industry which is full of lessons on the difficulties inherent in the public control of business. The Commission states that bacon curers have made excessive profits. Prices have been fixed at a level calculated to remunerate the less efficient producers instead of being allowed to fall, as they would have done in conditions of competition, to the cost of production of the most efficient. The result of the high price of bacon has been that domestic consumption has fallen considerably and, if the consumption of bacon is any measure of the standard of living, the standard has undoubtedly receded. At the same time, the export quota to Great Britain has not been filled. This is owing to the shortage of pigs, the number of which has remained almost stationary for many years.

An increase in the production of pigs is generally agreed to be desirable, and attention is being devoted to this matter in agricultural circles. Pigs are easily produced on even the smallest holding, and there is an almost unlimited market for pigs and their various products—bacon, ham and pork—in the British and Irish markets. Breeding problems have been solved as a result of the enlightened policy of the Department of Agriculture, but advances remain to be made in feeding and housing. The substitution of potatoes, cooked or stored in silos, for cereals, the pasteurisation of separated milk and the erection of sanitary and sunny houses are matters that require attention. Improvements of this kind require capital, but there is no doubt that capital will be rendered available to farmers in sufficient amount provided that the lending agencies are satisfied that its investment will prove genuinely profitable.

Competition in Cotton

[FROM OUR EGYPTIAN CORRESPONDENT]

The failure of agriculture to make headway in the course of recent years is at the root of many of Egypt's present economic troubles. The Crédit Foncier Egyptian has recently compiled the following estimate of the total value of our seven principal crops:—

1934	£E. 54 millions	1937	£E. 53½ millions
1935	£E. 60 "	1938	£E. 49½ "
1936	£E. 50 "		

Whilst an analysis of the figures for the past three years illustrates the declining place held by cotton:—

	1936	1937	1938
	£E.	£E.	£E.
Seven crops	49,902,000	53,496,000	49,591,000
Of which cotton	25,241,000	24,499,000	16,920,000

Since over 90 per cent. of cotton produced is sent abroad, this loss to the trade balance is not made up by the increase in production of other crops, most of which are consumed in Egypt.

The Government has resisted popular agitation for intervention in the cotton market following the decline in values, and proposes to seek relief by increasing exports. For the first six months of the season shipments amounted to only 592,987 bales against 719,317 bales for the corresponding period of last season, and a drive is under way to develop existing outlets and open up new ones. Negotiations have been started with Russia and no time lost in recognising the Franco government. In the meantime, however, India, which takes about 7 per cent. of our cotton exports, has doubled her import duties.

With the totalitarian States the main difficulty resides in the currency. In order to avoid an accumulation of commercial debts, Egyptian exporters have abstained from over-trading with these countries; but this policy may now be dropped. The introduction of a quota system for cotton goods to be linked with sales of the raw article has already marked a departure from free trade practices; and there is a growing inclination, following the unsatisfactory state of the export trade, to give more favourable consideration to barter propositions. This inclination may be strengthened by the German decision to centralise cotton imports and place orders with those countries which are ready to buy industrial products.

It is an interesting commentary on the European armaments race that a large part of the economies made necessary by the burden of arms which Egypt is called upon to shoulder will be at the expense of the Ministry of Public Works, which, in Egypt, is mainly concerned with irrigation and land reclamation. Here is a very clear case of the deleterious effect which preparation for war exerts upon a country's progress towards better standards of living.

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War Conditions in China

[FROM OUR HONGKONG CORRESPONDENT]

THE bleak wind generated by the Japanese invasion of adjacent Chinese territory is being tempered to the Hongkong investor by the glowing reports presented by local companies. The Hongkong and Shanghai Bank was the first to bring comfort to shareholders by maintaining its dividend at the same figure as for the past three years, despite the difficulties of banking business in the Far East during 1938. Public utility companies, such as the Hongkong Electric, Hongkong Tramways, Star Ferry and Hongkong Telephone Companies, have all strengthened their position, and with one exception have declared higher dividends.

These results are directly attributable to the influx of refugees, rich and poor, who are estimated to have raised the population of the Colony by about 25 per cent. The effect of this influx is shown by the remarkable figures quoted at the annual meeting of Hongkong Tramways, Limited. The number of passengers carried during 1938 amounted to 59½ millions, an increase of 12 millions, while profits rose by 54 per cent. (The fare charged is equivalent to nine miles for a penny, probably the lowest of any road passenger transport system in the world.)

The hideous methods of Japanese warfare were witnessed from the Fanling Golf Course by many local residents on the last day of the Chinese New Year holidays. Ten Japanese aeroplanes suddenly appeared and began bombing the market town of Shum Chun, about three or four miles away. In the course of the raid, bombs were dropped in British territory and a passenger train was deliberately attacked by bomb and machine gun. Within a quarter of an hour the planes disappeared, leaving over one hundred dead in Chinese territory and twelve killed on the British side of the border.

The incident has led to the re-entry of a large number of refugees who had been persuaded to return to their normal occupation last November, on the strength of an undertaking given by the Japanese commander to the Hongkong Government that no attack would be made on the region bordering British territory without 48 hours' notice. In view of the fact that Shum Chun is an open town of no military value and that all Chinese troops had been either captured or interned in Hongkong when the undertaking was given, there appeared to be no reason to suppose that any further attack on Shum Chun would be found necessary. The number of refugees now being maintained by the Hongkong Government is about 10,000.

Japanese in Charge

Reports from Canton state that the population of the city is still confined to the poorer classes of Chinese, but there is a growing number of Japanese. Such trade as exists is almost entirely in Japanese goods imported free of duty by military transports. Gambling houses and tea shops abound and, as usual in occupied areas, the narcotic traffic is being developed by Japanese agents. A systematic collection of scrap metal is being carried out for shipment to Japan. In the country districts, which are free of Japanese troops, rice mills are starting up again and several silk mills are at work. The output is being transported to Macao for shipment to Hongkong, but considerable risk is run and recently there have been many seizures of junks carrying cargo.

At very short notice the Japanese authorities have given permission for one of the regular river steamers, flying the British flag, to make a return trip to Canton next week. Only passengers and possibly mail will be carried; but no cargo. Whether the ban on shipping is now to be lifted is not known but, with the exception of one steamer carrying relief workers and supplies for refugees, this is the first mercantile steamer to leave Hongkong for Canton since the fall of the city in October.

The chairman's speech at the annual meeting of the Hongkong and Shanghai Banking Corporation was frankly non-committal about politics. Japanese contempt for treaty obligations was deplored. China's efforts to maintain her credit were applauded. But the general effect of the speech was that the sooner the two countries came to terms the better for the world generally. The bank cannot condone the aggression of a powerful neighbour, but the suffering of millions of desperate people is at stake and, until peace is restored, this suffering will be intensified by brigandage in addition to war.

Books and Publications

Canadian Railways

THE magnitude of the Canadian railway problem in terms of mileage and capital involved, and its vital significance for the whole social and economic life of the Dominion, are such as to justify detailed statistical investigation and an exhaustive survey of possible measures for ending a situation which is, incidentally, profoundly disturbing both to investors and the Canadian Exchequer. Canadian railways carry a debt of more than \$80,000 per mile, and their total deficits between 1918 and 1936 amounted to \$1,245 millions.

In both these items a more than proportionate share is attributable to the Canadian National Railways, which as an undertaking have been bankrupt from their inception. They have received direct Government grant aid amounting to \$1,200 millions, and they enjoy Government guarantees and credits to a slightly larger amount. Despite the fact that no adequate allowance is made for depreciation and obsolescence, their deficits (after paying interest on the funded debt in the hands of the public) average over \$1,000,000 per week.

The Canadian Pacific has a much better financial record, but its present position is unsatisfactory—as the most recent returns demonstrate. Traffic densities on a mileage which is greater per 1,000 of population than in any other country except Australia, are low, and operating results show no sign of appreciable improvement. Radical action is patently imperative and the central question is to determine what form it shall take.

Mr Leslie R. Thomson's study* deals with this vast problem with the maximum degree of exhaustiveness open to an independent investigator working without official help. It includes a history of the Canadian railways; a demonstration of their relation to the whole transport system of the Dominion; full comparative analyses of the financial and operating results of the Canadian National Railways and the Canadian Pacific Railway; an examination of suggested solutions for the problem; and, finally, a set of recommendations.

Of Mr Thomson's industry and disinterestedness there can be no doubt. His reasoning from factual findings to concrete proposals is close and conscientious; and some incidental features of his work are indeed remarkable for their scope and originality. For example, his Table 40 demonstrates a method of recording the history of railway amalgamations which is hardly less successful than most existing attempts to present the subject in a more strictly literary form, and Table 177 represents a scheme of reasoning from general principles to specific proposals which is almost worthy of a medieval schoolman.

But the book as a whole is unpardonably wordy and repetitive. Mr Thomson has made the mistake of including within the covers of a single volume what are, in fact, two separate books; one an outline statement of some eighty pages and the other a virtual encyclopædia of the Canadian railway problem. These flaws may prevent his very thoughtful and practical recommendations from securing the attention they undoubtedly deserve.

Briefly, Mr Thomson recommends the common management of all Canadian railways under a single board; and the setting up of a Dominion authority for the regulation of the whole transport structure. This compromise solution, he claims, avoids the pitfalls of a more thoroughgoing scheme of unification, and guards against precipitate action in conditions partly brought about by world depression. Whether it would circumvent the political opposition which has so far prevented any major step forward and checked any effective action on the recommendations of the Duff Commission of 1932 is another question.

There are further difficulties, which Mr Thomson duly notes, arising from the close relationship between the transport system of Canada and that of the United States of America, particularly in the matter of freight rates; and from the complicated legal situation which would arise in the

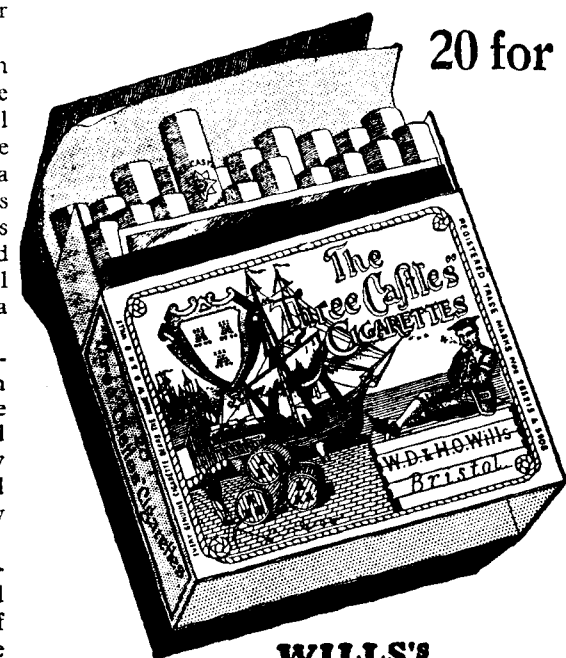
event of a large part of the Canadian National undertaking being placed in bankruptcy. But Mr Thomson's figures and arguments may be said to give a fairly convincing demonstration that large savings could be achieved by some such plan as he recommends.

Economic theorists will regret that the undue length of the book obscures rather than reveals the interesting possibility of finding in Canada a laboratory for an experiment in railway management comparable in scale to that which has been undertaken in Australia in the matter of labour legislation. The present transport position in the Dominion is sufficiently unsatisfactory to make such an experiment a practical proposition which could hardly fail to give some relief to investors and to the people of Canada.

Shorter Notices

"The Stock Exchange Official Year-Book, 1939." Compiled and edited by the secretary of the Share and Loan Department of the Stock Exchange. Thomas Skinner and Co. (Publishers), Ltd. 3,645+ccxxxv pages. £3 net.

The public has for so long been accustomed to look on this book and its two predecessors as the most comprehensive and authoritative means of comparing Stock Exchange information, that the general excellence of the work's production, arrangement and scope is perhaps too readily taken for granted. In the 1939 edition, details of separate companies and the special tables, lists and articles on various aspects of finance and company practice follow the same useful lines as before. But a new section has been added for securities guaranteed under the Trade Facilities and other Acts, and the iron, coal and steel section is preceded by a summary of the 1938 Coal Act.

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* "The Canadian Railway Problem." By Leslie R. Thomson. Macmillan. 1,080+xiii pages. £2 15s.

"The Average and the Individual." By Professor A. L. Bowley. Barnett House Papers, No. 22. Published by the Oxford University Press. 1939. 20 pages. 1s.

Statistics have come to occupy so large a place in the daily news that the publication of Professor Bowley's Sidney Ball lecture is most timely. His discussion of the hazards of statistical interpretation deserves to be read, especially by two sorts of laymen: the layman who believes all the statistics he reads and the layman who believes none. The former may learn to exercise discretion, and the latter to acquire a little boldness.

Books Received

Hire Purchase. By Aylmer Vallance. (London) Nelson. 171 pages. 2s. net.

On Agricultural Policy, 1926-1938. By J. S. Davis. (Stanford University, Cal.) Food Research Institute. 494 pages. \$3.00.

International Economics. Second Edition. By R. F. Harrod. (London) Nisbet & Co., Ltd. 207 pages. 5s. net.

Crisis for Christianity. By W. Teeling. (London) John Gifford, Ltd. 10s. 6d. net.

Incorporated Accountants' Students' Society of London and District Lectures—1937-1938. (London) Society of Incorporated Accountants' Hall, Victoria Embankment, W.C. 225 pages. 3s. 6d. net.

Proceedings of the International Conference of Agricultural Economists. Held at Macdonald College, Canada, 1938. (London) H. Milford. 436 pages. 17s. 6d. net.

League of Nations: Statistical Testing of Business-Cycle Theories. I.—A Method and Its Application to Investment Activity. By J. Tinbergen. (London) Allen and Unwin. 163 pages. 3s. 6d.

State Conservation of Resources. By C. J. Hynning. (Washington) National Resources Committee. 116 pages. 15c.

Studies in Income and Wealth. Vol. II. By the Conference on Research in National Income and Wealth. (London) Macmillan. 331 pages. 14s. net.

East of Athens. By Eric Gifford. (London) John Gifford, Ltd. 256 pages. 12s. 6d. net.

Social Security in the United States. New Revised Edition. By Paul H. Douglas. (London) McGraw-Hill Publishing Co., Ltd. 493 pages. 17s. 6d. net.

Unions of Their Own Choosing. By Robert R. R. Brooks. (London) H. Milford. 296 pages. 14s. net.

Government Price-Fixing. By Jules Backman. (London) Pitman. 304 pages. 12s. 6d. net.

Everyman's Astronomy. By Mary Proctor. (London) John Gifford, Ltd. 246 pages. 10s. 6d. net.

World Trade. By Ethel B. Dietrich. (New York) Henry Holt and Co. 458 pages. \$2.75.

The Defeat of Poverty. By Hartley Withers. (London) Jonathan Cape. 287 pages. 7s. 6d. net.

Christianity and Economics. By Lord Stamp. (London) Macmillan. 194 pages. 5s. net.

Official Publications

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

Forty-ninth Annual Report of the Railway and Canal Commission, 1937. Cmd. 5855. 6d. net.

Criminal Statistics, England and Wales, 1937. Cmd. 5878. 3s. 6d. net.

Ninth Annual Reports of the National Radium Trust and Radium Commission, 1936-1937. Cmd. 5883. 1s. net.

Local Loans Fund Accounts, 1937. 2d. net.

Cinematograph Fund Account, 1937. 1d. net.

Imperial Economic Committee. Fruit, 1937. 2s. 6d. net. *Dairy Produce, 1938.* 2s. 6d. net. *Vegetable Oils and Oil-seeds, 1938.* 2s. 6d. net.

Sixty-eighth Annual Report of the Deputy Master and Comptroller of the Royal Mint, 1937. 3s. 6d. net.

Report of the Fuel Research Board for the year ended March 31, 1938. Department of Scientific and Industrial Research. 4s. net.

THE BUSINESS WORLD

London Transport Finance

DURING the past fortnight the Railway Rates Tribunal has been occupied by a joint application of the four main-line railways and London Transport for an increase in passenger fares in the London area. This is the first occasion on which the Tribunal has been called upon to exercise its jurisdiction under the London Passenger Transport Act of 1933, and in many ways the proceedings are unusual. The railways' application is explicitly for power to increase fares in respect of suburban passenger services by approximately 5 per cent.—the same rate of increase as was awarded by the Tribunal for the rest of the country in 1937. But the companies are unable to plead on the present occasion, as they could in 1937, the standard revenue provisions of the Railways Act of 1921, since these provisions are specifically excepted from the purview of the London Transport Act of 1933. For its part, London Transport already possesses the necessary legal powers to increase its fares, to the extent proposed, without seeking the sanction of the Tribunal—apart from an insignificantly small proportion which arises from joint lines. In brief, the various parties to the London Passenger Pooling Scheme envisage an increase in receipts, if their applications are granted, of some £1,179,000, of which only £220,000 needs the formal sanction of the Tribunal. Towards this sum it is estimated that the railways would provide £515,000, and after the operation of the pooling scheme would receive £447,000—divided as follows: L.N.E.R., £71,000; L.M.S., £60,000; Great Western, £16,000; and Southern £300,000. The Board would add £664,000 to the Pool and receive £732,000 after pooling.

It would be improper in any way to anticipate the findings of the Tribunal in regard to this joint application. Its jurisdiction, so far as London passenger fares are concerned, is wide, and its decision is not subject to appeal. Hence its responsibility is correspondingly great, not only towards the participants in the Pooling Scheme, but also towards the 4,317,979,132 passengers who travelled in the London Transport area last year. But, quite apart from the merits of the application, the evidence which has been submitted is of particular value for the London Transport "C" stockholder. On November 5th, last year, *The Economist* ventured the suggestion that the Board might in future publish its pooled receipts, in addition to its weekly gross contribution to the pool, since the latter was an inadequate—and, on occasion, misleading—guide to the Board's effective receipts after pooling. The proceedings during the past fortnight have thrown much valuable light on the operation of the London Transport pool, which has hitherto been shrouded in mystery. No apology, therefore, is needed for an examination of the evidence on this matter to the exclusion of other factors.

Under the 1933 Act the Board and the main-line railways are required to set up a pooling scheme, to which the whole of the passenger receipts of the parties, arising within the London Transport area, shall be contributed. From these receipts operating allowances, based on mileage run, are deducted, and "additional allowances" are provided for new capital expenditure. Finally, the parties share in the net balance of the Pool on the basis of a standard year. The account for the standard year—1932—which has been submitted to the Tribunal shows how the Pool proportions were originally built up. The passenger receipts of the parties (including joint lines) amounted to £38,354,842 for that year, of which London Transport undertakings accounted for £27,996,993, or 73 per cent. From these

gross contributions, operating allowances were deducted, totalling £22,122,610, of which the Board's share was £18,091,686. Hence, of the net pooled receipts of £16,232,232, the Board was responsible for £9,905,307 in the standard year. These figures, however, were adjusted to give effect to capital not fully remunerative and to participation in joint lines, and the total effect is summarised in the following table:—

POOL ASCERTAINMENT FOR STANDARD YEAR 1932

	London Transport	G.W.R.	L.M.S.	L.N.E.R.	S.R.	Total
Passenger receipts	27,996,993	461,809	1,537,770	2,204,353	5,701,281	38,354,842*
Operating allowances	18,091,686	271,228	790,353	1,238,519	1,637,990	22,122,610*
Pooled Receipts...	9,905,307	190,581	777,417	965,836	4,066,291	16,232,232
Net adjustments for capital not fully remunerative...	644,483	1,387	41,303	Dr. 3,057	323,867	1,007,983
Pool proportions	10,549,790	191,968	818,720	962,779	4,390,158	17,240,215*
do.	61.192911	1.1319	4.74399	5.53449	25.46464	100
Stand. proportions*	10,689,718	230,228	878,113	1,036,978	4,405,148	17,240,215
do.	62.004731	1.33541	5.09349	6.01483	25.55158	100

* Including joint lines.

That is the general basis of the pool arrangement as it stands to-day, apart from a minor adjustment by which London Transport's proportion has been raised slightly to

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Reparations, Trade, and Foreign Exchange (Forecasting the collapse in the German mark)	Feb. 1921	99%
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Coming Collapse in Gold (Including 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%

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62.10364 per cent. at the expense of the main-line companies. Its application to the traffics of each year, however, is somewhat complicated at first sight. Exhibits have been placed before the Tribunal showing the Pool accounts for each year since 1933-34, together with an estimate in respect of the current year. For purposes of illustration, it may be convenient to set out, in summary form, the results for 1937-38, and the current year's estimate, which appear below:—

LONDON PASSENGER POOLING SCHEME
(Including allocations from joint lines)

	Main Line Companies				London Transport	Total
	L.N.E.R.	L.M.S.	G.W.R.	S.R.		
Year to June 30, '38						
Gross contributions	2,364,224	2,213,714	603,802	6,908,424	29,820,013	42,120,179
Operating allowances	1,271,593	861,134	295,951	1,896,283	19,886,987	24,211,948
Additional allowances	1,746	7,472	344	106,385	138,400	254,347
Total allowances	1,273,339	868,606	296,295	2,002,668	20,025,387	24,466,295
Pooled receipts	1,290,885	1,355,108	307,507	4,905,758	9,794,626	17,653,884
Pool proportion	1,059,096	896,841	235,138	4,499,104	10,963,705	17,653,884
Receivable from or payable to the pool	231,789	458,267	72,369	406,654	1,169,079	...
Gross receipts after pooling	2,332,435	1,745,447	531,433	5,501,772	30,989,092	42,120,179
Estimate for year to June 30, 1939						
Gross contributions	2,516,000	2,205,000	577,000	6,934,000	30,119,000	42,351,000
Total allowances	1,301,000	881,000	297,000	2,156,000	20,494,000	25,129,000
Pooled receipts	1,215,000	1,324,000	280,000	4,778,000	9,623,000	17,222,000
Pool proportion	1,033,000	875,000	229,000	4,389,000	10,696,000	17,222,000
Receivable from or payable to the pool	182,000	449,000	51,000	389,000	1,071,000	...
Gross receipts after pooling	2,334,000	1,754,000	526,000	5,545,000	31,190,000	42,351,000

This table goes far to explain the disparity between the Board's weekly traffics and its effective receipts after pooling. In respect of 1937-38, the "C" stockholder has hitherto known merely that the gross receipts for the 52 weeks to June 25th amounted to £29,388,200, and its receipts for the full year, after pooling, to £30,758,440. Stockholders may have sought in vain to relate this latter figure to the Pool's total receipts of £42,120,179 by applying the Board's Pool percentage of 62.10364 to the total. The fact is, of course, that the Pool percentage is applicable, not to gross contributions, but to pooled receipts after deducting the operating and capital allowances. The operating allowances are in fact calculated by taking the actual cost per mile of the vehicle or train, as the case may be, and multiplying by the number of miles run in any given year. Additional allowances are made for capital expenditure since the Pool was formed. Hence, in 1937-38 the Pool proportions were applicable not to gross contributions (which totalled £42,120,179), but to pooled receipts after operating and additional allowances (which totalled £17,653,884). After applying the percentages, the Pool proportions to which the parties are entitled are shown, and these differ from their pooled receipts. For example, the pooled receipts of London Transport last year amounted to £9,794,626, but the Board's Pool proportion was increased to £10,963,705 by net contributions payable by the main-line companies to the Board. These contributions, totalling £1,169,079, represent the difference between the pooled receipts and the Pool proportions due to the main-line companies.

It is necessary to guard against any misconception regarding the nature of these differences receivable from or payable to the Pool. To take the case of the Southern Railway, it would, of course, be wrong to suppose that the operation of the Pool last year diverted from the company the sum of £406,654 which, but for the pooling scheme, would have been available to swell the Southern Railway's net revenue. In large part, it represents takings for services not performed by the company, in respect of through tickets. In any case, it is a figure arrived at by the application of principles laid down by statute. The final step, having calculated the Pool proportions, is to deduct or add back differences to the gross contributions of the five parties in order to ascertain their gross receipts, after giving effect to the pooling agreement.

The pooling scheme has been well described as a hybrid, and part of its apparent complication arises from the fact that it is necessary to avoid yearly recalculation of the

respective shares of the parties. The accurate ascertainment of the rights of each party is a complicated matter, and the operating and new capital allowances are designed to avoid annual revision of the proportions. Save in the unusual event of a material alteration of circumstances, the respective partners share on an equitable basis, and this also forms the foundation of their joint application.

In order to round off the argument, at the risk of introducing a further complication, it remains to relate the Board's gross receipts after pooling last year to the actual sums shown in its accounts to June 30, 1938. The table opposite shows the figures for the pooling parties, including their respective interests in joint lines. But the Board's revenue account suggests that receipts from joint lines are included as net income under "other receipts" and not as gross passenger traffic receipts. Hence, to compare the gross passenger receipts of £30,758,440 shown in the Board's last report with its share in the Pool last year, it is necessary to divide the latter (shown opposite at £30,989,092 between the Board proper and the pooled contributions it receives from joint lines. These two figures are £30,787,207 and £201,885 respectively, and the former compares closely with the Board's gross receipts. Expressing the latter as a percentage of its gross contributions to the Pool gives the following results:—

	LONDON TRANSPORT ONLY		Pooled Receipts as % of Contributions
	Gross Contributions	Gross receipts after pooling	
1933-34	27,685,937	28,274,994	102.1
1934-35	28,194,375	28,921,872	102.6
1935-36	28,657,642	29,554,620	103.1
1936-37	28,840,354	30,101,491	104.5
1937-38	29,501,107	30,787,207	104.4
1938-39 (est.)	29,807,000	30,990,000	104.0

The comparative basis, admittedly, is crude, but the implication for the "C" stockholder should be obvious. In the past two years the Board's takings have been increased, after pooling, to the extent of 4½ per cent.

Meanwhile, what are the prospects for the near future? The estimated Pool account for the current year shows an increase in London Transport's gross receipts, after pooling, from £30,989,092 to £31,190,000. After excluding the income-tax windfall of £230,000 which arose last year, the Board's deficit below standard 5½ per cent. interest on the "C" stock was approximately £618,000. Hence, if the estimate for the current year is realised, the outlook would not appear to differ greatly from the results of last year, since the tax credit would be roughly counterbalanced by £200,000 additional gross receipts.

That, however, is not the conclusion of the story. Evidence this week has suggested that the Board contemplates an extra deficit of the order of £100,000 in the current year. Certain operating costs have increased. Various authorised commitments, including A.R.P. work, may make a severe call upon the maintenance reserve, which stood last June at £386,638, after being credited with £340,000 from revenue. Finally, an important point arises with regard to new capital works. These extensions come into operation at various dates, commencing this year, and their earnings at first may not be wholly sufficient to meet the interest charges against revenue. Last year the revenue account was spared a charge of £215,292 under this head, which was debited to capital account, out of the total interest charge of £351,841 payable to the London Electric Transport Finance Corporation. The conclusion, therefore, must be that, even if the present applications succeed, and the Board receives its estimated benefit of £732,000 from the Pool, there will be no substantial margin to provide for a reserve fund. Further distant, in 1943-44, there lies the problem of making provision for the redemption of the Board's prior stocks, though provision may only be made after payment of the standard dividend on the "C" stock.

Hence, it may be that, on the basis of the application, the Board may succeed in providing sufficient revenue for standard "C" stock dividends, but it will be with a narrow margin. But on this point the Tribunal has first to speak.

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A Plan for the Gas Industry

ONE by one the basic industries of the country are coming under the detailed scrutiny of a P E P report, in the search for means to increase their efficiency and to mould their future development in accordance with the national interest. The reputation of these reports is based partly on their expert and impartial character, but mainly on the fact that, unlike the innumerable schemes for the nationalisation of this, that or the other industry, they are not content merely to set up a framework of controlling machinery, but investigate the fundamental economics of each industry as it comes under the microscope.

In no branch of the economy is the substitution of a well thought-out national policy for haphazard development as urgent and necessary as in the utilisation of our coal resources. The P E P reports on the coal and electricity supply industries contained a wealth of material as well as positive suggestions which should be valuable in the elaboration of a national fuel policy. With the publication of its report on the gas industry* this week (which necessarily traverses some of the ground already covered by Mr P. Chantler in his recent study†), the preliminary spade-work has been carried a further stage forward.

During the first half of the nineteenth century the development of the gas industry was left largely in the hands of private enterprise, and there was little public regulation of the fierce competition in the industry until the middle of the century, when it was already emerging from its "teething" period. It was then that local authorities, often the principal consumers as street lighting authorities, themselves began to construct gas-works or to acquire existing companies. Moreover, in 1847, the surveying officers of the existing system of lighting towns with gas reported that "the existence in the same town of two rival gas companies does not appear to us to benefit the consumer"—one of the first dawning doubts of the pure gospel of *laissez faire*. They considered that the duplication of capital equipment "must inevitably serve in the end to raise the general price of gas." Direct competition between gas companies was largely abandoned in the fifties, and the industry subsequently developed on the basis of a local monopoly, sanctioned by Parliament, subject to a measure of public control of prices and profits.

With the passing of the Electric Lighting Act of 1882, the gas industry lost its lighting monopoly, and the period up to the War witnessed a transition of its principal function from the supply of light to the provision of heat. After the Great War the industry was challenged in all its functions by the rapid growth and the increasing cheapness of electricity. But although the gas industry was condemned to the list of declining industries years ago, it has so far contrived, by enterprise and technical progress, not only to hold its own, but even to increase its output. During 1937, for example, the output of the gas industry in terms of energy was still twice as large as that of the electricity supply industry. Gas provides direct employment for some 125,000 persons, serves about eleven million consumers (10 per cent. of whom supply about one-half of the industry's total revenue), and has capital assets estimated at £200 millions. The present uses of gas are roughly as follows: domestic, 60-70 per cent.; commercial, 10-20 per cent.; industrial, 10-20 per cent.; public lighting, 5 per cent.

The future of the gas industry depends largely on the comparative convenience and price of gas and other forms of light, heat and power. An estimate of the cost of production and distribution of gas applicable to undertakings in neither particularly favourable nor unfavour-

able circumstances, given in the P E P report, is shown below:—

COST OF GAS IN PENCE PER THERM				
Manufacture	...	...	...	d. 4½-6
Less income from coke and other residuals	...	...	...	2-2½
				2½-3½
Distribution	...	...	...	1-1½
Capital charges	...	...	...	1-1½
Total	...	...	...	4-5½
Sales, service and maintenance (less rental account)	...	...	...	1-1½
Capital charges thereon, say	...	...	...	1-1½
Management	...	...	...	1-1½
Rates	...	...	...	1-1½
Miscellaneous	...	...	...	1-1½
Total	...	...	...	6½-9

After comparing the relative advantages and prices of gas and electricity the authors of the P E P report conclude that the forecast of the Fuel Research Board made in 1919 has not been invalidated. The Board then reported that the sheet anchor of the gas industry in the future must necessarily be its possession of the cheapest known means of distributing potential heat energy in a convenient form. For lighting and power production the electricity supply industry of the future might seriously contest the field with the producers of gas; but for the supply of heat gaseous fuel ought to remain supreme if its production and use were developed on sound lines.

So far as coal is concerned, gas may provide an economic alternative, unless means can be discovered of using raw coal with high combustion efficiency and without the production of smoke. For domestic purposes, where the efficiency of coal appliances is apt to be low, gas at 9d. to 10d. per therm is considerably more expensive than coal for continuous heating. Even at this price, however, gas has justified its use by convenience and flexibility, for cooking and intermittent use. At between 4d. and 6d. per therm, on the other hand, gas can compete with raw coal at 50s. per ton for continuous heating and, indeed, for all domestic purposes.

Competition between gas and oil is most marked in the case of small-scale steam raising and central heating. As both fuels are of virtually equal convenience price is the determining factor. At between 3d. and 4d. per therm gas can compete favourably with oil at 70s.-80s. per ton.

Gas coke is used chiefly for domestic and commercial central heating, hot-water supply and for the open fire. For medium and large-scale use coke at 37s. to 40s. can compete effectively with raw coal and oil and corresponds to gas at about 3d. per therm and electricity at ½d. per unit. For the open fire coke is at present sold at 40s. or more per ton; but it competes usually with old-fashioned coal grates and ranges of low efficiency, and may show a distinct saving compared with raw coal.

The P E P survey thus reaches the conclusion that the gas industry still has considerable scope for expansion. Its present difficulties arise largely from the fact that gas is subject to severe competition in all its functions, whereas one of the main competitors, electricity, enjoys a virtual monopoly in the lighting of newly-built houses and in some kinds of power demand, i.e. over a large part of its field. This advantage enables the electricity supply industry to resort to the differential price system in a way that the gas industry, having no secure and important monopoly load, is unable to follow. It is essential that the gas industry should re-examine its price structure in relation to the nature of its production and distribution costs in order to secure and enlarge its markets by making the fullest possible use of such price differentiation as is open to it.

Secondly, in the view of the authors of the report, some measure of reorganisation of the structure of the industry is essential if it is to flourish. While the authors

do not subscribe to the view that gas ought to be manufactured in a small number of very large plants and distributed over long distances, on the lines of the electric "grid," they do hold that the number of small, independent undertakings should be appreciably reduced. In their view an annual output of 1,000,000 therms is big enough for economic operation; but on this basis, 1,070 of a total of 1,250 undertakings are too small. Moreover, there should be co-ordination of technical and commercial policy and an improvement in the quality of the industry's personnel.

In order to bring about the speedy reorganisation of the industry, a central impulse and guidance seem to the authors of the report to be essential. In the absence of national planning, sporadic attempts at grouping or bulk purchase of gas, and the extension of holding company control (there are at present 18 holding companies controlling 242 undertakings and producing 9 per cent. of the total output of gas by all statutory undertakings in Great Britain) may sometimes proceed in a way which will render subsequent planning more difficult.

Briefly, the P E P scheme envisages the organisation of the industry on the basis of (a) the small local unit

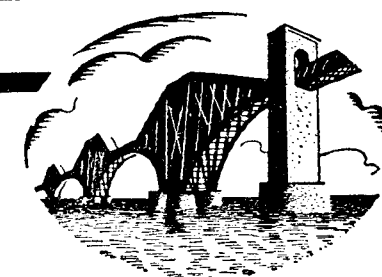
dealing directly with the consumer, (b) the regional group planning production and supply in the region as a whole and giving direction and support to the local unit, and (c) the National Gas Authority seeking Parliamentary powers to group undertakings by regions, to co-ordinate production, distribution and marketing policy, and to deal with commercial development, recruitment and training of personnel, research, public relations, and other national responsibilities of the industry. Finally, while the National Gas Authority would thus be responsible for the development of the industry, ultimate Government control in the interests of consumers might be transferred from the Board of Trade to a body of expert gas commissioners on the analogy of the Electricity Commissioners, subject to Parliamentary control.

It has not been possible to do more here than pick out a few of the wealth of facts and suggestions contained in this painstaking survey of the gas industry which embodies no less than five years' research. The impression left after careful study of the facts is that the gas industry is still full of vitality, but that its future depends in no small measure on its ability to adapt itself continually to changing circumstances.

Finance and Banking

The Rise in Discount Rates.—The rise in discount rates has made considerable headway over the past week. This is particularly true of longer-dated paper, the fine six months' bank bill being quoted at 1½ per cent. to over. The main jump in this upward progression of rates was made at last week's tender for Treasury bills, when the discount market syndicate obtained no less than 73 per cent. of its applications on the basis of a rate of discount of 15s. per cent. This was, from the point of view of the market, a much more favourable result than had been expected, and the fact that although so large a proportion of the bills was issued on a basis of 15s. per cent., the actual average rate of discount should have worked out at no more than 14s. 7d. per cent. shows that many "outside" tenderers paid much more than they need have done for their bills. The reasons for the steepening in the rise of discount rates are many. In the first place, the changes in the international situation have obviously been calculated to make for a mood of caution which finds its expression in a harder tendency of discount rates. Secondly, the fact that the bills to be tendered for included the June 30 maturities may paradoxically have been partly responsible for the decision of the market syndicate to base their tenders on a high rate. This is because the authorities, at the end both of March and of September, try as far as they can to leave the Treasury bill tender to the market and to withhold semi-official tenders normally made through the agency of the Bank of England. Their reason for doing this is that the end-June and end-December bills will ultimately be needed by the banks, and must therefore be made available to them through the discount market. Normally, the unofficial outside competition for the end-June or end-December bills is sufficient to keep the rate for these popular maturities low. But on this occasion this competition was largely neutralised by the considerable encroachment on foreign and other "outside" bank resources of two factors: the employment of funds in dollar swap operations which yield over 1½ per cent. for one month as against ¾ per cent. for three months on Treasury bills; and, secondly, the tying up of a considerable amount of credit in the financing of arbitrage gold shipments across the Atlantic. Consequently, the discount market "syndicate" had the tender for the June 30 bills virtually in its own hands and used the opportunity to good account. Ignoring the influences acting on the discount rate from the direction of international politics, the level of these rates should tend to fall once the special factors now acting on the short-term credit position, including the incidence of the end of the quarter, have spent their force. But it should not be forgotten that a considerable expansion in the supply of Treasury bills may be in prospect.

Record Gold Shipments.—The pressure by hoarders to sell gold and buy dollars had in the main spent itself by the latter part of this week. The turnover at the daily gold fixings has been moderate, and last week's abnormally large post-fixing deals have disappeared. The authorities, however, have deemed it necessary to maintain the level of gold arbitrage shipments to the United States at a comparatively high level in order to support the sterling exchange. As reselling from hoarders has not been adequate to provide the necessary supply of gold, the Exchange Account has on most days of the



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* Report on the Gas Industry, P E P (Political and Economic Planning). 16 Queen Anne's Gate, London, S.W.1. Price 10s. 6d. net.

† The British Gas Industry. By Philip Chantler. Manchester University Press. 7s. 6d. net.

week supplied some gold in the market. The main interest of the market, however, has been the completion of the large shipments arranged last week. These shipments have been running at record level. Following last week's exports of £14,701,000 of gold to the United States, a further £34,260,000 was exported during the seven days to Thursday of this week. The greater part of the past week's shipments consisted of official gold—both Exchange Account gold shipped against recent official sales of dollars in the foreign exchange market, and Continental central bank gold being transferred from London to New York as a precautionary measure. The pressure of these official shipments has been sufficient to strain the insurance machinery, and once again reinsurance of gold has been arranged at figures ranging up to ten times the customary premium of 1s. per cent. charged on "open cover" policies.

Exchange Accounts and Gold Movements.—All Exchange Equalisation Funds have taken elaborate measures to safeguard the secrecy of their operations. The United States authorities, who believe in giving the public all the facts, have agreed to oblige the European Exchange Equalisation Accounts by withholding information about the changes in their gold held under earmark in New York. Yet, when it comes to an acute tension, the European monetary authorities usually give themselves away by arranging heavy gold shipments to New York exactly at a time when such transactions are liable to attract the maximum of publicity. It would have been easy for the British, Swiss, Dutch and Belgian authorities to build up a formidable gold reserve in New York, in anticipation of the next attack on their currencies. That such an attack was a mere question of time has been obvious even to the layman ever since the Munich agreement. It would have been a matter of common sense to take advantage of the period of political lull gradually to transfer a really substantial part of the European gold reserves, at a time when such transfers would have been regarded as a sensible measure of precaution, and not as a panic measure or as an evidence of a flight of capital to the United States. While this was done to some moderate extent, the amounts accumulated in New York were evidently not sufficient. Since the invasion of Czecho-Slovakia the various monetary authorities have decided to dispatch across the Atlantic substantial quantities of gold. The evidence of such a gold rush—coming as it does in addition to arbitrage shipments connected with dishoarding—was bound to produce an unfavourable psychological effect. Even though the relative share of the various Exchange Accounts in the gold transfers is not known, on such occasions the public is inclined to suspect the worst whenever any particular currency is under fire.

MONEY MARKET NOTES

Foreign Exchanges

BUSINESS in the sterling-dollar exchange has, on the whole, been of small proportions and fluctuations in the spot rate have been narrow. Nevertheless, Control support has been necessary for the greater part of the week to maintain the pound at the level of around 4.68½, as selling pressure, though slight, has been persistent. On Wednesday it increased to an extent that induced the Control to drop the peg to 4.68½, at which level the pound was held for the rest of the day. A more disquieting sign was the bigger purchases of forward dollars. The premium for the three months' forward rate, after widening to 2c. last Saturday, contracted to 1½c. on Monday, but increased sharply on Wednesday to 2½c., while that for one month rose on the same day from ¾c. to ¾c. On Thursday the market

was quieter again, and rates were virtually unchanged from the previous day. Francs have been very steady and have tended to appreciate against sterling, the spot rate on Thursday afternoon being quoted at 176½, compared with 176½ at the end of last week. The discount on forward francs has again contracted and is tending to run off altogether for the one month franc. This presumably reflects the confidence felt in the ability of M. Daladier's Government to maintain the value of the franc rather than reassurance over the international situation. Swiss francs have been rather erratic; on Thursday the Swiss Control altered its peg in face of the adverse pressure, and the rate in London rose to 20.88½ to the pound. The Brussels spot rate has tended to move in sympathy with the dollar and appreciated against sterling on Tuesday and Wednesday. Uneasi-

ness over the Belgian political situation, however, is apparent in the widening of the forward discounts, which on Wednesday were 30½c. and 70½c. for one month and three months, respectively. The South African Reserve Bank has raised both its buying and selling rates for sterling by 5s., as a result of the high insurance rates on gold shipments.

The Bank Return

THE Issue Department's gold has this week been valued at Wednesday's fixing price of 148s. 6d., which is 1d. higher than last week's price. The consequent increase in the value of the gold holding has been transferred not in gold but in cash, thus reversing the action taken three weeks ago. The drain on the Reserve resulting from the increase in the

Building Societies Bill.—The promised Government Bill to amend the law relating to building society advances bears some evidence of the effect of the "Borders" case in its provisions. Broadly, it may be said that it lays down statutory rules for the administration of advance business supported by collateral security which have been followed, and would be endorsed, by most responsible societies. As expected, it gives specific validity to existing advances covered by collateral security. It then defines six classes of collateral which will be permissible in future, including charges upon life assurance policies; guarantees by insurance companies; guarantees by local authorities; charges given by members on cash or trustee securities; guarantees accepted by the society with the written consent of members; and "guarantees given in pursuance of a continuing arrangement" as defined by a Schedule. It is this last class which, in plain terms, covers builders' pool collateral, over which control will be strict. Advances supported by builders' pool guarantees must not exceed 95 per cent. of the purchase price involved, while the society's basic advance is limited to 75 per cent., and, hence, the excess advance may not exceed 20 per cent. In respect of the first five guarantees (in other words, houses sold and supported by the builder's covenant) the builder will be required to make a deposit of the whole excess advances involved, and for subsequent guarantees not less than one-third of the excess advance. These deposits will be generally available as security for such sums as become due to the society, and the builder's guarantee will not be released until the advance in question has been reduced to two-thirds of the purchase price of the property. Detailed regulations for the withdrawal of collateral deposits are also provided. If societies wish to retain their rights of recovery in transactions where collateral security is taken, they must give notice in writing to the member, stating whether the advance includes an excess advance. Moreover, a society shall be deemed to warrant that the purchase price is reasonable, unless it gives the member notice stating that no warranty is implied. Penalties will also be inflicted if representations are made by financially interested parties that the making of an advance implies an assurance that the estate is sufficient security for the advance. In a widely-drawn clause, the Bill seeks to make illegal the offer of any commission, gift or favour for the introduction of business to a society—a point which appears to involve legitimate agency business, though its intention, to prevent an undesirably close connection between builders and building societies, is undoubtedly salutary. First impressions suggest that the Bill will provide a workable and reasonable measure for the protection of the public, and will be welcomed by those leading societies who have urged the dangers of the more extreme forms of competition which have become manifest in the past year or two.

note circulation of £4.6 millions to meet end of month requirements has therefore been offset to the extent of

Issue Dept.	Mar. 30, 1938	Mar. 15, 1939	Mar. 22, Mar. 29, 1939
Gold	326.4	226.0	226.2
Value per oz. fine	85s. 14d.	5d. 14d.	5d. 14d.
Notes in circulation	485.4	477.2	477.4
Banking Dept.			
Reserve	41.8	49.8	49.7
Public Deps.	17.8	10.5	28.6
Bankers' Deps.	108.1	106.5	92.2
Other Deps.	37.4	35.5	35.7
Govt. Secs.	110.8	97.5	99.4
Discounts & Advances	8.7	1.7	3.2
Other Secs.	20.2	21.7	22.4
Proportion	25.0%	32.6%	31.7%

the small increase. In the Banking Department the deflationary influence of the bigger note circulation has been more than counteracted by the switch-over from public to bankers' deposits. As noted in the money market section, the market syndicate concentrated its payments for last week's Treasury Bill allotment on Thursday, and the drop in public deposits reflects this action. The expansion in the note circulation has also been neutralised by an increase of nearly £3 millions in Government securities. In the event bankers' deposits show a net rise of £6.3 millions, which explains the easy credit conditions in spite of the sharp rise in discount rates.

The Money Market

THE discount market's success at last week's Treasury Bill tender is discussed in a Finance Note. The fact that it had concentrated the bulk of its payments on Thursday of this week accounts for

the comparative monetary ease during the early part of the week. This was especially the case on Tuesday when maturities were considerable; and accommodation was readily forthcoming

	Mar. 31, 1938	Mar. 23, 1939	Mar. 30, 1939
Bank Rate	2%	2%	2%
London Deposit Rate	1½%	1½%	1½%
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	1½-5*	1½-7*	1½-7*
Discount Rates:			
Treasury bills	1½	1½-9/16	3/4
Three months' bank bills	1½-9/16	5/8	7/8-1/16

* Viz. 1½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. ¾ per cent. 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.

at the usual ½ per cent. against bills, even bond money being available at ¾ per cent. in the afternoon. Even on Thursday money remained in comfortable supply, although, in view of the large amount of bills to be taken up, some stringency had been expected. The firmer tone established in the discount market has been maintained. There has naturally been less demand for commercial paper, and the three months' fine bank draft on Thursday was quoted at 7-1½ per cent.

The Bullion Market

GOLD movements resulting from the recent activities in the bullion market and Control operations are discussed in a Finance Note. One reason for the contraction in the daily turnover described therein was the absence of shipping facilities in the early part of the week. This caused many sellers of gold to hold up their offerings until arbi-

INSURANCE NOTES

a^(m) and a^(f) 3 per cent. The resulting reserves are stated to be larger than would have been required on the previous basis, but the additional cost is not given. Hence the effect is to reduce the surplus shown for the past quinquennium:—

	1929-33	1934-38
Surplus earned during quinquennium	2,394,235	1,815,529
Brought forward	363,651	378,826
	2,757,886	2,194,355
Allocations:—		
Policyholders' bonuses	1,691,002	1,617,050
Strengthening actuarial reserves	160,000	99,414
Investment reserve	199,811	328,247
Written off assets	378,826	477,891
Carried forward	2,757,886	2,194,355

Of the carry forward of £477,891, the sum of £343,608 represents a reserve in respect of policies not yet entitled to participate and, in this sense, is not a free surplus. This office has a distinctive system of bonus distributions in the whole life class, under which policies begin to participate in profits when premiums accumulated at 4 per cent. per annum compound amount to the sum assured. Policies effected on the old scale of premiums and now participating for the first time receive a bonus at 28s. per cent. in respect of each complete year of duration up to December 31, 1938, excluding the years 1914-1918, compared with 30s. per cent. on the last occasion. Policies which have already participated receive additions at rates varying from 30s. per cent. to

trageurs were in a better position for absorbing them. On Wednesday, however, the weaker trend in sterling encouraged unhoarding of gold in the expectation of a higher price, and the

Date	Price per line oz.	Prem. or Disc. count	Amt. dealt in £	Cash	Two Mths.
1939	s. d.	d.	£'000	d.	d.
Mar. 21	148 5	pm.	410	20	1911/16
" 25	148 5	pm.	291	20	1911/16
" 27	148 5 1/2	pm.	640	19 15/16	19%
" 28	148 5 1/2	pm.	391	19 15/16	19%
" 29	148 6	pm.	945	19 7/8	19%
" 30	148 6 1/2	pm.	716	19 7/8	19%

* 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.

turnover at the fixing rose to £945,000 while subsequent dealings brought the day's total to about £1,100,000. As pointed out in the Finance Note, the Exchange Account has had to supply some of the arbitrage demand; but as is usual on the last day of the week, when the exchange market is very narrow, last Saturday the Account was unwilling to act as seller. The price was quoted at par with the American shipping parity; and this gave a direct encouragement to arbitrageurs who, as a result of the very small amount on offer from private sources, were able to obtain less than half of their requirements. There has been little interest shown in the silver market. Buying has been chiefly by American operators, while most of the sales have come from speculators.

36s. per cent. per annum, compared with from 30s. per cent. to 40s. per cent. per annum five years ago. The whole life premium rates were reduced in 1928; for this class of policy, reversionary additions at the rate of 15s. per cent. per annum are allotted, whether for the first or subsequent participation. Endowment assurances receive a bonus of 35s. per cent. per annum compound, compared with 38s. per cent. in 1933. New sums assured last year amounted to £3,159,000 against £3,313,000, and the net rate of interest fell by 2s. 5d. per cent. to £3 15s. per cent. Death claims were smaller by £140,000 at £876,000, and the incidence of the claims is stated to have been favourable. Total assets amount to £25,755,000, showing an increase of £329,000 on the year. Mortgages and loans were practically unchanged at £1,787,000, but British Government securities were £582,000 smaller at £8,452,000. Foreign and Colonial Government securities and debenture stocks show little change from the 1937 totals of £1,497,000 and £3,467,000 respectively, but preference shares increased from £2,885,000 to £3,006,000 and ordinary shares from £3,478,000 to £3,921,000. The middle market prices of the Stock Exchange securities at December 31 last are in excess of the aggregate book values, but the amount of the difference is not revealed. The investment reserve fund remains unchanged at £600,000.

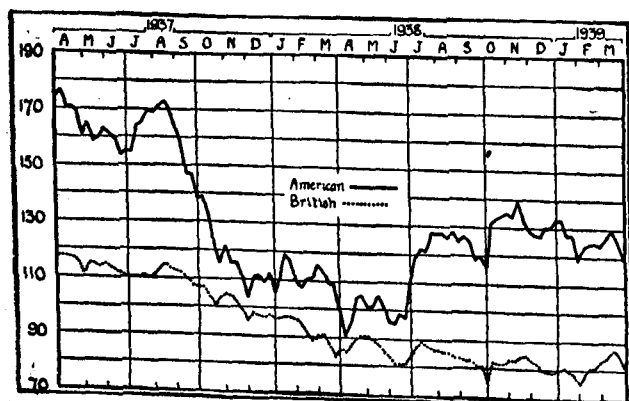
Investment

Political Markets.—The remarkable present fact about the security markets is their lack of crisis mentality. Of the past week's dealings it would be true to say that the markets' political concern has varied in inverse relation to their impression of the extent to which British Government policy was strengthening. It is not the war risk, as such, which has dominated the market's moves, but the search for signs that this risk may be met in a more resolute spirit. It was significant, for example, that the announcement of the strengthening of the Territorial Army on Wednesday produced a firmer close after a really weak opening, particularly in the gilt-edged market. Nervousness regarding the Central European situation and, in particular, the Polish situation has in no way abated, but the market remains extremely narrow, and in certain direc-

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.



tions, at least, it is still difficult to make reasonably large investment purchases. As the accompanying chart plainly shows, the past fortnight has robbed Wall Street of the whole and Throgmorton Street of nearly the whole of the recovery of the previous six weeks. In London, *The Financial News* ordinary share index, which fell to 73.7 at the end of January, has reacted from its high point of 88.0 on March 10th to the uneasy ranges of the 80's. Some investors may be agreed that defence borrowing on the projected scale must underline the long-term attraction of equity shares, but they are certainly abstaining from putting the argument into action. In Wall Street the reaction of common stocks seems to be attributable mainly to political fears, but also to a certain disappointment that American recovery this year has so far been lame.

The "House" Prepares.—At an extraordinary meeting, on Tuesday, the Proprietors of the Stock Exchange passed, without modification, the two special resolutions submitted by the Trustees and the Managers, which were outlined in *The Economist* of March 18, page 574. The validation of these resolutions requires

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the active support of proprietors holding two-thirds of the total votes exercisable on a poll, and the laborious task of securing the necessary quota by individual writing is now in progress. The relaxation of the Deed of Settlement to reduce the necessary proportion from two-thirds to a simple majority is, in fact, the second of the objects of the present Resolution No. 2. The proposed amendment also includes provision for an "emergency procedure," since under present-day conditions, the proprietors' interests might be seriously imperilled if the Trustees and Managers were unable to act by Special Resolution within a period which, for administrative reasons, can hardly be less than 2½ months. If the Trustees and Managers certify that the implementation of any resolution is a matter of emergency, and a copy of their decision has been included in the notice convening the meeting, it will become immediately operative when passed and confirmed by the requisite majority of proprietors attending the meeting. There was no discussion on the proposed alteration of the voting procedure or of the emergency provision. Resolution 1, extending the definition of the word "Members" so as to include corporate bodies, which is necessary to carry into effect the Committee's scheme for allowing firms to form themselves into unlimited liability companies, was also accepted without criticism. A small minority, however, was evidently somewhat dubious about the powers proposed to be conferred upon 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. There were, however, only 12 dissentients when the resolution was put to the vote. It can be assumed that the report that definite decisions have been taken to acquire alternative accommodation is incorrect, Mr Cripps, who presided, intimated that a number of factors were under consideration, including the possibility of an arrangement with Provincial Exchanges. The interests of both members and proprietors appear to be adequately safeguarded by the fact that no steps could actually be taken without the full co-operation of the Committee with the Trustees and Managers with whom the theoretical power alone resides.

Unit Trust Control.—The House of Lords on Tuesday considered the Sharepushing Bill on the report stage. The chief matter, which was not completed in Tuesday's discussion, concerned the publication of accounts relating to the trust. An amendment was considered to include the managers' accounts, in the following terms: "Including accounts of the managers in relation to the trust and statements in connection with his remuneration therewith." The question of publication of these accounts, however, was left for final consideration, and a further amendment may be moved by the Lord Chancellor at the next stage of the Bill. An amendment was also agreed to facilitate the registration of underlying securities in the names of companies which are wholly owned by the trustee and under its control. But a motion by Lord Buckmaster to insert a new paragraph in the schedule to the Bill providing that no trustee shall be entitled to act as manager or hold, directly or indirectly, any interest in a management company, was withdrawn after discussion. But in the course of his reply, the Lord Chancellor admitted the weight of the amendment that a conflict of interest might arise, though he held that no harm had yet resulted from directors of trustee corporations acting as directors of management companies. Some revision of Clause 16 (b) under which the Board of Trade has power to determine what constitutes an authorised unit trust scheme may be introduced, so that the persons who are respectively managers and trustees may operate independently of each other.

Canadian Pacific Report.—The detailed preliminary figures of Canadian Pacific results last year (reviewed on page 577 of *The Economist* of March 18th) rob the annual report of much of its interest. The board emphasises, however, that the rapid recovery in the gross traffics position was due to the free marketing of the highest wheat crop since 1932, thanks to the Dominion's guaranteed price. Hence an increase in rail earnings from grain and grain products is shown of no less than \$9,302,490, although freight earnings as a whole were reduced by \$717,089. Working expenses increased by \$163,204, since the increase of \$4,526,000 attributable to the progressive restoration of wage rates, coupled with other increased costs, was largely offset by the smaller volume of traffic. The substantial fall in other income was the striking feature of the preliminary figures, and the report attributes the severe setback in steamship earnings to the natural fall in traffic due to the Coronation in 1937, to the unsettled international situation, and to higher fuel, wages and port charges. Some further light is thrown on the position of the "Soo" guarantees, which was not available in the cabled results a fortnight ago. The first mortgage bond interest due July 1st last year was provided and absorbed \$1,260,800. These bonds have now passed their maturity date, and the Canadian Pacific board regards the guarantee as having lapsed from last July. Hence direct guarantees now involve a sum of only \$805,830 annually. The saving on the first mortgage bonds would represent 0.9 per cent. on the preference stock, which received no payment last year, although earnings were equivalent to 0.92 per cent. No extended reference is made to the policy of abandoning unremunerative lines and to the method of providing for the necessary writing-down of assets. Last year such amounts (including \$279,918 arising from the Vancouver dock fire) totalled \$1,402,348, against \$2,495,361 in 1937. Such sums, in accordance with the company's policy, are not a determining factor in dividend decisions. But in view of the fact that available earnings would have permitted a small dividend on the preference stock last year, stockholders would probably welcome a further statement regarding abandonments.

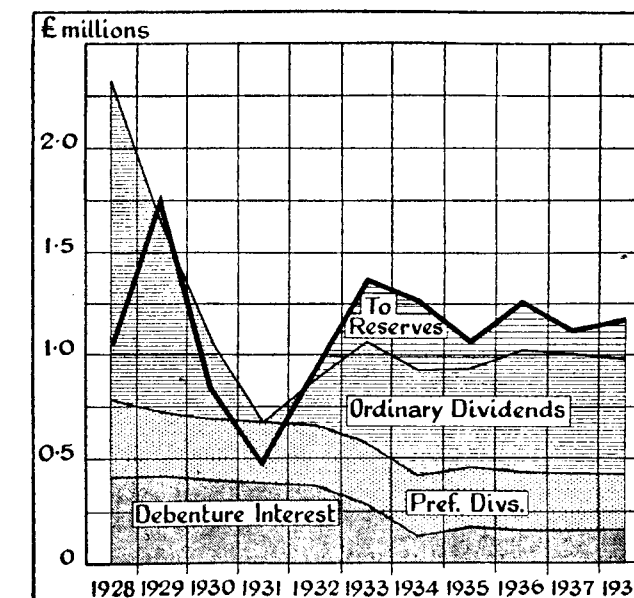
Dunlop Rubber Recovery.—The satisfactory Dunlop Rubber profits announcement (which was briefly reviewed in last week's issue of *The Economist*, page 627) has been followed by a no less satisfactory report. The aggregate profits of the group, after providing for depreciation, have, it is true, declined by 8½ per cent. from £2,478,000 to £2,265,469, but the former figure applied to a particularly good year, while the latter contains no trace of the directors' reference, at the end of September last year, to a "material reduction" in trading profits. Hence, the figures suggest a sharp recovery in business during the last quarter of the year, which may well have been associated with the recovery in the motor trade at that time. In the following table and chart, the results of the parent company in recent years are analysed:—

	Years ended December 31,		
	1936	1937	1938
Aggregate profits of group ...	2,200,392	2,478,000	2,265,469
Net profit Dunlop Rubber ...	2,011,768	1,967,940	2,025,375†
Depreciation	351,248	337,610	356,705
Taxation, and fees	402,900	503,815	394,109
Debt interest and loan interest...	160,848	159,243	159,777
Preference dividends	285,938	281,250	276,562
Ordinary stock—			
Earned	810,834	686,022	838,222
Paid	571,853	562,479	552,063
Earned %	12.8	11.0	13.7
Paid %	9	9	9
To general reserve	100,000	...	99,168
To contingencies reserve ...	150,000	250,000	175,000
Repayments by subsid.	Cr. 11,035	Cr. 127,930	...
Carry forward	589,956	591,429	603,420

† After paying £108,750 on Dunlop Plantations preference.

Although the company has had to implement its guarantee for the Dunlop Plantations preference dividend, at a cost of £108,750, its net profits have slightly increased to £2,025,375. This factor, in conjunction with a sharp fall in the tax provision to £386,109 (a point which

DUNLOP RUBBER PROFITS, 1928-38



suggests that some adjustment has been made in the company's basis of assessment), results in a relatively sharp increase in the available equity earnings, and the 9 per cent. ordinary distribution is covered with the respectable margin of 4.7 per cent.

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The format of the accounts, which is unexampled among British companies, reveals a number of significant changes. The assets of certain subsidiary and associated companies "situated in countries of which the economies are closely controlled" have not been consolidated, but are separately shown in the consolidated statement. Such interests (stated at their sterling book value) have increased during the year from £353,769 to £1,358,480. The previous year's figure referred largely to Germany; the latest year's figure certainly includes Japan and may include other areas also, according to the definition of "close control," which appears to be somewhat wider than exchange control. The effect of these changes on the consolidated structure, however, is small, for the group's total assets stand at £32,348,506, against £32,455,562. Stocks, both for the group and for the parent company, show a significant reduction—in the latter case from £3,237,682 to £2,496,324. The parent company, which in effect acts as banker for the group, as comparison of its cash assets with those of the group plainly reveals, has increased its bank balances from £1,616,746 to £2,940,756. A comparison of the financial position over the past six years (which is conveniently provided in the report) shows that a considerable strengthening has occurred. At 26s., to yield £6 18s. 6d., the £1 ordinary stock units may be regarded as a reasonable industrial holding. And the report and accounts may be regarded as a convincing reply to those who argue that consolidation is impracticable, or even meaningless.

* * *

London and Thames Haven Oil Wharves.—The London and Thames Haven report has been awaited with considerable anxiety, and it discloses a serious position. In the first place, a substantial decline in profits has occurred from £203,767 (after deducting £19,806 paid under guarantee) to £88,745 (before paying £28,529 under guarantee). Secondly, the bank overdraft has been increased from £688,213 to £978,007. The reasons for this situation are, of course, well appreciated both by shareholders and by the reconstituted board. The company's financial position and steady earning power has in recent years greatly deteriorated. Its relations with important oil interests became strained until in 1937 the company lost its valuable contract with "Shell" Transport, while last year the Anglo-American Oil Company also gave notice of termination. The Irish National Refineries project has been stopped by the new board. This company, which intended to set up a competitive refinery for supplying all petroleum products in Eire, was financed through Parent Petroleum Interests, Ltd., which is described in the directors' report as "the company's subsidiary." An additional complication arose last year, when the limit line for petroleum vessels was extended up the river to Purfleet, and thus prejudiced the business hitherto handled by the Thames Haven Wharves. The new board is attempting, as far as possible, to concentrate on the original wharfing business of the company, and has already established relations with former customers. Again, although much preliminary work has been carried out in connection with the Irish venture, the company is limiting its extraneous commitments and proposes to dispose of them as soon as possible. Altogether, the sum of £730,887 has been drawn from reserves to write down various assets, and Parent Petroleum Interests now stands in the books at £500,000 after special write-off of £666,849. A circular issued by two shareholders of the company this week expresses grave misgivings about the policy and administration of the company, and considers that an immediate investigation is

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urgently called for if the interests of shareholders are to be protected. Further information regarding the position of Parent Petroleum Interests is obviously desirable.

* * *

U.S. Steel Position.—The approximate earnings position of "Big Steel" in 1938 was known already from the quarterly statements, but the detailed annual report illumines the future trend more clearly. Broadly speaking, movements in 1937 and 1938 were in opposite directions, though changes in the former year were much the more violent. In 1937 production continued at a satisfactory rate until the late summer, and operations became severely curtailed in the autumn. The low level reached in December, 1937, hardly changed during the next seven months or so, the average percentage of capacity in operation being 32.6 in the first three quarters of 1938, against 81.5 a year earlier. A modest improvement set in about August, and rolled and finished steel operations in the last quarter were higher than at the end of 1937, at 46.9 against 40.6 per cent. of capacity. The report, however, states that this recovery was due chiefly to the consumers' goods industries. Production of rolled and finished steel products in 1938 was 48.6 per cent. lower, or some 6,563,000 tons, and varying rates of change were shown by other products. The new price basis involved a certain amount of cutting and dislocation, but gross operating earnings from all sources fell at a slightly lower rate than finished steel production, from \$1,396 to \$767 millions, and operating expenses at only a slightly lower rate. Preferred dividends of \$25,220,000 for 1938, though paid in full, were short-earned by \$32,937,000—a deficit equivalent to \$3.78 per common share—and the earned surplus is thus reduced to \$247,419,000. The improvement in output so far recorded this year has been on a very moderate scale.

Mining Reports

Union Corporation.—Union Corporation must be congratulated on such an excellent result for a year of great difficulty for mining finance houses. Total profits were actually £674,857 as compared with £779,468 for the preceding year, and this moderate decline of 13 per cent. may be taken as an indication that market operations constitute a secondary factor in the corporation's earning capacity. Actually, the net profit for the year showed a still smaller decline at £611,535 compared with £682,854, the latter figure having been struck after deduction of a non-recurring item of £35,117. The most interesting item in the accounts is a rise of £615,241 in share and debenture holdings, at or under cost, to £3,390,447. The actual increase is probably greater, as the directors have followed their former policy of providing for contingencies by reducing the book value of certain holdings both below cost and also below market price. Holdings in some of the younger offshoots have presumably been increased. In the case of Marievale, for example, the company had the right to subscribe for 339,167 shares at par, 250,000 shares at 15s. and 17,500 shares at 15s., making a total of 606,667 shares. If only because of ruling market conditions, this additional block is probably still in the portfolio and may remain there in view of the progress being made by Marievale. The 12s. 6d. shares stand at 7½ to yield £5 10s. 9d. per cent. on the 8s. total dividend, the distribution of which actually represents £4,465 more than the available net profit. Prospects for this year provide few signs as yet that the Corporation's scope for profitable share dealings will improve. On the other hand, dividend receipts should be enhanced by increased or maiden distributions from East Geduld, Grootvlei and Van Dyk, against which must be set the minor factor of a smaller liquidating dividend from Modder Deep.

* * *

Anglo-American Corporation.—The character and interests of the Anglo-American Corporation necessarily clothe its results with an impression of volatility. But the

fall of £623,911 (or just over 37 per cent.) in revenue in 1938 to £1,053,382 is not more than commensurate with the rise which took place in the years when markets were active. An active dealing policy, and a portfolio comprising large copper and diamond interests as well as gold shares, fully explains this sensitivity. Net revenue, after providing for tax, was £457,064 lower at £879,089, and represents earnings of 30.1 per cent. on the £2,450,000 ordinary capital, just covering the 30 per cent. dividend (against 40 per cent.) recently declared. The fact that the 10s. shares at the present price of 2½ offer the high yield of £7 3s. 3d. per cent. reflects the general fall in values which has occurred since the end of 1938, and the improbability that earnings can be maintained unless there is a markedly more favourable turn in the market during the remainder of 1939. The balance sheet shows an increase in shares, interests and investments from £6,920,703 to £7,290,353, and while this may reflect participation in last year's Venterspost issue, the absence of a detailed list of holdings and of any indication of the method of valuation (other than "at cost, less amounts written off") prevents any significant analysis of the balance sheet. A net surplus of current assets of £1,643,115, however, is shown, against £2,009,676 at the end of 1937. This surplus includes loans to affiliated companies and others of £1,309,255, which show a decline of £231,171. The report reaffirms that as soon as market conditions are more favourable "West Driefontein Gold Mining Company, Limited," will be floated.

* * *

Springs.—Though Springs is well advanced into healthy middle age, it succeeded in raising the tonnage crushed to a new record in 1938, despite a minor accident which adversely affected output to the extent of 36,000 tons last October. Some 1,827,400 tons were milled—an increase of 3,000 tons—but the profit was reduced by £147,031 owing to a drop of 7.5d. in the revenue per ton to 39s. 11.7d. and an increase of 1s. 0.2d. in working costs. The maintenance of the dividend at 2s. 7½d., despite a reduction of £83,081 in the net balance of revenue over expenditure to £1,845,591, was made possible by a reduction in the amount absorbed by Government taxes and participation and by capital expenditure. After providing £10,927 under the latter head, the unappropriated balance at December 31, 1938, was £76,631 against £62,048 brought in. It is encouraging to note that although the total development footage accomplished declined by 2,842 to 20,480 feet, the percentage of payability rose from 38.5 per cent. to 45.7 per cent. and the average assay value from 10.27 dwt. to 11.80 dwt. Development in the southern portion of the mine has been actively pursued, but owing to the formation it is not expected that the reef will be intersected before about the end of the current year. Results shown in this section, when available, will have a considerable bearing on the ore reserve position, which amounts to 9,001,985 tons, of an average assay value of 5.31 dwt. over a stoping width of 43.06 inches, showing a decline of 652,439 tons, a decrease in value of 0.26 dwt. and an increase in stoping width by 0.32 inches. Prospects in this portion of the mine seem quite promising and diminish the significance of the decline in available tonnage now shown. The present price of the 5s. shares is 27s. 6d. and the yield £9 11s. per cent.

* * *

West Springs.—Although the ore milled by West Springs in 1938 fell by 36,500 tons to 1,061,500 tons, and costs rose by as much as 2s. 3.5d. to 18s. 7d. per ton, the actual working profit rose from £513,559 to £553,488. This reflects an increase, for the fourth year in succession, of the grade of ore sent to the mill. The yield was 4.08 dwt. compared with 3.65 dwt. in 1937 and only 2.97 dwt. in 1935. Even now there is a big margin compared with average value of the ore reserve which, at December 31st last, was 5.3 dwt. The mining policy is, of course, dictated by the onerous terms of the lease covering the old section of the property. But the low return of £6 1s. 1d. per cent.

on the shares at 2½ (on the basis of the 2s. 6d. dividend) indicates the market expectation that a new agreement amalgamating this old lease with the new and much more favourable lease covering the south-western section of the property will be negotiated when the tonnage possibilities of the latter have been more fully investigated. Since the No. 2 shaft and its sub-vertical shaft in the south-western area are now in full commission, it is expected that this year will see extended development in the new ground. Under the existing situation, it does not pay to hoist better grade ore from the old section, and the improving grade of tonnage milled presumably reflects the increasing proportion taken from the south-west section. This factor is also apparent to some extent in the rise in costs. Reduction expenses per ton were little changed, but development charged direct and stoping each required 3d. extra, underground transport 1.8d. extra, timbering and packing 2d. extra, and shovelling and tramming 4.8d. extra. Some part of these increases may reflect the pace of development in the south-west portion. Development accomplished amounted to 23,845 feet, showing an increase of 6,004 feet, but the percentage of payability declined by 6 per cent. to 50.6 per cent. The value rose by 1.94 dwt. to 14.94 dwt., but the width declined sharply from 43.61 inches to 31.68 inches. The pay limit for development disclosures was the same as that for 1937, and the recalculation of the reserve shows a slight decline of 7,440 tons at 4,545,170 tons, the average value being 0.11 dwt. higher at 5.25 dwt. and the stoping width 0.87 inches lower at 53.36 inches. After providing for the two dividends of 1s. 3d. and £107,367 for capital expenditure, the balance unappropriated at December 31, 1938, was £53,123 lower at £62,052. Now that the No. 2 shaft has been fully equipped, the period of high capital expenditure is completed. A long life is in prospect, and the investment valuation of the shares must be governed to a large extent by the possibility of adjustment of the old lease.

* * *

Brakpan.—The position of Brakpan was maintained in 1938, and while the technical situation does not offer much scope for speculative interest there is no reason why earnings on the present scale should not be recorded for many years to come. The tonnage milled actually reached a new record, at 1,648,500 tons, but owing to an increase in costs by 11.4d. per ton, not quite offset by an increase of 0.01 dwt. at 5.13 dwt. in the yield, the total working profit was £41,232 less at £1,299,180. The available net profit covered dividend No. 52 of 1s. 6d. per share and No. 53 of 1s. 7½d. per share, with a surplus of £12,638, but as £32,119 of capital expenditure was charged to revenue, the unappropriated balance at December 31, 1938, was £19,481 lower at £76,568. Capital expenditure this year is expected to be smaller. The flotation plant to deal with the current sand from the reduction works was completed in August and an improvement in revenue values is expected. Although costs for the first two months of the current year again show an increase, the net profit per ton is slightly higher, and these factors encourage the hope that the dividend may be raised fractionally this year, say, to 3s. 3d. The grade of ore sent to the mill is well up to the average of the reserve, and the trend of development in the older section indicates that the point of maximum earning power is at hand. The holding of 361,067 "Sallies," however, offers a new income prospect, the ratio being approximately one "Sallies" for every thirteen Brakpan. Development footage was 5,049 feet lower at 64,339 feet, the percentage of payability declined by 3 per cent. to 38.1 per cent. and the value from 12.26 dwt. to 11.72 dwt. Ore reserves at the end of the year were virtually unchanged at 7,082,840 tons, but both the value and the width again showed slight declines at 5.61 dwt. and 45.9 inches respectively. The development figures include the Witboek section, and while results here are quite satisfactory the position may be said to suffer from the lack of a sufficiently powerful dynamic element, which is reflected in the yield of £6 10s. per cent. offered by the shares at their present price of 2½.

Daggafontein.—Last year Daggafontein made further solid progress. A slightly lower grade of ore was sent to the mill, and the yield was 0.31 dwt. lower at 5.67 dwt. per ton, but an increase of 136,400 in the tonnage milled at 1,701,000 and a reduction in working costs by 6d. per ton led to an increase of £46,247 in the working profit to £1,668,590. In the absence of any major expansion scheme, capital expenditure absorbed only £20,313, and after making this provision the net profit just covered dividend No. 11 of 1s. 3d. and dividend No. 12 of 1s. 3½d. per share with a surplus of £2,359, leaving an unappropriated balance at December 31, 1938, of £76,223. Provided that the supply of native labour is adequate, a further modest increase in tonnage milled should be achieved this year, and as the working profit per ton is a few pence higher there is some ground for hoping that the dividend will be brought up to at least 2s. 7½d., or possibly 2s. 9d. On the 1938 distribution the yield on the 5s. shares at 1½ is £6 14s. per cent. In view of the long prospective life of the mine, which must extend over several decades at least, there is no need at this stage to take into account amortisation. The ore reserve at the end of the year was calculated at 8,002,133 tons, having a value of 6.37 dwt. over 40.67 inches, a decline of 0.21 dwt. and 0.26 inches respectively. The ore mined during the year was 0.22 dwt. below the average value of the reserve. Development work was approximately 10,000 feet lower at 43,386 feet, but little significance need be attached to this, or to the decline in the payable percentage from 58.3 per cent. to 51.4 per cent., or in the average assay value from 18.73 dwt. to 15.83 dwt. These figures do not include 2,584 feet on the Kimberley Reef horizon. Payability here was 27.2 per cent., the average value being 7.02 dwt. over a width of 45.92 inches or 322 inch-dwt. The mine is gradually coming to full maturity, and the technical position is one of redoubtable strength. In considering future dividend prospects, the holding of 437,500 10s. shares of East Daggafontein, which is due to start production this year, must be taken into account, though the holding represents only one East Daggafontein for sixteen Daggafontein.

Rand Mines.—Rand Mines is in a class apart in mining finance. Though, in an accounting sense, it is strictly speaking a finance company, the established financial policy and the great strength of the Rand Mines-Central Mining-General Mining combination together endow the shares with something approaching investment trust status. Profits accruing from investment realisation are not realised for dividend purposes, and the detailed list of holdings published each year shows that the directors' decisions are influenced by long-term considerations. Although investment and other income is no longer separated, profits on realisation are shown and the stability of the revenue confirms the reliable foundation on which dividends are paid. The 5s. shares at 8½ yield only £4 14s. on the 160 per cent. dividend paid for 1938. Excluding profits on the sale of investments, revenue for 1938, at £924,218, shows a decline of £36,360 compared with 1937, and represents earnings of 173.7 per cent. on the capital. The closer association established during the year between the "Corner House" and General Mining is, perhaps, reflected in the addition to the portfolio of 126,356 West Rand Consols, this being the only important change. More than 85 per cent. of the holdings, by value, consists of gold-mining interests. These include certain interests past maturity, such as 301,645 New Modderfontein, 141,315 Rose Deep and 58,904 Geldenhuis Deep.

But the long-term outlook is compensated by equally important interests in companies which have yet to reach the milling stage or are in course of expansion, including 302,622 Durban Roodepoort Deep, 335,041 Blyvooruitzicht, 419,962 Vogelstruisbult, 43,447 Grootvlei and 81,158 Van Dyk. The portfolio is not entirely domestic, but it has, of course, a "family" flavour, and its general prospects are fairly suggested by the aggregate mining results of the whole of the Central Mining-Rand Mines group. During 1938 the ore milled totalled 19,005,700 tons, an increase of 415,700 tons. The average working costs were unchanged at 19s. 4d. per ton milled, but owing to a decline of 0.085 dwt. in the yield of 4.019 dwt. the total working profit was slightly lower at £8,885,418.

West Rand Consolidated.—This company provides another instance in which stable profits have been achieved by variation in the value of ore mined. Tonnage milled rose slightly from 2,050,000 to 2,126,000 tons, and the price of gold rose by an average of 1s. 9d. per ounce. On the other hand, the grade fell slightly from 4.096 to 4.058 dwts., and working costs rose from 16.86s. to 17.13s. per ton. The result was a rise of £117,598 in the gold account to £2,977,259, and of £90,770 to £1,260,700 in mining expenses. Net working revenue amounted to £1,184,367, against £1,158,914, and after charging other expenses the amount earned for dividends was practically unchanged at £723,067. This covers, with a margin of £14,734, a dividend of 25 per cent. on ordinary shares (as for the preceding three years) and 708½ per cent. on the deferred shares. Ore reserves at the end of 1938 showed an increase of 120,000 tons to 10,750,000 tons, with an unchanged average value of 4.4 dwts. At a current price of 35s. 7½d., the 10s. ordinary shares yield £7 0s. 3d. per cent.

Vlakfontein.—As the technical development of Vlakfontein proceeds it must attract increasingly close attention. Step by step the correlation of underground conditions with those ruling on the adjacent Sub Nigel gradually tends to confirm the views of those who see in Vlakfontein a valuable mine. The haulage from Sub Nigel crossed the boundary towards the end of the year, and in the last few weeks was advanced 495 feet in this company's property. Some 445 feet was sampled, of which 195 feet proved payable, showing an average value of 75.9 dwt. over a reef width of 6.9 inches. In order to expedite the opening up of this section of the property, development operations have been commenced from this haulage. Indications to date are fully compatible with the thesis that the Sub Nigel shoot system persists, and no untoward deductions are to be drawn from the fact that at the end of the year the intersection of the Main Reef, in the east sub-vertical shaft at a depth of 6,568 feet and in the west sub-vertical shaft at a depth of 6,647 feet, showed unpayable values in each case. The indications are that these intersections occur between shoot zones. The next twelve months' work will show the real potentialities of the property. The depth of the mine and other factors necessarily indicate a large capitalisation. Working capital has now been exhausted, and in view of prevailing market conditions the directors have arranged for temporary advances to finance operations until more favourable market conditions emerge. Accordingly, three of the largest shareholders, Lace Proprietary, Anglo-American Corporation and New Consolidated Goldfields, have agreed to advance up to £500,000 at 5 per cent. per annum. It is estimated that this amount will suffice to finance the company for approximately twelve months. The lenders obtain a preferential right to subscribe for 25 per cent. of any issue or issues, on the same terms as to shareholders, as may be sufficient to repay the funds advanced. Power is being taken to increase the capital from £2,375,000 to £3,000,000 by the creation of 1,250,000 new shares of 10s. in the hope of being able to make a fresh issue before the increased resources are absorbed.

The Week's Company Profits.—This week the number of reports published is more normal, and our usual analysis of profit and loss accounts on page 66 covers 55 companies, excluding banks and businesses for which comparable figures are not available. Net profits of these 55 companies amount to £4,724,000, against £5,768,000, and thus show a decline of 18 per cent. Aggregate net profits of 657 companies whose reports have been received this year to date amount to £89,423,000, and show a reduction of 8½ per cent. from the level of £97,651,000 earned a year earlier. The week's results are discussed in preceding Notes and on page 57 under the heading "Shorter Comments."

Company Meetings of the Week.—Reports of company meetings commence on page 44. At the *National Bank of India* meeting, Mr R. Langford James explained that the reduction in the bank's deposits last year arose from the diversion of money into short-dated Government securities which provided more attractive return, but suggested that this might prove a passing phase. Sir Charles Innes, at the *Mercantile Bank of India* meeting, referred to the high level of Indian credit, and pointed out that on several occasions recently India 3½ per cent. paper stood higher than 3½ per cent. War Loan. At the *Chartered Bank of India, Australia and China* meeting, Mr A. d'Anyers Willis referred to the courageous efforts which are being made to build up a new economic system in the Western Provinces of China and to develop that potentially rich region. At the *Employers' Liability Assurance* meeting, Sir Courtauld Thompson, M.P., pointed out that the major portion of the Corporation's business, being in North America, South Africa and Australia, was fortunately remote from the most likely centres of political disturbance. Mr Robert E. Dickinson, the chairman of the *National Provident Institution*, voiced regret at the tendency for members to choose policies maturing in their own life time rather than first covering themselves fully by whole-life assurances. Sir Alexander Roger, addressing shareholders of *British Insulated Cables*, suggested that it

should still be within bounds of possibility to secure commercial understanding between Germany and England on sound lines in order to provide more and better trade facilities. Record output and sales were reported by Mr R. W. Cooper at the *British Aluminium* meeting. Mr Cooper reported that new plants were being installed in Australia and India. Mr Robert C. Stanley referred to the development of the *International Nickel Company's* subsidiary in Finland. The mining programme was progressing satisfactorily and operations should commence by the autumn of 1940. Mr Edward Robson disclosed that the sales of *Pinchin Johnson* since November last year had shown an increase each month. At the *British Ropes* meeting, Mr Herbert Smith declared that the board was not satisfied that the full earning power of the undertaking had been reached. Addressing members of the *Halifax Building Society*, Brig.-General Whitley emphasised the importance of the Society's £22 millions of liquid assets and the spread of 250,000 separate mortgages over the United Kingdom which, in itself, provided security against heavy loss from air raids. At the *Moss Empires* meeting, the chairman considered the past year's results more than satisfactory in relation to the effect of the crisis upon the entertainment business. Certain aspects of New Zealand taxation were criticised by Mr D. F. Anderson at the *Bank of Australasia* meeting. Sir Malcolm P. Stewart, at the *Associated Portland Cement* meeting, pointed out that economies due to capital expenditure had been better than expected. *Associated Electrical Industries* members were informed by Sir Felix Pole that some valuable overseas orders had been recovered. A reduction in prices owing to increased efficiency was reported by Sir Alexander Roger at the *Automatic Telephone Electric* meeting. Members of *Godfrey Phillips* were informed by Mr Arthur I. Phillips that slightly lower prices of high-grade leaf had been offset by a less favourable exchange rate. The importance of technical developments was stressed by Mr H. James Yates at the *Radiation* meeting. At the *Maple and Company* meeting Mr C. C. Regnart referred to large contracts in hand, including that for the "Queen Elizabeth." The chairman of *Ericsson Telephones* reported that a record volume of orders was in hand.

THE STOCK EXCHANGES

London

TICKET	ACCOUNT
APRIL 11	APRIL 13

THE market has improved this week on those occasions when it seemed more evident that a firmer attitude was being adopted by the democratic powers. The Prime Minister's announcement, on Wednesday evening, regarding expansion of the Territorial Army provided a firm close after a rather patchy day. On Thursday morning, again, M. Daladier's speech replying to Italian claims again gave the markets confidence. But over the week as a whole the market has been distinguished by an extremely small volume of trade and by erratic and rather meaningless movements in prices.

On Tuesday, it is true, a certain amount of selling, particularly of gilt-edged, was reported, and War Loan in fact closed a point lower at 95½. Gilt-edged were again a weak market on Wednesday and in the course of the day War Loan was marked as low as 94½ before closing with a spectacular rally, unaccompanied, however, by any volume of business, to 95½ bid. The actual level of prices has, in fact, been almost irrelevant this week. Spasmodic movements around any given level have no significance in a market which is a study in indecision.

Chinese bonds staged a sharp initial advance on Monday, following a report

that negotiations had commenced regarding the service of the Customs and Salt Loans, most issues closing 1 to 1½ points higher. Japanese bonds also improved in mid-week but European issues were uncertain, Czech bonds in particular reacting fairly sharply on Tuesday. Most of the Central European issues were weaker and further selling of Brazilian bonds was reported.

Home rails opened in fairly firm style but business was narrow in both directions. The first "plus" of the year by L.M.S. gave some encouragement to the market, but Thursday's early gains were

soon lost. Business in Argentine issues was at low ebb.

The industrial market was thoroughly dull. Price movements were irregular or slightly downwards, and there was very little business passing. Apart from fractional declines on Tuesday, iron and steel shares were steady. Wm. Beardmore were a strong feature. Coal shares did not maintain Monday's firm tone, while the trend among engineering issues was uncertain. Electrical equipment shares began well, and then receded slowly. Exceptionally, Reyrolle strengthened in mid-week. On Tuesday, motor shares fell rather more sharply than other descriptions, but

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towards mid-week there were some instances of recovery. Aircraft shares were neglected, and tended to weaken. Textiles fell back after a satisfactory start, and rayon shares reacted—partly on the implications of the Cotton Bill for the rayon industry. Brewery shares were mostly lower on small provincial sales, and there were fractional losses in tobacco shares. Provision and catering issues lost ground after early strength, and in the stores group also the leaders gave way. The tone in the miscellaneous section was heavy, though movements were rarely important. Monday's improvement in a few leaders such as Turner and Newall, and Lever Brothers and Unilever was not maintained. In mid-week, an exception to reactionary prices was provided by shipping shares, which hardened on news of the Government subsidy.

Oil shares began the week idly, but prices were steady. In sympathy with the rest of the market, prices were marked down on Tuesday, though satisfactory resistance was shown later. Business remained in a small scale. Rubber shares were virtually indifferent to fluctuations in the commodity price, but nearly all movements in quotations consisted of declines. There was too little business in the tea market for prices to be tested.

Mining shares closely followed the general trend of the market. A quiet but steady opening was followed by some recession on renewed fears regarding the international situation, but a steadier tone developed in mid-week. On Monday Kaffirs were dull but not noticeably weak. They gave way later on, until support from Paris brought a steadier tone. Developing mines were more sensitive than the dividend-payers to changes in the market's mood. Movements in Rhodesian copper shares were typical of the rest of the market. Other base metal issues were dull and lower for choice.

We are officially informed that on March 23, 1939, Mr Percy George Stark, trading as Jones and Moore, was declared a defaulter upon the Stock Exchange.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains†	Corres. Day 1939	Security Indices	
			30 ord. shares*	20 fixed int.†
Mar. 24	5,060	6,860	82.5	118.9
Mar. 27	5,455	8,325	82.6	118.9
Mar. 28	5,110	7,335	81.0	118.5
Mar. 29	5,490	7,460	80.7	118.5
Mar. 30	4,940	7,155	81.1	118.5
1939				
High...			88.0	128.5
Low...			73.7	118.5
			Mar. 10	Jan. 9
			Jan. 27	Mar. 29

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

ACTUARIES' INVESTMENT INDEX

THE improving market trend in February and the earlier part of March was reversed after the annexation of Czecho-Slovakia. In the past few days, however, security price movements have had little significance. The Actuaries' index of 160 industrial equity prices stood on Tuesday, March 28, 1939, at 61.8, against 62.0 a week ago, 63.5 a month ago, and 65.2 a year ago, while the corresponding average yields are 5.82, 5.80, 5.70 and 5.65 per cent. Gilt-edged

stocks have, on the whole, suffered worse than equities. Industrials make a mixed showing, but several groups are still above their end-1938 levels. Fixed interest securities, on the other hand, have declined on balance over the three months almost without exception. We give below a selection of the component series of the industrial share index, and also the usual monthly particulars of fixed-interest securities:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)		
	Mar. 29, 1938	Feb. 28, 1939	Mar. 29, 1939
Fixed Interest—			
2½% Consols. (1).....	130.7	124.8	120.5
Misc. ind. deb. (14)....	121.3	117.6	116.1
Misc. ind. pref. (26)...	113.2	109.4	107.6
Ordinary Shares—			
Insurance (10).....	110.8	111.4	109.7
Aircraft mfg. (5).....	75.0	184.1	183.4
Bldg. mfg. (6).....	29.0	71.6	70.2
Cotton (5).....	67.1	24.8	24.0
Oil (4).....	57.8	76.9	76.4
Home rails (4).....	120.6	110.3	109.9
Breweries, etc. (20)...			

Group	Yield (%)		
	Mar. 29, 1938	Feb. 28, 1939	Mar. 29, 1939
Fixed Interest—			
2½% Consols.	3.41	3.58	3.70
Misc. ind. deb.	3.93	4.04	4.09
Misc. ind. pref.	4.35	4.48	4.56
Ordinary Shares—			
Insurance.....	3.83	3.86	3.92
Aircraft mfg.	7.36	9.34	9.41
Bldg. mfg.	2.99	7.22	7.35
Cotton.....	7.48	3.58	3.62
Oil.....	5.67	7.81	7.85
Home rails.....	5.49	0.47	0.48
Breweries, etc.	5.49	5.97	5.99

† December 30, 1938 = 100.

New York

THIS week Wall Street and London have moved closely in sympathy, and trading volume has been abnormally low almost throughout. Monday opened well, but there was not enough business to sustain the firm tendency, and prices began to drift. The next session began with prices marked lower all round. There was, however, very little selling, and movements during the rest of the day were only fractional. And though no further break of any importance occurred, this stagnation persisted into the middle of the week. Apart from general political questions, the market was inclined to wait, in particular, for M. Daladier's speech. Steel shares again remained somewhat in the background. Steel ingot production this week is estimated by *Iron Age* at 55 per cent. of capacity, or ½ per cent. lower than a week ago. There are reports of a large French order for aero-engines from United Aircraft, but aircraft issues failed to show much interest in the news.

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. 15, 1939	Mar. 22, 1939
	Low	High		
347 Ind'ls.	102.1	114.5	105.1	102.1
32 Rails.....	27.08	32.5	29.27	27.1
40 Utilities....	80.32	88.3†	86.4	81.8
419 Stocks....	86.7	95.6	89.9	86.7
Average yield *	3.93%†	3.31%†	3.66%†	3.93%†
	High	Low		

* 50 Common Stocks. † March 8th, ‡ January 11th.

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

Mar. 23	Mar. 24	Mar. 25	Mar. 27	Mar. 28	Mar. 29
116.1	117.4	117.1	116.6	114.9	115.8

1939 High: 130.3 January 4th. Low: 112.5 January 26th.

TOTAL DEALINGS IN NEW YORK

1939	Stock Exchange		Curb Shares
	Shares 000's	Bonds 8000's	
Mar. 23	870	5,970	131
" 24	650	5,190	116
" 25	440	2,590	73
" 27	570	5,490	109
" 28	680	5,920	126
" 29	470	5,440	95

* Two-Hour Session.

New York Prices

	Close Latest		Close Latest
	Mar. 23, 1939	Mar. 29, 1939	

1. Rails and Transport		4. Manufacturing	
Atchafalpa.....	33 1/2	Briggs.....	24 1/2
Balt. & Ohio.....	6	Chrysler.....	74
B.M.T.....	10	Elec. Autolite.....	33
Can. Pacific.....	4 1/2	Gen. Motors.....	46 1/2
Ches. & Ohio.....	35 1/2	Hudson Mtr.....	6 1/2
G.N. Ry. Pk.....	24 1/2	Nash Keltner.....	3 1/2
Illinois Cent.....	14 1/2	Packard Mtr.....	3 1/2
N.Y. Central.....	17 1/2	Reo Avtn.....	23 1/2
Norfolk Pac.....	10 1/2	Boeing Airplan.....	24 1/2
Pennsylv. Ry.....	20 1/2	Douglas Avtn.....	66
Southern Pac.....	15 1/2	United Aircraft.....	37 1/2
Southern Ry.....	17 1/2	Air Reduction.....	54 1/2
Union Pac.....	98 1/2	Allied Cheml.....	108
Greyhound.....	19	Col. Carbon.....	147

2. Utilities and Communications		5. Retail Trade, etc.	
Am. W. Works.....	11 1/2	Mont. Ward.....	48 1/2
C. & S.....	11 1/2	J. C. Penney.....	81
Con. Edison.....	31 1/2	Sears Roebuck.....	18 1/2
Col. Gas & El.....	7	Walgreen.....	47 1/2
El. Bond & Sh.....	9 1/2	Woolworth.....	19 1/2
Nat. Pwr. & L.....	8 1/2	Borden.....	41 1/2
N. American.....	22 1/2	Gen. Foods.....	24
Pac. Gas & El.....	31 1/2	Kroger Grey.....	41 1/2
Pac. Lighting.....	46 1/2	Nat. Biscuit.....	26 1/2
Pub. Serv. N.Y.....	35 1/2	Nat. Dairy.....	14 1/2
Stan. Gas & E.....	31 1/2	Am. Tob. B.....	22 1/2
United Corp.....	27 1/2	Lorillard.....	38 1/2
Un. Gas Imp.....	12 1/2	Reyn. Tob. B.....	27 1/2
Amer. Tel. & T.....	157 1/2	Nat. Distillers.....	15 1/2
Inter. Tel. For.....	8	Schenley Dis.....	15 1/2
Westn. Union.....	20 1/2		
Radio.....	7		
" B. Pref. 64	63 1/2		

3. Extractive and Metal		6. Finance	
Am. Rol. Mill.....	16 1/2	Comd. Credit.....	50 1/2
Beth. Steel.....	66 1/2	Atlas Corp.....	7 1/2
Beth. Steel P.....	110	Com. Inv. Tr.....	53 1/2
Repa. St.....	18 1/2		
U.S. Steel.....	55 1/2		
U.S. Steel P.....	116 1/2		
Alaska Indus.....	9		
Am. Metal.....	32		
Am. Smelting.....	41 1/2		
Anaconda.....	26 1/2		
Bohn Alum.....	21 1/2		
Cerro de Pas.....	41		
Int. Nickel.....	48 1/2		
Kennecott.....	36		
Patino Mines.....	10 1/2		
Tex. Gif. Sul.....	29 1/2		
U.S. Smelt.....	54 1/2		
Vanadium.....	24 1/2		
Atlantic Refg.....	20 1/2		
Phillips Petr.....	37 1/2		
Shell Union.....	12 1/2		
Socony Vac.....	12 1/2		
Stan. Oil Cal.....	27 1/2		
Stan. Oil N.J.....	48 1/2		
Texas.....	41 1/2		

Paris

ACTIVITY on the Paris Bourse being March was, at the best, dull, and at the worst paralysed. But the decline in prices which inevitably occurred after the annexation of Czecho-Slovakia was more moderate than might have been expected. Selling was never large and was confined mainly to professionals. The private investor, in fact, was rarely active throughout the month. In the first fortnight business was very quiet, but prices were steady on the whole.

After March 12th, the Bourse, like other centres, took a day or so to grasp the implications of what had happened. There then followed a series of weak sessions alternating with occasional rallies. Sentiment was entirely dominated by foreign events and fears for the future, though the relatively good resistance shown at times was attributed to a satisfactory situation at home, to the settlement in Spain and to a healthy technical position.

Berlin

In the earlier part of the month the Berlin Bourse remained in the same apathetic state as in recent months. The amount of business was negligible, but prices were not unsatisfactory. In mid-month, however, business was affected by the situation in Czecho-Slovakia. Prices fell all round, and response to the news was rather quicker than it was in other centres. Conditions then became calmer, and the German-Roumanian trade agreement provided a small fillip. Towards the end of the month, however, the tax finance plan caused renewed weakness.

Canada

THERE was a slight setback in the Canadian stock markets in the opening days of March but about March 4th they suddenly burst into real activity in sympathy with London and New York, and during the following week showed their most persistent strength for months. Brazilian Traction, which is widely held in Canada, also moved up as the result of the new financial arrangements between the Brazilian Government and the United States. The Czecho-Slovakian crisis, however, brought slowly falling prices and steady trickle of selling orders. But the full reaction to European news was delayed for a time, and the volume of selling became heavier towards the end of the month. Mining shares, particularly base metals, were in the forefront of most falls and of the occasional rallies. Conditions became calmer as the end of the month approached, and business grew quiet, but there was a renewed break at the close of March. The "Investors' Index of the Bureau of Statistics, which stood at 104.2 on February 17th, was at 105.6 on February 25th, and had declined to 105.2 on March 2nd.

Mar. Mar.		Mar. Mar.	
1939	1939	1939	1939
Bell. Tel.....	175	Int. Petrol.....	26 1/2
Can. Car.....	15 1/2	Brazil Trac.....	8 1/2
Do. pref.....	32 1/2	Brit. Col. Power "A".....	26
Power Corp.....	11	Do. "B".....	25 1/2
Dome Mines.....	31 1/2	Can. Cement.....	7 1/2
Hollinger.....	14 1/2	Int. Nickel.....	52 1/2
McIntyre.....	56 1/2	Massey Harris.....	53 1/2
B. of Mont.....	211	Montreal Lt.....	30 1/2
Bk. of Nova Scotia.....	303	Quebec Pow.....	18
R. Bk. of Can.....	190 1/2	Shawinigan.....	21 1/2
C. Bk. Com.....	174	Water.....	19 1/2
Can. Pac.....	4 1/2	Steel Co. of Canada.....	73
Cock. Plov.....	7		

(Continued on page 57)

WEST RAND CONSOLIDATED MINES, LIMITED

(Incorporated in the Union of South Africa.)

CAPITAL:

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

DIRECTORS:

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

EXTRACT OF ANNUAL REPORT TO 31st DECEMBER, 1938.

Tons crushed	...	2,128,000
Yield (3.926 dwts. per ton)	...	417,396 fine ozs.
Working revenue (28.01s. per ton)	...	£2,977,259
Working Costs (17.13s. per ton)	...	1,820,548
Working profit (10.88s. per ton)	...	£1,156,713
Sundry Revenue	...	77,784
Total Profit	...	£1,234,497
Credit Balance brought forward from 1937	...	67,857
Total available Profit	...	£1,302,354
Appropriated as follows:—		
Income Tax (Government of the Union)	...	£476,908
Miners' Pithis—Provision on account of outstanding Liability	...	1,813
Capital Expenditure—Amount expended in excess of Fixed Loan from General Mining and Finance Corporation, Ltd.	...	22,083
Interest—On Fixed Loan from General Mining and Finance Corporation, Ltd.	...	10,000
Sundry Taxes, etc.	...	628
Ordinary Dividends Nos. 14 and 15, totalling 25 per cent.	...	£531,250
Deferred Dividends Nos. 5 and 6, totalling £7 1s. 8d. per share	...	177,083
Unappropriated Profit carried forward	...	708,333
		£2,591
		£1,302,354

Ore Reserve.—The fully developed ore reserve, as recalculated at the 31st December, 1938, amounted to 10,750,000 tons of an average value of 4.4 dwts. over 44 inches. (1937: 10,630,000 tons at 4.4 dwts. over 44 inches.)

General.—The extension of the South Reduction Plant, which, when fully commissioned, will provide a crushing capacity for the mine of 220,000 tons per month, was brought into use towards the end of the year.

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

CANADIAN PACIFIC RAILWAY COMPANY

FIFTY-EIGHTH ANNUAL REPORT

OF THE DIRECTORS OF CANADIAN PACIFIC RAILWAY COMPANY

YEAR ENDED DECEMBER 31, 1938

To the Shareholders:

The accounts of the company for the year ended December 31, 1938, show the following results:—

INCOME ACCOUNT

Gross Earnings	\$ 142,258,980.78
Working Expenses (including taxes)	121,506,514.89
Net Earnings	20,752,465.87
Other Income (after providing for depreciation of steamships and hotels)	7,363,672.66
	28,116,138.53
Fixed Charges	\$ 24,767,938.74
Interest on bonds of Minneapolis, St. Paul & Sault Ste. Marie Railway Company, guaranteed as to interest by your Company, and on notes secured by pledge of bonds so guaranteed	2,085,817.51
	26,853,756.25
Balance transferred to Profit and Loss Account	1,262,382.28

PROFIT AND LOSS ACCOUNT

Profit and Loss Balance December 31, 1937	\$ 139,950,787.83
Dividend of 2 per cent. on the Preference Stock, declared from the earnings of the year 1937, paid April 1, 1938	2,745,138.42
	137,205,649.41
Balance of Income Account for the year ended December 31, 1938	1,262,382.28
	138,468,031.69
Debit:	
Loss on lines abandoned and on property retired and not replaced	\$ 1,402,348.40
Miscellaneous—Net Debit	96,033.03
	1,498,381.43
Profit and Loss Balance December 31, 1938, as per Balance Sheet	136,969,650.26

The balance of income account available for transfer to profit and loss account was \$8,199,902 less in 1938 than in 1937.

RAILWAY EARNINGS AND EXPENSES

The comparative results of railway operations were as follows:—

	1938	1937	Increase or Decrease
Gross Earnings	\$ 142,258,981	\$ 145,085,558	2,826,577
Working Expenses (including taxes)	121,506,515	121,343,311	163,204
Net Earnings	20,752,466	23,742,247	2,989,781

Working expenses, including taxes, amounted to 85.41 per cent. of gross earnings, as compared with 83.64 per cent. in 1937. Excluding taxes, the ratio was 82.29 per cent., as against 80.69 per cent. in 1937.

The decrease in gross earnings amounted to 1.9 per cent. Commencing with the month of February, decreases were recorded each month until August, when grain from the new crop began to move in volume.

Passenger earnings had the first serious setback since the low point recorded in 1933, being \$511,638, or 3.1 per cent., less than in 1937. Owing to mild weather conditions highways remained open generally until late in December, whereas, in 1937, they were closed in many parts by November. The reduced volume of seasonal employment in Eastern Canada and the decline in tourist business incident to the recession also contributed to the unsatisfactory result.

Freight earnings decreased \$717,089, or 0.6 per cent. During the first part of the year, traffic was seriously affected by the crop failure of 1937. While the early indications of large crops on the Prairies in 1938 were not finally realised, the wheat yield was the highest since 1932. Owing to the fact that the Dominion Government guaranteed a price of 80 cents a bushel for No. 1 Northern wheat f.o.b. Fort William, wheat was marketed freely and approximately 70 per cent. of the total grain crop is estimated to have been loaded and moved prior to the end of the year. Handlings of all grain for the year amounted to 165 million bushels, as compared with 94 million in 1937. This may still be regarded as below normal, being 35.0 per cent. below the annual average of 254 million bushels handled during the five years 1925-29 and only 11.5 per cent. above the average of 148 million bushels during the drought period of 1930-37. The improvement in grain traffic resulted in an increase of \$9,302,490 in rail earnings from grain and grain products. Notwithstanding the larger crop, the purchasing power of Western Canada did not materially change owing to the drastic decline in prices of grain as compared with 1937, and, therefore, the increased return traffic which usually results from a large crop did not materialise.

Working expenses increased \$163,204, or 0.1 per cent. The progressive restoration of basic rates of pay was completed on April 1st, and involved an increase of \$4,526,000 in expenses. Increases also resulted from higher prices for coal and certain other classes of material and heavier tax disbursements. These increases were almost offset by the reductions brought about by reason of the smaller volume of traffic, temporary layoffs of station, shop and clerical staff, and other economies. During the year the senior officers of the company were subject to 5 per cent. deduc-

tion from basic rates, the directors and members of the executive committee 10 per cent., and the chairman and president 25 per cent.

Maintenance expenses decreased \$1,625,743, or 3.3 per cent., and represented 33.8 per cent. of gross earnings, as compared with 34.2 per cent. for the previous year and an average of 32.2 per cent. for the ten-year period 1928-37. Expenditures incidental to air-conditioning were less this year, 90 passenger cars being so equipped, as compared with 141 cars in 1937. Charges for retirement of rolling stock amounted to \$6,016,000, an increase of \$529,000 over 1937. In the early part of the year, a programme of repairs for locomotives and freight cars based on anticipation of a larger crop than actually materialised was carried out, and, at the end of 1938, 85.8 per cent. of the company's locomotives and 94.9 per cent. of its freight cars were in serviceable condition, as compared with 84.1 per cent. and 93.2 per cent., respectively, at the end of 1937.

Transportation expenses increased \$1,267,023, or 2.4 per cent., and represented 37.8 per cent. of the gross earnings, as compared with 36.2 per cent. for the year 1937. The increase in wage rates more than accounted for the increase in the ratio. The average freight train loading and average freight train speed showed improvement. The former increased from 1,544 tons in 1937 to 1,604 tons in 1938 and the latter increased from 16.7 miles per hour to 17.1 miles per hour. The average fuel consumption for freight trains was reduced from 106 pounds per 1,000 gross ton miles in 1937 to 102 pounds in 1938.

Other working expenses increased \$521,924, or 2.7 per cent., reflecting heavier pension disbursements, higher wage rates, and increased taxes, the increase in the last mentioned amounting to \$167,000, or \$4,000 more than the increase in total working expenses.

OTHER INCOME

There was a substantial reduction in other income, which, after provision for hotel and steamship depreciation, amounted to \$7,363,673, a decrease of \$4,266,038.

Dividend income amounted to \$4,867,206, a decrease of \$1,667,650, due principally to the fact that dividends received from The Consolidated Mining and Smelting Company of Canada, Limited, were reduced from \$5,888,750 in 1937 to \$4,206,250. Lower base metal prices had an adverse influence on that company's earnings, and dividend disbursements totalled \$2.50 per share as compared with \$3.50 in 1937.

Net income from interest, exchange, separately operated properties and miscellaneous was \$1,492,530, a decrease of \$176,806 from 1937.

Net earnings from ocean and coastal steamships, after deducting \$3,781,990 credited to depreciation reserve, amounted to \$591,071, a decline of \$1,867,760, of which all but \$166,816 occurred in ocean services. Earnings from both passenger and freight traffic on the Pacific showed a small increase, notwithstanding the continued dislocation in economic conditions incidental to the hostilities in the Orient. On the Atlantic there was a slight improvement in freight earnings, which was more than offset by a sharp decrease in passenger earnings, attributable partly to adverse economic conditions on this continent and partly to the absence of the Coronation traffic enjoyed in 1937. Cruise earnings were much lower than for the previous year, being affected by the unfavourable business outlook at the commencement of the year.

Net earnings from hotel, communication and miscellaneous properties, after deducting \$1,246,687 credited to hotel depreciation reserve, totalled \$412,865, a decrease of \$553,822, made up of decreases from hotels of \$271,926 and from communications of \$390,385, as against an increase from miscellaneous properties of \$108,489.

FIXED CHARGES AND GUARANTEED INTEREST

Fixed charges increased \$726,405. The two principal contributory items were (1) \$206,924 interest on the 3 Per Cent. Equipment Trust Series "E" issued to finance part of the purchase price of new rolling stock and (2) \$368,172 interest on the Serial 4 Per Cent. Secured Notes issued to finance in part the acquisition by your company of certain notes of the Soo Line as referred to in the last annual report.

Provision was made from income for the liability for bond interest of the Soo Line guaranteed by your company. The guaranteed half-yearly interest payment due July 1st on First Consolidated Mortgage Bonds which matured on that date amounted to \$1,260,800. The two half-yearly interest payments due July 1, 1938, and January 1, 1939, on Second Mortgage Bonds maturing January 1, 1949, and on First Refunding Mortgage Bonds Series "B" maturing July 1, 1978, aggregated \$805,830.

DIVIDENDS

While earnings for the year were sufficient to meet all expenses and fixed charges, including provisions for depreciation and taxes—with a modest surplus—the directors of the company decided that, in view of the serious decline in the net results as compared with 1937, it was inadvisable to declare any dividend on the preference stock in respect of the year 1938.

PROFIT AND LOSS ACCOUNT

Property investment account was credited during the year with the cost of all property retired and not replaced and, in connection with such retirements, charges aggregating \$1,402,348 were made against profit and loss. For the most part, these charges were the result of the abandonment of unremunerative lines and redundant facilities, the retirement of which will produce operating economies.

LAND ACCOUNTS

Sales of agricultural lands during the year totalled 116,085 acres for an aggregate amount of \$996,214 and at an average price of \$8.58 per acre. Total sales included 3,109 acres of irrigated land at an average of \$48.34 and the remainder at an average of \$7.49 per acre.

Owing chiefly to the improvement in crop conditions on the Prairies, there was an increase in the collections of interest on deferred payments, which offset the decrease in the collections from land sales, so that the cash receipts from lands, including interest on deferred payments, again exceeded land expenditures, including taxes, irrigation, immigration and colonisation, and interest on note certificates.

Despite improved farming conditions, the company found it necessary to continue its policy of making concessions to farm contract holders in Western Canada. Interest rebated during the year totalled \$395,942, while reductions on account of principal outstanding and further concessions in interest for cash payments amounting to \$1,150,825 were also made. Since 1932, when the company led the way in relieving the distress of the Western farmers, the total amount of assistance extended by way of interest rebates and capital adjustments has been \$13,023,849.

The company continued to co-operate with the Dominion and Provincial Governments in the relief of the drought areas in the Prairie Provinces by way of reduced rates and free transportation on certain classes of shipments. Based on the normal rates, the company's contribution in this respect during the year was slightly in excess of \$700,000.

BALANCE SHEET

The general balance sheet is presented in its usual form, providing a concise and self-explanatory record of the company's position. The principal differences as compared with last year are due to the purchase of new equipment and the acquisition of the Secured Soo Line Notes. These items largely account for the increase in Property Investment, the increase in Notes and Equipment Obligations and the reduction in current cash funds.

FINANCE

On June 1, your company entered into an Equipment Trust Agreement with The Royal Trust Company as Trustee, under which \$11,880,000 Equipment Trust Certificates were issued, guaranteed as to principal and interest by your company. This issue, designated as Series "E," maturing in equal annual instalments from May 31, 1939, to May 31, 1953, inclusive, is payable in lawful money of Canada and bears interest at 3 per cent. per annum. Under this agreement new equipment costing \$14,857,398 was purchased by the Trustee and leased to your company. The difference between the proceeds of the sale of the Equipment Trust

Certificates and the cost of the new equipment was provided from the current funds of your company.

Equipment obligations to the amount of \$2,962,769 matured and were paid, and Consolidated Debenture Stock to the amount of \$268,000 pledged under Series "D" was released and cancelled. An amount of \$2,399,150 was deposited with the Trustee of the Equipment Trust, maturing July 1, 1944. Under the terms of the Agreement covering that Trust, the Trustee purchased and cancelled \$2,849,000 of the Equipment Trust Certificates and expended \$2,694,290 in the purchase of new equipment under the terms of the agreement.

On June 23rd, loans totalling \$10,000,000 were obtained from Canadian banks on your Company's short term promissory notes, which were collaterally secured by deposit of certain securities, including \$5,000,000 Consolidated Debenture Stock. These loans were repaid in full on December 9, the collateral was released and the Consolidated Debenture Stock cancelled.

As you were informed in the previous annual report, \$13,422,500 of your Consolidated Debenture Stock was deposited as collateral security to \$9,935,000 of your Serial 4 Per Cent. Secured Notes, which were issued in connection with the acquisition of Soo Line Secured Notes. In accordance with the provisions contained in your Company's notes, an additional amount of \$1,573,500 of your Consolidated Debenture Stock has been deposited as further security therefor. Later in the year a further amount of \$18,500 of the Soo Line Secured Notes was acquired for cash, so that your Company is now the holder of all the Soo Line Secured Notes referred to with the exception of \$11,000.

PENSIONS

The Company's pension disbursements for the year amounted to \$2,515,157 and were included in working expenses.

Since the inception of the contributory pension plan on January 1, 1937, the total employee contributions have amounted to \$3,910,247. As was anticipated would be the case during the first few years of operation, disbursements from the pension fund were negligible. The operation of the plan is proving to be satisfactory.

STOCK HOLDINGS

The holdings of the Capital Stock of the Company in December, 1938, were distributed as follows:—

	ORDINARY	PREFERENCE	Percentage of Ordinary and Preference Stocks combined
No. of holders	Percentage of Stock	No. of holders	Percentage of Stock
Canada	26,505	160	12.75
United Kingdom and other	19,641	25,714	65.47
British	15,725	60	15.86
United States	3,835	585	5.92
Other Countries	65,706	26,519	

Your Directors desire to express their sincere appreciation of the efficient services rendered by the officers and employees of the Company throughout the year and their continued devotion to its interests.

For the Directors,
E. W. BEATTY,
President.

MONTREAL, March 13, 1939.

GENERAL BALANCE SHEET, DECEMBER 31, 1938

ASSETS		LIABILITIES	
PROPERTY INVESTMENT:		CAPITAL STOCK:	
Railway, Rolling Stock, Inland Steamships, Hotel, Communication and Miscellaneous Properties.....	\$ 803,282,535.65	Ordinary Stock.....	\$ 335,000,000.00
Improvements on Leased Railway Property.....	96,616,381.58	Preference Stock—4 per cent. Non-cumulative.....	137,256,921.12
Ocean and Coastal Steamships.....	104,728,199.86		472,256,921.12
Stocks, Bonds and Other Securities of Leased, Controlled and Jointly Controlled Railway Companies and Wholly Owned Companies—Cost.....	209,359,208.97	PERPETUAL 4 PER CENT. CONSOLIDATED DEBENTURE STOCK.....	500,402,228.74
	1,213,986,326.06	Less: Pledged as collateral to bonds, notes and equipment obligations.....	204,964,000.00
OTHER INVESTMENTS:			295,438,228.74
Miscellaneous Investments—Cost.....	26,736,208.08	BONDS, NOTES AND EQUIPMENT OBLIGATIONS.....	219,557,230.77
Advances to Controlled and Other Companies.....	28,759,575.28	Less: Securities deposited with Trustee of 5 per cent. Equipment Trust.....	6,934,606.60
Mortgages Collectible and Loans and Advances to Settlers.....	3,455,692.71		212,602,624.17
Insurance Fund Investments.....	8,259,087.21	TWENTY YEAR 4½ PER CENT. SINKING FUND SECURED NOTE CERTIFICATES (1944).....	30,000,000.00
Deferred Payments on Lands and Townsites.....	35,720,759.40	Less: Purchased by Trustee and cancelled.....	10,413,900.00
Unsold Lands and Other Properties.....	27,429,258.01		19,586,100.00
	130,360,580.69	CURRENT LIABILITIES:	
CURRENT ASSETS:		Audited Vouchers.....	4,840,469.83
Material and Supplies.....	17,115,362.85	Pay Rolls.....	2,822,146.68
Agents' and Conductors' Balances.....	5,774,594.76	Miscellaneous Accounts Payable.....	2,651,689.68
Net Traffic Balances.....	728,028.31	Accrued Fixed Charges and Guaranteed Interest.....	2,758,348.07
Miscellaneous Accounts Receivable.....	4,394,710.10		13,072,654.26
Cash.....	21,883,908.93	DEFERRED LIABILITIES:	
	49,896,604.95	Dominion Government Unemployment Relief.....	3,850,042.71
UNADJUSTED DEBITS:		Miscellaneous.....	1,644,998.37
Insurance Prepaid.....	170,346.05		5,495,041.08
Unamortized Discount on Bonds.....	3,237,888.63	RESERVES AND UNADJUSTED CREDITS:	
Other Unadjusted Debits.....	1,327,855.64	Rolling Stock Reserve.....	8,249,662.59
	4,736,090.37	Hotel Depreciation Reserve.....	5,443,666.73
		Steamship Depreciation Reserve.....	47,856,285.79
		Insurance Reserve.....	8,259,087.21
		Contingent Reserves.....	5,185,250.23
		Investment Reserves.....	26,784,433.39
		Unadjusted Credits.....	3,457,979.03
			105,216,364.97
		PREMIUM RECEIVED ON CAPITAL AND DEBENTURE STOCK (Less discount on bonds and notes written off at date of issue).....	66,583,565.94
		LAND SURPLUS.....	71,758,451.53
		PROFIT AND LOSS BALANCE.....	136,969,650.26
			\$1,398,979,602.07

E. A. LESLIE,
Comptroller.

AUDITORS' CERTIFICATE: We have examined the Books and Records of the Canadian Pacific Railway Company for the year ending December 31, 1938, and having compared the above Balance Sheet and related schedules therewith, we certify that in our opinion it is properly drawn up so as to show the true financial position of the Company at that date, and that the Income and Profit & Loss Accounts correctly set forth the result of the year's operations.

Montreal, March 10, 1939.

PRICE, WATERHOUSE & CO.,

Chartered Accountants.

[Advertisement]

Industry and Trade

Who Provides Britain's Oil?—Consumption of mineral oil in the United Kingdom is now at the rate of 11 million tons annually, and all but a fraction of this quantity must be imported from overseas—either in the form of crude petroleum for treatment in British refineries or of finished products for immediate consumption. Indeed, imports are actually in excess of home consumption, for there is a modest export, re-export and bunker business. The fact that the bulk of the country's oil trade is in the hands of the subsidiaries of a few large groups naturally influences the course of shipments; for, although the marketing organisations in the United Kingdom operate as separate units, they take the bulk of their supplies from their affiliated companies in various parts of the world. The sources of British oil imports in 1929, 1937 and 1938 are shown in the following table, where Venezuela and the Dutch West Indian islands are treated as a single entity. This is necessary in view of the fact that the crude oil output of the former country is shipped mainly to Curaçao and Aruba—where the Shell and Standard interests operate refineries which are amongst the largest in the world—either for immediate re-export to other countries or for refining and subsequent sale in the form of finished products:—

	MINERAL OIL IMPORTS (Thousand Gallons)		
	1929	1937	1938
Venezuela/Dutch West Indies	295,811	1,217,394	1,215,224
Iran	500,486	596,517	626,880
U.S.A.	753,808	379,860	562,255
British countries	137,091	155,764	252,670
Iraq (crude oil only)	—	117,084	142,040
Roumania	71,438	142,002	93,330
U.S.S.R.	202,185	85,164	79,902
Mexico	110,549	143,893	54,334
Other foreign countries	123,990	237,074	181,387
Total	2,195,357	3,074,752	3,208,022

Taking first the changes between 1929 and 1937, it may be noted that Britain's import requirements registered a 40 per cent. advance in this period. The most notable features are the remarkable growth of shipments from Venezuela-Dutch West Indies, the appearance of Iraq as a crude oil supplier, and the heavy reduction in imports from the United States and the Soviet Union. The increase in the first-named item is due not only to the rapid development of Venezuelan oilfields and the concurrent expansion of refinery activity in the Dutch West Indies, but also to the imposition in 1932 of prohibitive import duties by the United States. These duties made it necessary to divert Venezuelan oil from the United States market to Europe (and particularly to the United Kingdom) and, at the same time, enabled American producers to expand their home sales. The sharp decline in Russian entries reflects the rapid growth of consumption in that country and the failure to achieve a commensurate increase in output. The decline was continued in 1938, when total British imports rose by over 4 per cent. Roumanian production has been declining for the past two years, which accounts for the 34 per cent. drop in British imports from this source last year. The decline of over 60 per cent. in entries from Mexico is evidence of the boycott which followed the expropriation of the British and American oil companies just over a year ago. Supplies from that country were largely replaced by increased purchases in the United States, while there was also a notable advance in imports from British countries (almost entirely Trinidad). Although

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sending a trifle less than in the previous year, Venezuela and the Dutch West Indies supplied no less than 38 per cent. of British requirements in 1938. In times like the present it may not be considered irrelevant to point out that the proportion of Britain's oil supplies coming across the Atlantic has risen from 59 per cent. in 1929 to 65 per cent. last year.

Germany and the Cork Market.—Cork-growing is a slow business, and since it takes fifty years before a cork tree will yield bark of good quality, production cannot be quickly increased. The world's producing areas are limited; Portugal is by far the largest exporter of raw cork, but Spain is also an important source of supply. Before the civil war in Spain the output of the adjoining Spanish provinces of Andalusia and Extremadura was largely sent to Barcelona for manufacture and export. But after July, 1936, Andalusia and Extremadura were separated from their domestic market and their supplies were diverted to Germany. German imports of raw corks from Spain rose from 2,071 tons in 1936 to 18,500 tons in 1937 and 16,700 tons in the first eleven months of 1938. Although her imports from Portugal declined, Germany rose last year to the leading place among the world's cork markets. Her imports were considerably in excess of domestic needs, and, in order to re-export the surplus, clearing arrangements, financial facilities and even political pressure were brought into play. Hungary must now import two-thirds of her requirements from Germany and only the remaining third from Spain, while Bulgaria and Turkey depend entirely on German supplies. The National Bank of Yugoslavia has lately refused to release foreign exchange for purchases of Portuguese cork. Last December the Roumanian Government raised by 70 per cent. the exchange rates for cork importers, thereby debarring Portuguese cork from the market. As a result of German activity and of a decline in American demand, Portuguese exports of raw cork fell by a third between 1937 and 1938. The question now being asked is what will become of the Portuguese trade, now that the cork forests of Catalonia and any factories that may have survived the war have joined those already under German control. There is no doubt of the ability of the Germans to exploit the Spanish cork resources to the full. But it is not easy to increase consumption. The main use of cork is, of course, in bottling, and here the trade has met with serious competition from the metal cap. There are other uses, as floor material and in the chemical industries, but there is no market capable of rapid expansion. Germany's manipulation of the Spanish cork trade has already led to a fall in the price of Portuguese cork and may adversely affect British investments in the industry of that country.

Retail Trade in February.—The statistics for the value of retail sales in January, published in the *Board of Trade Journal*, showed very little improvement over the corresponding figures for the same month in 1938. In February, however, there was an increase of 2.3 per cent. compared with a year ago in the daily value of retail sales in the reporting concerns. This increase varied in size from 4.1 per cent. in the Midlands and South of England to a fall of 3.8 per cent. in Central and West London. Sales of food and apparel were also larger, but sales of household goods declined slightly compared with a year ago. It is probable that the March returns will be affected by the increasing political tension which has followed the absorption of Czecho-Slovakia by Germany; it is reported that the high-class retail trade has shown some decline in the last few days, but, on the other hand, the approach of Easter normally brings an increase in retail turnover.

Additional Bacon Imports.—Bacon prices usually reach a seasonal peak in the late summer, with another and usually smaller peak in the spring months. Last year an exceptionally firm demand in the spring carried the prices for English and Danish bacon, No. 1 sizeable, on the London Provision Exchange to more than 105s. per cwt. in April. In order to prevent a similar rise in prices in the current year, the Board of Trade has, during the last two months, arranged for additional supplies of some 384,000 cwt. of bacon to be imported before the end of June. These extra allocations from countries whose exports of bacon to Great Britain are regulated by quota, are, however, partly offset by the decline in the Canadian shipments to this country. In the first two months of the current year imports of bacon from Canada totalled 189,000 cwt., against 261,000 cwt. in the corresponding period in 1938, and the low level of pig killings in Canada indicates that larger supplies from that country cannot yet be expected.

Suspension of Silver Quotations on L.M.E.—The committee of the London Metal Exchange announced this week its intention to discontinue on and after April 1st the fixing of official quotations for fine silver. This step is a direct result of the sharp contraction in the London dealings in silver in recent months and years. The Exchange had resumed dealings in silver on May 1, 1935, after an interruption of twenty-five years, but before the end of 1935 silver purchases in London by the American Treasury were discontinued, so that the main basis of silver dealings on the L.M.E. was lost before the new contract was one year old. This decision of the committee of the Exchange will not affect the London silver bullion market, which is controlled by four long-established firms of bullion brokers, Mocatta and Goldsmid, Sharps and Wilkins, Pixley and Abell and Samuel Montagu and Company. Although the turnover in the bullion market has also fallen in the last few years, it is still the world's leading free market for silver, and its quotations for cash and two months forward have considerable importance. The uncertainty over the silver policy of the United States' Government has made London prices very erratic in the past six weeks. Owing to a bear squeeze, due to forward sales in December when a reduction in the American Treasury prices was expected, the cash price rose in the second half of February not only well above the forward price but also above the United States parity. Consequently some United States shipments were made to this country for the first time for years. In the past fortnight, however, the arrival in London of a larger consignment of Japanese silver eased the position and again forced the quotations below 20d. per ounce, but the course of prices will remain uncertain until the market knows the attitude of the American Treasury towards the Silver Purchase Act of 1934, which comes up for discussion during the summer.

American Cotton Exports.—After rumours of one kind and another during the past few weeks, President Roosevelt has this week made public his proposals for dealing with the surplus of American cotton supplies; at present, the Government holds more than 11 million bales of cotton on loan from farmers. The President suggested that farmers who release material from the Government loan should be paid 1.25 dollars per bale, and that a "moderate" subsidy, the amount of which has not yet been determined, should be granted on all cotton sent abroad. It is understood that the export subsidy will apply to 8,000,000 bales. The New York market was practically unaffected by this news, but on Wednesday last the Liverpool cotton market was thoroughly disorganised and prices fell ½d. per lb., that is to say from 4½d. to 4½d. for current crop futures. The immediate effect of this development was to check trading in manufactured goods, but some buyers were attracted by the lower level of prices, and fair contracts were arranged. There was a substantial buying movement of yarn in the Manchester market during February and the

early part of March, and some users went "long," but the bulk of this buying did not take place at higher rates than those ruling to-day. Lancashire spinners have been harassed for some time by the difficulty of securing supplies of certain kinds of American cotton, and the position will now be eased, but a further decline in prices would have the effect of checking business.

C.W.S. Trade for 1938.—The report of the directors of the Co-operative Wholesale Society for the year ended January 14th reflects a twelvemonth of difficult trading conditions and of falling values in many commodities. The sales totalled £125,015,316 (of which grocery and provisions accounted for £91,008,452), an increase of £5 millions, or 4½ per cent. For strict comparison, however, the increase was only 2½ per cent., as the 1938 accounting year was one of 53 weeks as against 52 in 1937. Trade in the London and southern area showed the most marked advance, while some departments in the Manchester area recorded decreases—in line with the industrial depression in co-operative centres. More significant was the lessened demand for the production of the C.W.S. works, which dropped by £279,672 to £43,303,528, caused principally by lower flour prices. Though the directors do not decry lower commodity prices, which should cause an expansion in the purchasing power of their members, they have seen the effect in the constriction in business activity. The aggregate profit was £2,891,485, after providing for interest on capital and charging all productive and distributive expenses. From this, society-members have received a dividend of 4d. in the £ on their purchases and an additional 3d. in the £ on their purchases of C.W.S. productions. This leaves £150,000 for the dividend equalisation fund and £252,076 for the reserve fund, which stands at £2,918,231. The sales of the agricultural department were increased to £3,160,977 by the closer trading relations established with the co-operative agricultural societies. Supplies of butter for the factories at Brislington, London and Cardiff were valued at £2,929,451; the weight of butter sent to societies was 494,645 cwt., on which the profit was only £1,758. Though the value of the margarine produced decreased by 12 per cent. to £2,450,335, the quantity fell by only 4 per cent., with a resultant surplus of £132,153. The value of the turnover in milk supplies advanced by 21 per cent. to £3,533,110. At the delegate meetings to be held this month approval will be asked by the directors of their act in sending goods to the value of £3,000 to the relief of Spanish co-operators through the International Co-operative Alliance.

Check to Rise in Prices.—Before Herr Hitler's occupation of Bohemia and Moravia, there were signs that the stage was set for a re-stocking movement, and for an upward turn in the prices of primary products. The

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last week, and for export they are still quoted at 20s. 3d. per basis box f.o.b. Relatively business in the home market is more active than in the foreign trade. The heavier branches of the iron and steel industry in South Wales continue exceptionally busy.

★

News from Abroad.—Conditions on international steel markets have remained under the influence of the uneasy international situation. The number of purchases to provide for an increase in stocks in case of transport difficulties is surprisingly small. Although enquiries from some parts of the world have recently been more numerous and requirements for armament work are further increasing in many countries, steel producers complain of a disappointing export trade.

As far as the Belgian producers are concerned, the only satisfactory feature has been the sale of semi-products which are enjoying a keen interest by British buyers. This fact, and the improved domestic demand for steel products, have resulted in higher total bookings of the Belgian works compared with last month. Fair orders have recently been placed by Scandinavia and some South American countries, particularly Argentina, where outside competition is disturbing. Substantial enquiries from the Far East, especially Japan, have been taken up by American exporters. It is hoped that the improved domestic demand will mitigate American competition on world markets, although it seems that in this respect much depends on the future price trend. If the American exporters can secure fair prices for their exports, their interest in foreign markets will on the whole be maintained, but if prices should further recede many producers might withdraw from export business until demand and price have improved.

New negotiations are being carried on by the Co-ordinating Committee of the Steel Cartel to overcome the differences which have arisen with the American exporters. Otherwise, the main activity of the sales organisations of the Cartel is at present to secure business against outside competition by an elastic price policy.

Textiles

Cotton (Manchester).—Demand has continued much quieter, the general tone of the market being distinctly slower. The sharp fall in raw cotton prices following the announcement of the subsidy plan in the United States, has had a very disturbing effect upon trade. It is not yet clear whether the American Government's plan for releasing "loan" supplies will be accepted.

Spinners have had a much quieter week. Prices have been easier and more irregular, the total sales being less than production. Although in the cloth section prices have been tested on a fair scale, the resulting business has been smaller than in recent weeks. The confidence of buyers has undoubtedly been shaken by political events, and the decline in raw cotton prices. An increased inquiry has been experienced for India, and a few more sales have been arranged. Although the Legislative Assembly has rejected the trade agree-

ment, it is expected that it will be ratified by the Government.

★

Wool (Bradford).—The London wool sales ended on Thursday last week. Prices derived sustenance from increased purchases by Russia and showed little variation throughout the series. A feature of the wool trade is the ready absorption of raw wool at all selling centres. There does not seem to be a slack market anywhere, and all overseas cables report firm prices. This is the last week of heavy offerings, when something approaching 100,000 bales are being catalogued, and during the remainder of the selling season in Australia, New Zealand and South Africa, only average wools will be available.

Notwithstanding so little movement in prices and a quiet market in Bradford, reports our correspondent, there is evidence that consumption of raw wool is substantial. Complaints are still very persistent that both home and export demand is exceedingly limited, but no less than about 80 per cent. of combing and spinning machinery is estimated to be running in the West Riding. Indeed, the cause of complaints is to be found not so much in turnover as in unsatisfactory profit margins.

THE COMMODITY MARKETS

WITH a few exceptions, the commodity markets were marking time during the past week and the prices of the most sensitive materials showed very little change.

Among non-ferrous metals, for example, copper and tin were slightly dearer on Wednesday than a week ago, while lead and spelter were a little cheaper. The market in rubber was firmer, but linseed was marked down. Raw sugar prices continued their upward trend, while wheat was again cheaper after a slight rise a week ago. Cotton prices again fell sharply on the confirmation of reports that the United States Government proposed to release part of its holdings.

In the United States the trend of the prices of sensitive commodities was slightly downwards, reflected in the fall in Moody's index from 142.2 (December 31, 1931 = 100) to 141.2, during the week ended last Wednesday.

Metals

Copper.—The demand for copper was very small this week, but at the same time sellers were reserved, and the price of standard copper gained 2s. 6d. to close on Wednesday at £43 1s. 3d. per ton. There was a report that Italy has concluded a contract for the delivery of 10,000 tons of Spanish copper, but other Governments were not in the market during the week.

★

Tin.—After rising to £217 per ton, cash tin relapsed on Wednesday to £215 15s. per ton, a net rise of £1 10s.

on the week. In this market also buying was at a low ebb, and supplies were difficult to obtain. A plan for the redemption of the surplus exports has been forwarded to the Bolivian Government, but the details are not yet known. It seems, however, that the I.T.C. is anxious to have the accumulated surplus removed by the middle of this year. Whether such a plan can be carried out is doubtful, as social and labour difficulties have arisen in most of the restricting countries owing to the low rate of the quotas. The I.T.C. is to meet again on April 27th, before the end of the first month of the next quota period. This fact indicates that the Committee is taking the question of supplies seriously and will probably decide on additional measures if the recent adjustment in the quotas should prove ineffective.

★

Lead and Spelter.—The price of lead closed on Wednesday 6s. 3d. down at £14 11s. 3d. per ton, while spelter lost 1s. 3d. to close at £13 12s. 6d. per ton. The activity of the market was very low. The political tension gives rise to fears that the spring building season may suffer, and there was no increase in armament purchases during the week.

★

Mercury.—Due to fears of a shortage in supplies owing to the position in Spain, the price of the metal was again raised by 8s. 6d. to £16 18s. per flask of 76 lbs. The present price is £3 3s. higher than six months ago. It was reported from Rome that negotiation for a revival of the Italo-Spanish cartel (which broke down at the beginning of 1937) have been resumed in the Italian capital and an agreement is expected before long. As Italy and Spain are in need of foreign exchange and have no domestic use for the great bulk of their supplies fears of a shortage seem exaggerated.

Grains

IN spite of the unsettled political situation, which might be expected to bring a higher level of wheat prices, the market remains dull and prices on the week are a little lower. The new Argentine crop continues to weigh on the market, although the Grain Board is not pressing sales below a price of 20s. per quarter. Sales from the Argentine have so far been confined to other South American countries and to countries such as Germany, with whom barter purchase has been arranged. Some fears are expressed that wheat sold on these barter terms may be resold on the free market by the purchasers. There has been little business in maize; European countries have sold most of their last crop and the new Plate crop is not expected on the market until early in May.

Other Foods

Provisions.—The Board of Trade has arranged for additional supplies of bacon to be imported before Easter; the market was again very firm last week and prices of English and Danish

were marked up on the London Provision Exchange. Except for the trade in small fat pigs, the Smithfield meat market remains dull.

★

Colonial Produce.—The unsettled international situation continues to overhang the market, and the price of raws showed a further, though slight, improvement during the week; the volume of business is small, both in raws and refined, and an advance in the prices of refined sugar at the end of last week could not be maintained. There was little request for cocoa at the terminal markets and the price of Accra has again weakened.

Miscellaneous Commodities

Oils and Oilseeds.—The poor take-off in oilcakes has resulted in a low

level of demand from crushers and little business has been transacted in linseed or linseed oil. Prices are a little lower than last week, but are firmly held. The price of Egyptian cotton seed has fallen to new low levels and is now quoted at £5 12s. 6d. per ton for March and April shipment to Hull. The United States Department of Agriculture reports that intended sowings to linseed in that country are 82 per cent. larger than the corresponding estimates last season.

★

Rubber.—The market has again been dominated by political events and by the reactions to them of the New York market. After small fluctuations during the week, the price of standard sheet on the spot closed ½d. higher at 8d. per lb. The statistics of the American tyre trade have been encouraging, when compared with those of last year;

there was, however, a slight increase in manufacturers' stocks in February.

★

Timber.—After a hesitant period in January, when it seemed doubtful if the low prices then ruling would be maintained, there was a sharp improvement in the market for most kinds of imported timber. Larger Continental purchases and the knowledge that the export quotas of the main suppliers are smaller this year than last were largely responsible for the improvement, which enabled exporters to place very fair quantities of timber on the British market at rising prices. Importers have found, however, that the low level of home demand, particularly in the South of England, has hindered a corresponding rise in the prices of delivered goods, and the last two weeks have seen a lull in the market, emphasised by the uncertain political outlook.

THE NATIONAL BANK OF INDIA, LIMITED

Registered in London under the Companies Act of 1862 on the 23rd March, 1860

ESTABLISHED IN CALCUTTA, 29th SEPTEMBER, 1863

Subscribed Capital	...	...	...	...	£4,000,000	Reserve Fund	...	...	...	...	£2,200,000
Paid-up Capital	...	...	...	...	£2,000,000	Number of Shareholders	...	...	...	...	3,038

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

BRANCHES:		ENTEBBE	
CALCUTTA	LAHORE	ADEN	KAMPALA
BOMBAY	TUTICORIN	STEAMER POINT, ADEN	JINJA
MADRAS	COCHIN	ZANZIBAR	
KARACHI	RANGOON	MOMBASA	
CHITTAGONG	MANDALAY	NAIROBI	Kenya
AMRITSAR	COLOMBO	NAKURU	Colony
CAWNPORE	KANDY	KISUMU	
DELHI	NUWARA ELIYA		
	GALLE, CEYLON		

AGENCY:

MESSRS. CLARK SPENCE & CO.

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General Manager—E. H. LAWRENCE, Esq.

London Manager—R. L. HIRD, Esq.

London Bankers:

BANK OF ENGLAND, NATIONAL PROVINCIAL BANK, LIMITED.

NATIONAL BANK OF SCOTLAND, LIMITED.

Solicitors—Messrs. SANDERSON, LEE & CO.

GENERAL BALANCE SHEET, 31st December, 1938

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

LIABILITIES		ASSETS	
	£ s. d.		£ s. d.
Capital:		Cash on hand, at call and at Bankers...	4,851,891 2 1
Authorised and Subscribed, 160,000 Shares of £25 each, £4,000,000.	2,000,000 0 0	Bullion on hand and in Transit	9,553 6 5
Paid up £12 10s. per share	2,200,000 0 0	Indian Government Rupee Securities	4,861,444 8 6
Reserve Fund		British Government Securities, Indian Government Guaranteed Debentures and other Securities (of which £500,000 War Loan lodged with Bank of England as security for Government Accounts)	5,335,140 1 9
Current, Fixed Deposit and other Accounts, including provision for Bad and Doubtful Debts and Contingencies	27,856,725 18 6	House Property and Furniture at cost, less amounts written off	8,183,684 0 6
Bills payable	477,691 10 0		931,698 9 10
Acceptances for Customers	326,722 0 0	Bills of Exchange, including Treasury Bills, Discounts, Loans Receivable, and other sums due to the Bank	3,637,769 11 6
Profit and Loss Account, as under...	533,879 19 2	Customers for Acceptances per Contra	10,118,560 15 7
	£33,395,019 7 8		326,722 0 0
			£33,395,019 7 8

To Bills receivable, re-discounted, £2,693,720 19s. 6d., of which up to 13th March, 1939, £1,988,138 11s. 6d. have run off. Forward Contracts outstanding for the Purchase and Sale of Sterling Bills and Telegraphic Transfers £7,633,617.

PROFIT AND LOSS ACCOUNT for the Year ended 31st December, 1938

DR.		CR.	
	£ s. d.		£ s. d.
To ad interim dividend at the rate of 16 per cent. per annum for the Half-year ended 30th June, 1938	160,000 0 0	By Balance at 31st December, 1937	529,816 15 6
To Balance	533,879 19 2	DEDUCT—	
		Dividend at the rate of 18 per cent. per annum for the half-year ended 31st December, 1937	£180,000 0 0
		Amount written off House Property Account	50,000 0 0
		Officers' Pension Fund	50,000 0 0
			280,000 0 0
		Balance brought forward	249,816 15 6
		By Net Profits for the year ended 31st December, 1938, after charging Directors' Fees amounting to £6,595 7s. and providing for all Bad and Doubtful Debts	444,063 3 8
			£693,879 19 2

E. H. LAWRENCE, General Manager.
G. W. HARKNESS, Accountant.

R. LANGFORD JAMES, J. A. SWAN, J. T. CARMICHAEL, Directors.

REPORT OF THE AUDITORS TO THE MEMBERS.

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

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

London, 14th March, 1939.

COMPANY MEETINGS

THE MERCANTILE BANK OF INDIA, LIMITED

REVIEW OF PAST YEAR'S OPERATIONS

SIR CHARLES INNES'S ADDRESS

The forty-sixth annual general meeting of the Mercantile Bank of India, Limited, was held, on the 28th ultimo, in London.

Sir Charles A. Innes, K.C.S.I., C.I.E., the chairman, in the course of his speech, said:—Ladies and gentlemen,—Though our profits have been well maintained, the balance-sheet total is down by roughly £1,500,000 compared with 1937. On the liabilities side our deposits are less by more than £1,000,000 and on the assets side a decrease of nearly £2,500,000 in bills receivable and loans and advances is only partially set off by an increase of nearly £1,500,000 in investments and cash. To some extent, however, the decrease in bills receivable is more apparent than real. It is partially accounted for by the introduction of the air mail. A large proportion of these bills consists of bills purchased by our branches in the East and sent home to London, and the amount of them outstanding at any one time is roughly the amount in transit between the East and London. If we take Malaya as an example, when the mails came by sea, the time of transit was not less than three weeks, and we had three weeks' supply of bills always on the water. The air mail takes only seven days, and naturally the amount outstanding is smaller.

SHORTAGE OF BILLS

This, of course, is only a partial explanation of the decrease. It is common knowledge that there is a shortage of bills in London owing to the diminished volume of international trade. Similarly the decrease in loans and advances and the increase in investments are partly due to the fact that at the end of 1937 we had a large amount of money out at short notice in London at a low rate of interest. During 1938 most of this money was invested, but the mere fact that it was surplus to trade requirements is in itself a sign of the times, and, generally speaking, it may be said that our balance sheet reflects poorer trading conditions in 1938. Nor is this surprising. International tension was the dominant factor throughout the year. The Munich Agreement brought some relief, but did not suffice fully to restore confidence. The war between China and Japan continued to drag on, and disorganised trade with the Far East. Finally, though there was some improvement of trade in the United States of America in the later months of the year, it came too late and was not sufficiently pronounced to have much effect on the trade of the countries in which we are interested.

In the circumstances, it is satisfactory that our profit at £192,443 shows an improvement on the figure of the previous year, and again we have good reason to congratulate Mr Crichton and his officers. We are maintaining our dividend at the usual 12 per cent.

INDIAN TRADE

I pointed out last year that India and Burma, though now separated, still constitute a single currency unit, and that the combined figures of the seaborne trade of the two countries give the true picture of the balance of trade. These figures show that exports fell from 220 crores to 180 crores and imports from 154 to 140 crores. The favourable balance of trade in merchandise thus declined from 66 crores to 40 crores. There was also a decrease in the net export of precious metals. By far the largest decline was in the export of raw cotton, due to decreased imports of Indian cotton by Japan, and exports of manufactured and raw jute, hides and skins, and seeds also declined. Imports of machinery again show a large increase, and machinery has now displaced cotton manufactures as the largest single import into India. Imports of cotton yarn and cloth continued their downward progress from 1,576 to 1,461 lakhs, and Lancashire again had a smaller share of the trade. It is good news therefore that the long drawn out negotiations for a trade pact between India and this country have at last been brought to a successful conclusion, and that Lancashire will benefit by the new agreement which has just been signed.

The figures I have given show that India did not escape the effects of the general recession of international trade, but the reports I have received indicate that the decrease of foreign trade was to some extent offset by increased industrial activity inside India, and these reports are confirmed by the statistics of rail-borne traffic. The agriculturist, however, had a bad year. India, in fact, is up against the old problem. It is comparatively easy to foster the growth of industries by high tariff duties. It is a much more difficult matter

to improve the lot and increase the purchasing power of the agriculturists who constitute so large a proportion of India's population. This is not to say that the problem is not realised or is neglected by the Governments of India. On the contrary, they are attacking it by the improvement of agriculture, by rural development schemes, by debt redemption schemes and by extending the policy of prohibition. But progress is necessarily slow, and in the meantime the high tariff duties now in force send up the cost of living for the rural population.

TEA AND OTHER INDUSTRIES

The tea industry had a less satisfactory year than 1937. The higher rate of release under the regulation scheme brought about an increase in stocks, with the result that prices tended to sag, the fall being heaviest in respect of common teas. On the other hand, production increased, with the result that stocks at the end of the year were heavier. A small reduction of quotas for the year ended March 31, 1940, which has just been announced should improve matters. The iron and steel and cement industries continued to flourish, but prices of coal declined, probably owing to a large increase of production.

The troubles of the great jute industry to which I referred last year continued till September last, when the Bengal Government intervened and imposed a temporary limitation of working hours on the mills in Bengal. This intervention had the desired effect, and the industry has now come together and has signed a five-year agreement for the limitation of hours of work. I hope that the industry will now regain some of its former prosperity. The progress of the cotton industry continued, and production reached a very high level. The Bombay section of the industry should benefit by the passing of the Trades Disputes Act.

India's credit remained on a high level. Indeed, it is a curious fact that though money is dearer in India than in this country, India 3½ per cent. paper stood higher than the British Government's 3½ per cent. war loan on more than one occasion in December and January last. Two local governments successfully floated loans at just over 3 per cent., and the average rate for the Central Government's Treasury bills was only Rs.1.4.10. India's high credit is, no doubt, the result of many years of cautious and conservative finance evidenced by balanced budgets and the extraordinary small amount of unproductive debt. But it is also partly due to the fact that India has not found it necessary to spend huge sums on armaments, and that she is probably the only important country in the world whose military expenditure is less now than it was ten years ago, and one cannot help feeling that the problem of Indian finance is likely to become more difficult.

The mainstay of provincial finance has hitherto been land revenue and excise. The former is at best a stagnating source of revenue, if indeed it is not actually declining, and the policy of prohibition which most Provincial Governments are adopting necessarily involves a sacrifice of excise revenue. For instance, one Provincial Government, whose excise revenue was 320 lakhs two years ago has announced that it is prepared to sacrifice 180 lakhs of this revenue. The difficulty, of course, is to find alternative sources of revenue, and some of the new taxes imposed or proposed seem to trench on fields of taxation hitherto regarded as belonging to other authorities. Three instances will suffice. One Province proposes to impose a tax on urban rateable values in its chief town which would appear to encroach on a field hitherto reserved for the municipal authorities. In another an employment tax is proposed. It is to be graduated according to income, and is just an additional income tax. In others again there is a sales tax on petrol, which must tend to reduce consumption, and thereby to affect the revenue derived by the Central Government from the import duty and excise on petrol.

TAXATION

Developments of this kind must be an embarrassment to the Central Government, which already has taxation problems of its own. Indeed, it is not easy to see what reserve of taxation it has for use in an emergency. The revenue budget for 1939-40 shows that nearly 50 per cent. of its revenue comes from customs duties and nearly 70 per cent. from customs duties and income tax. The rate

INTERNATIONAL NICKEL COMPANY OF CANADA, LIMITED

SATISFACTORY PROGRESS IN FINLAND

MR ROBERT C. STANLEY'S STATEMENT

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

Mr Robert C. Stanley (the chairman and president, said):— You will have noted that net profit in 1938 of \$32,399,470.23 was \$17,900,153.58 less than the figure of \$50,299,623.81 reported for 1937. The decrease in earnings was due to a lower volume of nickel sales, to the lower prices realised for copper and platinum metals, and to the weakening of sterling in terms of the dollar.

Sales of nickel during 1938 amounted to 164,378,245 lb., comparable with 207,700,943 lb. in 1937. This decrease is a departure from the year-to-year increases shown since 1932, and may in large measure be attributed to the world-wide dislocation of industry caused primarily by the fear of war.

The recession which developed in United States trade during the autumn of 1937 continued until the summer of 1938, and the company's nickel business in that country during this period was only 38 per cent. of the business for the like months of the previous year. However, there was steady improvement during the last six months of 1938. On the other hand, overseas nickel business, which seldom fluctuates to the extent of United States business, was comparatively steady, so that for the entire year under review the company's total sales of nickel attained a level equal to 79 per cent. of that for 1937. Our selling prices remained unchanged.

Copper sales of 292,129,727 lb. at 9.80 cents per lb. in 1938 compare with 291,880,403 lb. at 13.20 cents in 1937. This difference in price applied to the tonnage sold accounts for approximately \$10,000,000 in terms of gross profits. The same condition to a lesser extent held for sales of the platinum metals, of which total sales in 1938 of 193,195 oz. at \$29.75 per oz. compare with 188,756 oz. at \$37.55 per oz. in 1937. The realisation on platinum metals was, therefore, less by approximately \$1,500,000.

Projected expenditures in 1939 call for approximately \$10,600,000, comparable with \$10,750,707.10 expended in 1938.

The mine development programme in Finland is progressing satisfactorily. Barring unforeseen emergencies, this mine, smelter and hydro-electric development will be ready for operation by the autumn of 1940.

OPERATING AND DIVIDEND POLICY

As to the rate of future dividends I can only repeat what I have said at former meetings: "That it is the policy of your directors to make dividend disbursements compatible with the company's current earning power, business prospects and after provision of adequate cash reserves."

Our policy is to operate our works as nearly as possible at a uniform rate, building up stocks of nickel during periods of business recession, and liquidating stocks during periods of business activity.

DEVELOPMENT AND RESEARCH

When the world war was over, this company found itself possessed of mines and works of great capacity and only a limited outlet for its metals. In order to cope with this serious problem, research and market development work were expanded in many directions, and in 1922 the development and research division was organised with increased personnel and, as an important feature of this activity, more adequate laboratory facilities were provided. Tangible results from this new activity were rapidly forthcoming and were highly satisfactory. In addition to the three central research laboratories, there are four well equipped works laboratories, located at Acton, England; Clydach, Wales; Huntington, West Virginia; and Port Colborne, Ontario. The work of these units is largely devoted to improvement of existing metallurgical processes, and to the development of new and better plant products. The Acton laboratory, in addition to its process research, is conducting an active campaign to develop new uses for the platinum metals.

The seven laboratories mentioned cost \$1,270,336 and now employ a staff of 218 mainly technically trained men. There is currently expended on research and market development activities, inclusive of supporting publicity, about \$2,500,000 each year. That these expenditures have accomplished their objective is best exemplified by comparing our sales of nickel in the decade 1919 to 1928 of 520,323,280 lb. with 1,127,682,039 lb. during the last decade, 1929 to 1938, a period in which the world suffered one of its worst industrial depressions.

The report and accounts were unanimously adopted.

of income tax is already high, and it is doubtful whether it could be raised much more without placing an undue burden on industry. The customs duties consist partly of protective duties imposed primarily for revenue purposes. But the general level of these latter duties—20 or 30 per cent. *ad valorem*—is so high that in effect they have assumed a protective character, and in any case there is always the danger of setting in motion the law of diminishing returns. Some at least of the lost customs revenue should be recovered, however, by internal excise duties.

A new Act has just been passed by the Indian Legislature to amend the Indian Income Tax. One of the most controversial features relates to the definition of Residence in British India so far as it relates to companies and firms. Any company or firm will be regarded as resident in British India if, in any year, its income arising in British India exceeds its income arising without British India. It is not very clear what the effect will be, but it looks as if any company or firm which makes profits in British India will be required every year to disclose to the Indian income tax authorities its total profits, wherever made, and to pay Indian income tax on those total profits in any year in which more than half of them are made in British India. It is not surprising that this part of the Act has aroused much criticism.

The prospects for the current year in India may, perhaps, be said to be more hopeful than they were a year ago, but everything, of course, depends on how the international political situation develops.

CONDITIONS IN BURMA

Burma, I am sorry to say, was in an unsettled state in 1938. Labour unrest was followed by serious communal riots in July and September between Burmans and Indians. In December a campaign of mass civil disobedience was launched by way of protest against the measures taken by the Governor to restore order, and finally since the close of the year Hindu-Muhammadan riots among the Indians themselves have added to the turmoil. All our reports dwell on the injury done to trade by these disorders. The only bright feature in the picture is that an excellent rice crop has been harvested, and that there is a large surplus available for export. Burma, therefore, should be able to look forward to a better year provided that law and order are restored and the conditions re-established in which alone commerce and industry can flourish.

CEYLON

In Ceylon two events of special importance occurred. In December last the Governor's proposals for the amendment of the Constitution were made public. The most important was the discontinuance of the present system of government by committees and the institution of a Cabinet system, the Prime Minister to be selected by the Governor himself. The proposals are now being debated in the State Council, and while they have been criticised in some quarters, they have been generally well received in business circles. It has also been made known that the Government contemplates an alteration in the currency system. At present the Colony's note issue is based on the Indian silver rupee. Although actual proposals have not yet been announced, it is understood that, among other things, the intention is to demonetise the Indian silver rupee and to place Ceylon currency on an Indian rupee exchange standard in much the same way in which the Indian rupee is now maintained on a sterling exchange standard. The matter is one of more importance than is generally appreciated. It is also one of which the exchange banks have expert knowledge, and it is hoped that full consideration will be given to the views which they have expressed before a final decision is come to. It was not a good year for trade.

The outlook for 1939 is perhaps not unfavourable. Tea should continue to enjoy a modest measure of prosperity, and as far as one can judge the omens for the rubber industry are better. What producers want is an increase in permissible exports provided that it is not accompanied by a collapse of the price. Ceylon's basic quota has been increased, and, for reasons which I will explain when dealing with Malaya, hopes are entertained that the export quotas may be increased for the second half of the current year.

The prosperity of Malaya is bound up with that of the rubber and tin industries, and the drastic cut in the export quotas of both products had a disastrous effect on the trade of the Peninsula. The outlook for the rubber industry appears to be improving. The prospects of tin are more obscure.

I hope that you will agree that, considering the difficulty of the times we have been passing through, the bank did well in 1938. Indeed, we shall be fortunate if we do as well in 1939. But there are too many uncertainties for any prudent man to commit himself to prophecies.

The report and accounts were unanimously adopted.

NATIONAL BANK OF INDIA, LIMITED

DIVIDEND 16 PER CENT.

MR R. LANGFORD JAMES'S REVIEW

The ordinary general meeting of the National Bank of India, Limited, was held, on the 27th ultimo, at the Wesleyan Hall, Bishopsgate, London, E.C., Mr R. Langford James (chairman of the company) presiding.

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

The Chairman said:—The aggregate figures of liabilities and assets are less by nearly £3,000,000 in comparison with those shown at the end of the previous year, and this is mainly accounted for by a decrease of about £2,500,000 in current, fixed deposit and other accounts. The low level to which the banks have been compelled to reduce deposit rates owing to the difficulty of finding profitable employment for their resources has had the effect of diverting money formerly in our hands to short-dated Government securities and other investments where more remunerative terms are obtainable. In India this was particularly the case where the high yield on Treasury bills proved an attraction for "short" money and led to the transfer of bank deposits to Government. This may be a passing phase, and when the volume of trade is again on a scale requiring greater finance from the banks it should be possible to offer terms for deposits which will induce the return of money now perhaps temporarily withdrawn.

The decrease in deposits is reflected in our holding of British and Indian Government securities, which together aggregate £13,518,824, as compared with £15,304,062 on December 31, 1937. Bills payable are less by £185,244, and acceptances on behalf of customers are also down by £145,607. Among the assets, cash and bullion on hand and in transit amount to £4,861,444, as compared with £5,303,152 in the previous balance sheet. Cash and securities combined show a ratio of approximately 66 per cent. to the bank's total liabilities to depositors. Bills of exchange at £3,637,769 show a reduction of £888,073, while discounts, loans receivable, etc., at £10,118,560 have increased to the extent of £44,833. House property and furniture account appears as £931,698, which is £278,784 higher than the figure shown a year ago, and here I should like to inform shareholders that the increase is due to the recent acquisition by us of the building in which you are sitting, a portion of which we have rented from the Wesleyan Methodist Society since 1903. We were glad to be able to come to terms for the purchase of a property, the site of which is eminently suited to a business such as ours, and to obtain the extra accommodation so much needed and of which we shall be able to avail ourselves when we get possession of the entire property next year.

PROFIT AND DIVIDEND

Turning to the profit and loss account, you will see that the net profits amount to £444,063 3s. 8d., as compared with £465,861 16s. 8d. in the previous year. This sum has been arrived at after making provision for all bad and doubtful debts. With £249,816 15s. 6d. brought in, the available amount is £693,879 19s. 2d. An interim dividend at the rate of 16 per cent. per annum, less income tax, was declared in September last, and the directors now recommend the payment of a final dividend at the same rate. These together will absorb £320,000, and we propose to add £50,000 to staff pension funds and to place £75,000 towards reduction of premises account, leaving £248,879 19s. 2d. to be carried forward to next account. We deem it desirable to make this substantial allocation to property account in view of the purchase to which I have just alluded and of the further expenditure which the necessary structural alterations will entail.

As it was necessary to make provision for income tax and National Defence Contribution to the extent of approximately £25,000 more in 1938 than in 1937, I think you will agree that the results of the year's working are satisfactory. You will also agree, I believe, that, in view of the uncertainty of the times and the desirability of making such ample allocations as those to which I have just referred, a reduction in the rate of distribution from 18 per cent. to 16 per cent. is justified.

INDIAN TRADE

India showed a favourable trade balance in 1938 of Rs.29.77 crores, helped thereto by net exports of gold to the value of £11,699,000, which figures compare with £13,708,000 in 1937 and

£24,870,000 in 1936. Trade recession, reflected to a considerable extent in the volume of imports, which began to make itself felt in the early part of the year, assumed such proportions that, had it not been for the timely steps taken to effect every possible economy, the Government of India's closing accounts would have shown a serious debit balance. The actual final deficit was Rs.265 lakhs. These economies are to be continued in the year 1939-40, and the prospective deficit amounts to not more than Rs.50 lakhs—a shortfall which the yield from the doubling of the import duty on cotton is expected to cover. This is the principal feature of the Budget, which, incidentally, is the last to be presented by Sir James Grigg, whose term of office is drawing to a close. The favourable position disclosed in these estimates will be attained to a considerable extent by the increased revenue expected from income tax, super tax and company super tax under the new Act, which passed through the Legislative Assembly and the Council of State last month. Those of you who are familiar with the provisions of this Act will realise that it will inevitably lead to difficulties and complications for sterling concerns with business interests in India.

It is noteworthy that the sterling requirements of the Government of India for the year 1939-40 are estimated at about £27 millions, compared with £36 millions in 1938-39 and £37 millions in 1937-38—a factor which should strengthen their hands in carrying out the pledge, recently reiterated, to maintain the present rupee ratio.

Political events during the year have again claimed the attention of all those interested in the welfare of India. The work of the autonomous Provincial Governments has been followed with the keenest interest, and, while it is much to be deplored that communal troubles have again arisen and that labour disturbances have taken place, there is ground for hope that more ordered conditions will be the outcome of the devolution of power and responsibility to those in whose hands they are now entrusted.

Banking conditions in India during the year under review have been no less difficult than those experienced by others engaged in Eastern trade, but we have been in a position to take advantage of whatever opportunities offered of financing desirable business and of maintaining our valuable connections.

COTTON

To refer now, briefly, to the principal industries in which we are interested. I mentioned last year that the Bombay cotton industry, which was showing signs of improvement, from the profit-earning point of view, had experienced a setback in the shape of a 12 per cent. to 14 per cent. increase in its wages bill imposed at the instance of the local Government. To compensate that Government for loss of revenue, caused by the imposition of prohibition, a 6½ per cent. sales tax on cotton goods and an increase in property tax are now being imposed. Though in theory the sales tax will be met by the consumer, in a country such as India, where individual incomes are so small that even articles of every-day necessity must be cheap if they are to attract customers, it seems unlikely that the manufacturers will escape from paying at least some part of the bill. As the doubling of the cotton import duty by the Central Government will also affect working costs—though this refers principally to the mills manufacturing the finer counts—prospects for the industry cannot be described as bright.

After some years of strenuous effort, agreement has at last been reached by the Indian Jute Mills Association under which working hours will be controlled during the next five years, to bring production into line with demand. As the association now embraces in its membership all the Bengal mills with the exception of two—one of which is Indian and the other American owned—the control should be effective. The association is to be congratulated on this achievement.

TEA AND RUBBER

1938 was not as good a year as its predecessor for the tea industry, the quota released by the International Tea Committee being a little on the generous side, as events proved, with a resultant increase in stocks and fall in prices. Still the great majority of companies should show fairly profitable working when their accounts come to be published. An event of interest was the attainment, on January 10th last, of the centenary of the London auctions of Indian

HALIFAX BUILDING SOCIETY

ASSETS OVER £128 MILLIONS

The eighty-sixth annual general meeting of members of the Halifax Building Society, held in Halifax on the 27th ultimo, again revealed increased assets, a growth of borrowers and of the liquid reserves.

Proposing the adoption of the report and balance sheet, the President, Brigadier-General Sir Edward N. Whitley, K.C.B., C.M.G., D.S.O., D.L., said: The year which ended on January 31st was full of anxiety to everyone who had the care of other people's money; repeated shocks to confidence owing to the uncertainty of affairs on the Continent of Europe culminated in the crisis of last September, and it is with profound gratitude that I record the steadiness with which our great Society met the shocks. To be able to say, as I can, that there was no pressure of withdrawals and that the business of the Society was carried on smoothly throughout the crisis, is a tribute no less to the steadfast character of our members than to the prudence of our policy for many years past of keeping a proportion of our assets in a liquid form.

Turning now to the year's accounts you will see that the advances on new mortgages during the year amounted to £20,340,996, a little less than in 1937, but for the fifth year in succession over-topping the £20,000,000 mark. The total amount now outstanding upon mortgages is £105,177,549.

The Society's mortgage accounts continue to be in a very satisfactory state: there are no properties to be reported in the statutory schedule as being in possession for more than twelve months, and the actual losses during the year on a capital sum of over £100 millions are less than £44,000, which is a strong testimony to the care of our surveyors and valuers.

The liquid assets amount to £22 millions and are represented by cash in the bank, loans to local authorities repayable at early fixed dates and other gilt-edged securities. It is the strength of these liquid resources which enabled us to face the crisis in September without fear. The policy of the directors is to maintain them at a high level even though this safety precaution does cost an appreciable amount each year.

IMPRESSIVE FIGURES

The total assets of the Society amount to £128,242,856, being an increase in the year of over £5,500,000. The number of accounts of investing shareholders and depositors increased during the year by 10,913 to a total of 484,180, so that the average holding of each of our investors is £252.

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 of investments and office premises, amounts to £3,222,614, to which has to be added the balance brought forward from last year of £66,167, making a total of £3,288,782, out of which the following appropriations have been made: Interest to shareholders £2,652,076, staff superannuation fund £50,000, and to the general reserve fund £400,000, making £3,102,076, leaving a sum of £186,705, from which the directors have allocated, subject to confirmation at this meeting, a bonus of 10s. per cent. to the paid-up shareholders Class 1, and a bonus of £1 per cent. to the monthly subscription investing shareholders, which absorbs £120,614. The balance to be carried forward is £66,090, practically the same as last year.

The total reserve funds and undivided profits of the Society, including the £400,000 which the directors have put aside this year, amount to no less than £5,466,090, or 4.26 per cent. of the assets of the Society.

WAR DAMAGE

The Government has announced through the Chancellor of the Exchequer the outline of a plan for dealing with the damage caused by enemy action, and while we are, as people largely interested in this question, grateful for the statement so far as it goes, we shall scrutinise with the utmost care the legislation which implements the promise. The wide distribution of our risks is in itself a great security against any very heavy loss from air raids, if unhappily the country has to suffer such calamities. We have 250,000 separate mortgages spread over England, Scotland, Wales and Northern Ireland, and it would be bad luck if the enemy picked out the properties belonging to our members as targets for his bombs.

The subject of compensation for war damage is engaging the attention of the Building Societies' Association, and through our two members of its Council, Sir Enoch Hill and Mr David Smith, we shall do all we can to ensure that the Legislature is fair to the individual as well as to the community.

The accounts were approved.

tea, an occasion to which you doubtless saw reference at the time in the Press. The area under tea in the British Empire is some 1,440,000 acres, of which, in round figures, 841,700 acres are in India, 559,200 in Ceylon, 35,900 in Africa, and 3,150 in Malaya. Taken at a conservative figure, the value of these plantations must be in the region of £120 millions, a century's achievement of which the industry has reason to be proud.

With regard to rubber, a continuance of the disturbing political conditions on the Continent was reflected in the general decline in the world demand for crude rubber. Compared with 1937, world absorption in 1938 fell by 184,380 tons, to 908,000 tons, off-take in the United States of America—the largest consumer—showing a decline of over 24 per cent. This falling off in demand and its effect on price necessitated drastic action by the International Rubber Regulation Committee, whose efforts to meet a difficult situation merit commendation. Exports from territories participating in the regulation scheme were curtailed in the last half of 1938 to 45 per cent. of basic quotas, and, as a result, net exports during 1938 were reduced to 889,406 tons, against 1,135,337 tons in 1937, and world stocks showed a slight contraction. Any improvement in the world demand for rubber must be dependent upon an improvement in the international situation, applicable to America as well as to Europe, and the continuance of the Rubber Regulation Scheme ensures to the industry some measure of adjustment of production to consumption which would otherwise be impossible.

Indian sugar had a reasonably prosperous year, which can be attributed largely to the efforts of the central selling organisation.

CEYLON

So far as Ceylon is concerned, prices of coconut products have continued at an extremely low level, a factor largely affecting the income and consequently the spending power of the population. The prosperity of the country is still dependent on its three principal agricultural products, tea, rubber and coconuts, and with no certainty as to the future trend of the price of these commodities the question is being asked whether the growth of expenditure on schemes introduced by the State Council is not beyond the capacity of the island to bear.

Another matter which has been forced into public prominence in Ceylon is the proposal recently made to alter the currency system of the island. The present system is interwoven with the Indian currency system as the metallic backing for the notes issued by the Ceylon Government is the Indian silver rupee and the link with sterling through India has served to maintain stability of exchange which has been of the utmost importance in conducting the island's overseas trade. The proposal to part with the Government's holding of Indian rupees and substitute a currency based on a Ceylon rupee is one that does not appear to be justified by any experience tending to prove that a change is called for. One of the reasons brought forward in favour of an alteration is that, in the event of a devaluation of the Indian rupee, Ceylon could decide whether to adopt the new ratio or not. The recent emphatic pronouncement that no alteration will be made in the Indian rupee ratio deprives this consideration of its force and, even if such a change took place, it would not be in the interests of Ceylon to possess a currency of a different exchange value from that of India, with which her trade is so closely allied.

BURMA'S RICE CROP

In Burma, the rice crop though of normal dimensions suffered severely from unseasonable rains during the harvesting season, and the bulk of the crop was damaged. Partly for this reason, and partly in sympathy with the downward trend of grain markets generally, prices were considerably lower than in the previous year. Prices of teak also declined. The oil industry suffered from labour troubles, and altogether the year was, in Burma, one of unsettled conditions and declining prosperity. Communal rioting during July/September had disturbing effects both on local trading and the general political situation, and, unfortunately, these effects are still being felt.

There is not much change to report so far as conditions in East Africa are concerned. Prices secured by Kenya coffee growers have been a little better, though still disappointing. The market for sisal continues very poor. Generally speaking, East Africa is rather more prosperous than was the case a few years ago, though the return on capital invested in that quarter, with a few exceptions, can only be described as poor. The gold-mining industry does not appear to be fulfilling yet its early promise.

In conclusion, I take this opportunity—an opportunity to which I look forward year by year—of expressing our appreciation of the services of the staff, both here and overseas during the past year.

The report and accounts were unanimously adopted.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

COMMERCIAL TRADING SERIOUSLY DISTURBED

OUTLOOK FOR THE CURRENT YEAR

The eighty-fifth ordinary general meeting of the shareholders of the Chartered Bank of India, Australia and China was held, on the 29th ultimo, at 38 Bishopsgate, London, E.C.

Mr A. d'Anyers Willis (the chairman), in the course of his address, said: Our net profits for the year amount to £335,309, against £491,065 a year ago, a decrease of approximately £156,000, and I would also point out, although possibly it is quite unnecessary, that the figure of £335,309 includes a transfer from contingencies account to meet depreciation on Government securities. I shall now endeavour to explain to you the adverse factors that have brought about this reduction in profits.

There has been a decreased volume of trade in various spheres where we operate, but it is the deteriorating business conditions in China and Japan that have been our chief concern. Most of you have followed events there closely, and I need not elaborate on these at the moment. I need only say that ordinary commercial trading, which it has been our business to finance, has in the past eighteen months been seriously disturbed. If this seemed to be a passing phase, or if we could visualise a return to more normal conditions in the near future, we would be happier. With regard to the introduction of a new currency into North China, and the endeavour to force unwilling traders to confine their finance dealings to Japanese banks in the new currency, this is a portent of interference with normal trading which we cannot ignore in relation to the future success of our business in China, and particularly North China.

CONSERVATIVE DIVIDEND POLICY

Further, during the last two years there has been a very substantial fall in the price of Government securities, of which our holdings, as I have mentioned in previous years, consist largely of short-dated stocks. Here again it is not possible to be optimistic about the future.

With these considerations in view your directors, after making the necessary provision for bad and doubtful accounts out of current profits, decided that the current profits for the year should be charged with the amount required to write down securities to market value and to transfer from contingencies account the balance required to provide for the proposals submitted to you.

I need hardly say how much my fellow directors, the management and I regret the proposal of a reduced dividend, but I am sure that our conservative policy will, in the circumstances, receive your full approval.

P. & O. BANKING CORPORATION

You will observe in the balance sheet, against our holding of P. and O. Banking Corporation, Limited, shares, a note stating that "A contract has been entered into for the purchase of the undertaking of the P. and O. Banking Corporation, Limited, with effect from February 1, 1939." You will, I feel sure, be glad to learn that practically the whole of the business hitherto conducted by the P. and O. Bank has been transferred to the Chartered Bank, and this accretion to the volume of our business will, I hope, prove of considerable value to this bank in the future.

I should perhaps particularly refer now to one of the assets of the P. and O. Bank which we have taken over and which will hereafter appear in our own future balance sheets as a separate item. The P. and O. Bank acquired in 1921 23,403 (93½ per cent.) of the ordinary shares in the Allahabad Bank, Limited, and these are now being transferred into the name of the Chartered Bank.

CONDITIONS IN INDIA

Money conditions in India during the year were easy. Call money rates, for instance, in the slack season were quoted as low as ¼ per cent. to ½ per cent., with very little demand even at that low level. The Government's usual borrowings by means of Treasury bills sold to the Money market were obtained at an average rate for the year of 1½ per cent. per annum. In May the Government of India successfully floated a large Rupee loan, the terms being 3 per cent. at 98, repayable at par 1963-65. This reflects the excellent state of the Government of India's credit.

As regards the external trade of India, the recession begun in 1937 continued last year. In June, however, business seemed to take a turn for the better, but the international political situation later on prevented material progress. The total value of the exports of India and Burma during 1938 was Rs. 180 crores, which compares unfavourably with Rs. 220 crores in 1937. Imports were valued at Rs. 140 crores in 1938, against 154 crores in 1937. This decrease in the surplus of exports over imports naturally tended to weaken the external value of the rupee, and, unfortunately provoked rumours of its impending devaluation. The Government of India wisely reaffirmed by public announcement their decision to maintain the rate at 1s. 6d. Since then, with more active exports, the exchange position has righted itself.

The largest factor in the decline in exports was a big decrease in raw cotton exports to Japan. I may add that this adversely affected our own turnover, as the finance of raw cotton from India to Japan has been one of our interests for many years.

Another item of India's external trade in the finance of which we have been keenly interested for many years is the import of Lancashire cotton piece-goods. The value of this continues to decline, and reached the paltry total of £4,570,000 only in 1938. Decreased imports of cotton goods from Japan and Britain have been offset by increased production of the mills in India. The Indian mills have, therefore, been able to absorb a good deal of the raw cotton which in the normal course would have gone to Japan. The total mill consumption of Indian cotton, in fact, during 1937-38 reached a record high figure. Production of cloth and yarn by the local mills has since proceeded at a high rate, and a position has been reached where consumption has not kept pace with production. Stocks of cloth and yarn are, therefore, increasing, and prices are depressed.

Tea has not experienced a particularly good year, the increase in the export quota from 87½ per cent. to 92½ per cent. decided on a year ago having resulted in an appreciable rise in the stock position. The International Tea Committee has now decided to reduce the export quota to 90 per cent. for the coming twelve months, which would appear to be justified and to meet the position fairly as between producers and consumers.

MALAYA

Quotas under the international restriction schemes for rubber and tin had to be drastically cut for 1938 owing to decreasing demand.

The average price of tin was some £50 lower than in 1937, and rubber 7½d., compared with 9½d. It is not surprising, therefore, to find that the total value of all exports from Malaya decreased from \$903,600,000 to \$581,500,000. This, expressed in sterling, is a drop of over £37,000,000. You will realise from these figures what a heavy curtailment there has been in the bank's exchange business in that important sphere of operations.

WIDESPREAD ECONOMIC DISLOCATION IN CHINA

Since I addressed you a year ago the situation in the Far East has deteriorated considerably from the standpoint of British trade and finance in China. The struggle between China and Japan has continued along an ever-widening front, and after a year and a half of pitiless combat, widespread destruction and economic dislocation, an enduring settlement seems to be as far off as ever. The Central Provinces remain devastated and depopulated, and the whole of that once prosperous area has ceased to be an outlet for constructive international trade. The Yangtse is no longer an artery of commerce, and the produce markets of Hankow and other river ports have been closed; the Chinese Government have lost control of Canton; and for all practical purposes the whole of the Chinese seaboard has come under Japanese surveillance, while in North China, Japan is attempting to obtain a position of political and economic hegemony very similar to that which she has acquired in Manchuria.

I need not remind you that although this bank has large interests in other Eastern territories, the volume of business transacted in normal times through our system of branches in China formed a substantial proportion of our aggregate operations.

THE EMPLOYERS' LIABILITY ASSURANCE CORPORATION, LIMITED

CONTINUED PROGRESS

The fifty-eighth ordinary general meeting of this corporation was held, on the 29th ultimo, in London.

Sir Courtauld Thomson, K.B.E., C.B. (the chairman), said that on their premium income of £6,632,000 their total underwriting profit was £335,000, an increase of £183,000 over 1937 and, in fact, the highest profit for 20 years. Their investments showed an appreciation over book values. They had been able to continue their policy of augmenting their reserves in various directions. After all necessary provisions had been made and after a dividend well within their interest income had been declared at the usual rate, they had a surplus on the year of £100,000, which increased the amount carried forward to over £400,000.

WORLD AFFAIRS

The year 1938 was over-shadowed throughout the world by international uncertainties and recurrent crises. The business of insurance must go on under all circumstances, but could hardly fail to be affected by the lack of confidence which prevented economic development. Only three weeks ago confidence was reviving. The recent events in Central Europe had made it necessary to review prospects afresh.

Although no business could be immune from the effects of European events, so much of the corporation's activities were in North America and also in South Africa and Australia that the major portion of their business was fortunately away from the most likely centres of disturbance.

Their fire account continued to show healthy growth and a satisfactory profit. Taking their accident and general accounts together, the premiums had decreased by £524,000 compared with the previous year. That was mainly due to a large decline in workmen's compensation premiums in the United States, caused by the cumulative effect of less business activity and to their having eliminated the premiums of certain agencies where the results had not been satisfactory. In spite, however, of the reduced United States premiums, they had actually written in 1938 in that country more policies than in 1937. In almost every other part of the world they had increased their business, not least at home, where again he was pleased to report a record volume of premiums. The underwriting profit shown in the accident and general account was the largest since 1919.

Referring to their investments, the stocks and shares in their balance sheet had increased from £7,243,000 to £7,500,000 during the year. It was satisfactory to be able to report that while at December 31, 1937, there was a depreciation on book values, at the end of 1938 that had been turned into a small appreciation, taking into account the favourable rate of the dollar exchange. The main changes in their investments during the year were first the large increase in the United States Government securities and second the considerable decrease in their holding of railway and other debentures and debenture stocks in the United States. Throughout 1938 they had continued to reduce their holding of railway bonds. The railway position in the United States had continued to be unsatisfactory. They had also sold public utility and industrial bonds on which the yield had become unattractive when compared with that of similar Government bonds.

APPROPRIATION ACCOUNT

After adding the underwriting profit of £335,000 to the interest item of £225,000 and deducting a small net loss on investments realised of £11,000, they had a total balance of £549,000 to carry to the appropriation account. The directors recommended the payment of a final dividend of 2s. per share. This final dividend would cost £111,000, making a total of £195,000 in respect of dividends for the year. The directors recommended that the surplus then remaining, amounting to £100,000, be added to the amount of £305,000 brought in, making the total to be carried forward £405,000. Although the general reserve still stood at the substantial figure of £2,500,000, they had continued to add to other reserves and in addition had an important flexible reserve in the form of their carry-forward of over £400,000.

He thought that stockholders would agree that the picture he had given of the progress of the corporation last year had been satisfactory, following as it did on the successful results of recent years. The corporation was stronger than ever; it was well equipped to deal effectively with the constant problems of insurance business; and the great position which it held in North America was one upon which they might congratulate themselves.

The report and accounts were unanimously adopted.

Although the situation in China presents so many distressing and disturbing features, a development is taking place which is full of hope for China and for the world. I refer to the courageous efforts that are being made to build up a new economic system in the Western provinces of China and to rehabilitate in that potentially rich but hitherto undeveloped region the shattered livelihoods of refugees from the Yangtse valley. It is estimated that many millions of Chinese, among them many merchants, artisans and craftsmen, have migrated westwards. The task of setting these people to work would appear at first glance to be an impossible one, but it is being tackled with energy and enthusiasm by responsible officials of the Administration, and I have little doubt that the characteristic adaptability and industry of the Chinese people will prove equal to surmounting the consequences of one of the great tragedies of history.

Since the beginning of the present century, friends of China have repeatedly urged upon the Chinese authorities the desirability of opening-up to international commerce the rich provinces of the west by the establishment of a trade route through Yunnan and Burma, but without success. Now, through "force majeure," the Chinese are themselves seeking an outlet for primary products across the Burmese frontier, and much progress has already been made in constructing a system of roads to connect the more important cities of Nationalist China with Burma and the navigation headways of the Irrawaddy.

EFFECTS OF CURRENCY STABILISATION FUND

Confidence in the Chinese currency, when I referred to the matter a year ago, had already been undermined by the restrictions placed upon the sale of sterling and other foreign currencies by the Chinese authorities consequent upon the establishment of the Federal Reserve Bank of China in Peking and Tientsin, and the issue by that bank of a new currency in North China. In spite of generous allotments of foreign exchange for some months, the Shanghai-London rate rapidly declined from 1s. 2½d. to around 8d., at which it has been maintained with moderate fluctuations since June last year until the present.

The maintenance of a stable currency in China is of the utmost importance to British trade, and the announcement made in Parliament on March 8 by the Chancellor of the Exchequer regarding the formation of a currency stabilisation fund of £10,000,000, in which this bank will participate under the guarantee of H.M. Treasury, will doubtless be welcomed as a means toward this end. Unfortunately, this fund will not influence, except indirectly, the position in North China, which, I understand, forms the subject of vigorous protests addressed to Japan by the Governments of this country and of the United States of America and France. The fact that, as already stated, the rate of exchange in the Shanghai market has been maintained on a relatively stable basis since June last, with only moderate and intermittent support, gives reason to hope that, in spite of the many uncertainties of the position, the stabilisation fund will prove successful.

THE ANGLO-AMERICAN TRADE AGREEMENT

Having given you an outline of the principal features affecting trade in the major zones where we have branches, I would like to make brief reference to one matter which seems to me to have a bearing on the future of international trade. This is the new Anglo-American Trade Agreement. I might perhaps refer to it as a British Empire-American Trade Agreement, as its terms are not confined to trade between the United States and Great Britain. Now here is an endeavour by two great communities to improve and simplify the conditions that govern the interchange of commodities in order that trade may be encouraged and developed, and so bring material advantages to all concerned.

I also welcome the decision of our Government to secure for the Exports Credit Guarantee Department wider powers to provide a fuller measure of assistance to the export trades of this country. If only we could get free of international tension and strife it would indeed not be difficult to visualise a welcome improvement in world trade, with better prices for primary commodities and a consequent rise in the standard of living in the Eastern countries in which we are so much interested.

There is, I think, a rapidly growing recognition of the fact that international trade cannot be one-way traffic; its benefits must be reciprocal, and if the world could only settle down I am sure that we should see an extension of these trade agreements in other spheres.

The report was unanimously adopted.

At a subsequent extraordinary general meeting proposals for the renewal of the bank's charter were submitted in the form of a resolution which was carried unanimously.

BANK OF AUSTRALASIA

TRADE CONDITIONS IN AUSTRALIA

NEW ZEALAND TAX BURDENS

MR D. F. ANDERSON'S ADDRESS

The one hundred-and-fifth annual general meeting of the Bank of Australasia was held, on the 30th ultimo, at the office, 4 Thread-needle Street, London.

Mr D. F. Anderson, in the course of his speech, said: Last year the balance sheet total stood at the record figure of £55,846,000, the growth of roughly £4½ millions during that year being due largely to increases of over £1½ millions in fixed deposits and over £2 millions in current accounts. This year fixed deposits and current accounts are each down by about £600,000, and their fall has caused a reduction in our balance sheet total by rather more than £1 million.

BALANCE SHEET ITEMS

The assets side of the balance sheet shows more variation. The first item—specie, bullion, etc.—is lower by nearly £4,700,000, and we are glad to see it, for it means that we have been able to find a useful and we hope profitable outlet for something like that much more money. As a result specie, bullion, Government notes and cash balances at £5,378,000 represent just over 13½ per cent. of our total deposits, as compared with nearly 25 per cent. last year. If we add British, Australian, and New Zealand Government and other securities, the total for this year is over 35 per cent., or 7s. in the £ of our total deposits, compared with 45 per cent. or 9s. in the £ last year.

On this occasion last year the chairman remarked on the unusual strength of this position, but he added that we would rather have more money employed in safe commercial advances, and during the last year conditions have made this possible. Advances have increased by £3,600,000 during the year. They amount to 93.6 per cent. of total deposits—a figure which might alarm bankers in this country, but which is nothing unusual in banks operating in Australia and New Zealand. The reason for this difference is that in an industrial country industry tends to raise its capital from the public. The bank is not its permanent source of working capital. In countries where primary producers are the chief borrowers this is not so, and the individual pastoralist looks either to his bank or to the pastoral companies for his capital. Forty-five per cent. of our advances are to pastoralists, graziers, farmers and industries allied to them, while 10 per cent. are to manufacturing and other secondary industries.

While showing how much of our business is concerned with the man on the land, this does not mean that we neglect the man in the street—far from it. We have this year introduced what is to Australia a pioneer scheme which we call the small loans scheme. Its object is to assist those who require financial help for what we consider good reason, but who, although in steady employment, can offer no security beyond their character and their earning power. The loans are quite small for the most part, and are repayable in instalments over a period, and, although we are still feeling our way with caution, the scheme has met with a ready welcome.

A SATISFACTORY RESULT

In the profit and loss account two features stand out—an increase of £44,000 in salaries and general expenses in Australia and New Zealand, due largely to awards and out of our control, and of £80,000 in rates and taxes. This is the first full year in which we have paid National Defence Contribution. We have, however, with a net profit of £310,049, maintained last year's dividend and provided a small addition of £22,000 to the carry-forward, which now amounts to £227,000 odd.

We hope that you will not be dissatisfied with this result. If it is not spectacular, it has certainly not been achieved without a great deal of constructive thought and energy being put into their work by all the officers of the bank.

So much for our domestic affairs, but, before moving on to trade topics, I would like to re-echo the pleasure with which Australia has greeted the news of the appointment of H.R.H. the Duke of Kent as Governor General in succession to Lord Gowrie, whose

long and strikingly successful service in Australia is coming to an end this year. I need not say that their Royal Highnesses will have a rare welcome in Australia, which is distinguished not only by its loyalty to the Crown but also by its genuine hospitality to all visitors, however humble or however highly placed.

COURSE OF TRADE

I do not propose to give you many trade statistics, which are hard to follow unless they are in front of you, but you will wish to know how Australia and New Zealand have fared during the year. Imports into Australia in 1937-38 amounted to £111½ millions sterling, as against £90½ millions in the previous year, while excluding gold and silver, exports amounted to £112½ millions sterling, against £117 millions. The reduced value of exports was more than accounted for by wool alone, which dropped from £50 millions sterling to £37½ millions sterling. Not only had the price fallen by about 24 per cent., but the clip was about 9 per cent. less.

The United Kingdom took last year 55 per cent. of Australia's exports, excluding gold and silver. Wheat and flour, of which we took 30 per cent., and wool, of which we took 42 per cent., have the widest market and are the most important exports, but we took 95 per cent. of her exports of meat and 96 per cent. of her dairy products, and these are two of the particular branches of production which it is hoped steadily to expand. New Zealand, with a smaller quantity and proportion of wool, less mineral wealth and more meat and dairy produce, both actually and proportionately, to sell, is to an even greater degree affected by the capacity of the United Kingdom market to absorb the same or increasing quantities of her produce, and the importance to the United Kingdom of this feature of the economy of both Dominions is illustrated by the fact that these sales to our market make possible such large purchases from our factories and workshops, amounting to £38 millions by Australia and £19 millions by New Zealand last year.

IMPORTANCE OF WEATHER CONDITIONS

You will all have sympathised profoundly with those who suffered from the terrible bush fires lately experienced in Victoria, New South Wales, and South Australia. Few disasters can be so complete or so devastating. It is pleasant at least to say that many parts of Australia have now had excellent rains after experiencing quite exceptional droughts, and few who do not know the country can realise how far removed from a mere topic of conversation good rains in Australia are. They change the face of the country, and their absence can lose and their presence can make a difference of millions to the national income.

The latest weather news is contained in the following cable from our superintendent:—"Following on severe drought good rains have fallen recently over practically the whole of Australia with the exception of portions of Queensland, Western district of Victoria, and part of Western Australia, where further rain is needed. Season's prospects are generally favourable at present in Australia, and with normal following rains the seasonal outlook generally speaking may be considered good. In New Zealand dry conditions prevail at present and good rains are needed."

NEW ZEALAND TRADE

We have, as you know, an important stake in New Zealand, which, like Australia, has experienced during the past year a decline in the value of exports and increase in the value of imports. In the two years ended June 30, 1936 and 1937, the excess of exports from New Zealand over imports into New Zealand was practically the same at £NZ14 millions. Both exports and imports had risen sharply in the second of these years, and by the same amount—namely, £NZ11 millions. In the following year, however, up to the end of June, 1938, while imports continued to rise by another £NZ7½ millions, exports fell by £NZ2½ millions and the favourable balance dropped by £NZ10 millions to £NZ4½ millions. It must be

remembered that about £NZ7½ millions sterling is required for debt service in this country.

The beginning of 1938 was the high-water mark of prosperity, but by September the normal seasonal decline in sterling funds had become abnormal and rapid. In October, 1937, the net overseas funds of the reserve and trading banks had amounted to £NZ28 millions. By October, 1938, this had dropped to £NZ11½ millions, and by the end of November to £NZ7,800,000—a rapid fall which was due, in part, at least, to a flight of capital. In early December the Government assumed control of the exchange and of the import trade. All imports now require licences, while the trading banks, must hold the sterling proceeds of all exports at the disposal of the reserve bank in exchange for New Zealand funds at the current rate of exchange.

Such are some of the steps that have been taken to meet the exchange difficulty, but they have not deterred the Government from developing an ambitious social programme, which includes the Social Security Scheme covering pensions and health services, which is estimated by the Minister of Finance to entail an annual budgetary provision of about £2,000,000 per annum, or getting on for £1 5s. per annum per head of the population, being the shortage after taking into account the special tax contribution of 1s. in the £.

HIGH QUALITY OF PRODUCTIONS

New Zealand is a wonderfully productive country, and no one can fail to be impressed with the quality of stock both of man and beast that she produces. Millions of people in this country must be regular consumers of New Zealand butter and Canterbury lamb, and the fact that many of them are under the mistaken impression that Canterbury is only a city in Kent does not alter the fact that New Zealand lamb and New Zealand butter are not only of best quality but are well advertised, well graded and well distributed. All New Zealand butter and cheese, as you know, is now bought by the Government, at a fixed price, and the London exchange resulting from this business is no longer available to us.

A TAXATION GRIEVANCE

Dairy produce amounts to over 40 per cent. of New Zealand's exports, and the loss of such an important section of our trade was a sad blow, but it is no policy of ours to criticise what the Government thinks fit to do in the interests of the country and the producers. We do, however, consider that in the matter of taxation in New Zealand we have a real grievance, and one which, although repeatedly brought to the notice of the competent authorities by us and by other banks, privately and publicly, has not yet been remedied. Our argument in a nutshell is this—that whereas we should heartily dislike but could not call unjust an income tax, however high, on the profits of all businesses, we not only dislike but call unjust a basis which may require the banks, and only the banks, to pay income tax on a loss. (Hear, hear.)

In respect of this past year we expect to be called upon to pay in New Zealand income tax more than 20s. in the £ of profit made there. In other words, our profit will, we fear, have been turned into a loss, and, unless an alteration is made, we may quite well find before long that in a year when we have made an actual trading loss in New Zealand we are called upon to pay even more income tax than in 1937-38. This alarming possibility springs from the basis on which tax is levied on the banks, namely, an arbitrary percentage of assumed profit of the total assets and liabilities in the Dominion. The present Government, which, it is but fair to add, inherited and did not initiate this basis, has undertaken to re-examine it together with the rest of the income tax system which it is to revise very shortly, and although it has made no promises, we hope that it will think with us that the present basis is scarcely just.

I am sorry not to end these remarks on a happier note, but I am bound to point out where our shoe pinches as well as where it fits. Let us hope that by this time next year your chairman will be able to tell you not only that some of our own peculiar difficulties have vanished, but also—that what is far more important—that the world will have composed some of its fears and solved some of its more pressing problems.

The report and accounts were unanimously adopted, and the retiring directors and auditors were re-elected.

At a subsequent extraordinary general meeting resolutions were passed approving the making of an application for a Supplemental Charter and altering the bye-laws.

After the termination of the proceedings a presentation was made to Mr C. G. Hamilton commemorating his re-election as a director for the forty-fifth year of office, it being the eightieth year since his father was first elected in 1860.

GODFREY PHILLIPS, LIMITED

SOUND FINANCIAL POSITION

The thirtieth annual general meeting of Godfrey Phillips, Ltd., was held, on 30th ultimo.

Mr Arthur I. Phillips (chairman and managing director) presided, and in moving the adoption of the report, said that current accounts with subsidiary companies were increased by £143,000, mainly as the result of the additional supplies of leaf that were shipped them during the last quarter of last year for which the indebtedness remained to the parent company at the time of the accounts. Generally those overseas factories had made good progress during the year under review. That in Australia had had its record year for turnover and earnings.

The factory in India was now operating; its production was confined to those of the company's brands which could not carry the high import duty into India and still sell at popular prices. The ever-popular and large selling Cavanders brand would continue to be manufactured in London. Some progress had been made and the development account had served well towards that end. The board did not think at this moment that that branch factory would need to call upon the account in future.

INCREASED STOCKS

Stock was increased by £171,000. Actually leaf tobacco in bond had increased by a larger sum, but duty paid and other stocks were reduced. Prices this year had brought but very little relief to the average costs. The prime cost of the higher grades of leaf tobacco from the United States of America was a fraction lower than that of the previous year, but that slight relief had been more than entirely offset by a less favourable sterling exchange. Leaf from the Dominions and Colonies was particularly high and such high prices were not conducive to greater use by manufacturers.

The company's stock position continued to be very sound. The figure at which it stood to-day was somewhat higher than they would have permitted it to reach in ordinary circumstances, but it would be obvious that the political situation that faced the world at the time the new crop became available, necessitated the possession of leaf in greater quantity if continued good quality was to be assured.

De Reszke Minors retained both its exceptional quality and great popularity and an ever-increasing number of knowledgeable people were realising that for those idle moments between events no cigarette gave greater pleasure and value—with the minimum of waste. It was encouraging to see, as one so often did, the handsome tin containing sixty, which sold at the remarkably low price of 2s. on the desks of many of the leaders in every sphere of life, which gave added emphasis to the slogan "De Reszke Minors" are the "ten minute smoke for intelligent folk." In fairness to its big brother, he must not overlook the increasing demand for De Reszke Majors, a long satisfying smoke at the popular price of ten for 6d. He was hoping that shareholders would continue to support the company by insisting that only the brands of the associated companies were in their homes.

IMPROVED NET PROFIT

Turning to the profit and loss account, the net profit showed roughly £2,000 more than in the previous accounts. Had it not been for the increased cost for interest and the larger sums payable for income tax and N.D.C., the amount transferable to the appropriation account would have been considerably higher.

However, with a slight extra provision under the heading "Pensions and Provision for Employees," there remained a balance to be transferred to the appropriation account of £223,699 which compared with £230,283 last year.

There was no doubt that the unsettled state of world affairs did interfere with their company's normal progress last year and in particular had affected the last quarter in which they had always been accustomed to sell the larger portion of higher priced goods.

In foreign markets there was much more competition even than usual, most of that being due to the natural desire of exporting manufacturers, including their company, to maintain sales in spite of the artificial regulations created by foreign Governments, which always tended to reduce margins; but if stability in international affairs was to come, as it surely would, failure to maintain supplies of their popular brands now would be of little avail when trading times became better. In spite of those things, as the profit and loss account showed, the net profit for the year was more or less equal to that of the record profits of last, only additional interest charges preventing an even larger sum being added to the carry-forward.

The report was unanimously adopted.

BRITISH INSULATED CABLES, LIMITED

SATISFACTORY RESULTS IN A YEAR OF FALLING PRICES

SIR ALEXANDER ROGER ON THE SITUATION

The forty-third ordinary general meeting of British Insulated Cables, Limited, was held, on the 28th ultimo, at Exchange Station Buildings, Liverpool.

Sir Alexander Roger, chairman, presided.

The Chairman, in the course of his speech, said the profits on trading (after contingent reserves adjustment), dividends, etc., amount to £807,874, a decrease of only £13,484 from the record figure achieved last year. Having regard to the international crises which occurred in 1938 and to the fact that we are not a company with any large direct interest in armament work, I am sure that you will consider, as your directors do, that the results for 1938 are very satisfactory. Adding to the profit of £807,874 the balance brought forward from last account of £446,992, we have a total of £1,254,866. Depreciation of fixed assets absorbs £156,402, and after providing for directors' remuneration, interest on debenture stock, and dividends already declared and paid on the preference and ordinary capital there is left available £886,558.

Out of this balance your directors propose to transfer £100,000 to reserve account and to pay a final dividend of 10 per cent. (less tax) on the ordinary stock, making, with the interim already paid, a total dividend, for the thirteenth year in succession, of 15 per cent. (less tax). In addition your directors are pleased to recommend that for the fourth successive year a cash bonus of 5 per cent. (less tax) be again distributed on the ordinary stock. After making these appropriations the balance left to be carried forward to 1939 is £486,558, an increase of £39,566 as compared with the amount brought forward to 1938.

From the preliminary announcements made of our dividends, stockholders will doubtless have observed with some gratification that the deduction this year for income tax will be at the rate of 4s. 10d. in the pound, against the standard rate of 5s. 6d. in the pound. This is due to an exceptional accumulation of Dominion income tax relief which could not be passed on to our stockholders pending final decisions being obtained on certain important matters.

DIFFICULT CONDITIONS

The past year's trading showed a contraction in sales and in the volume of output compared with the previous year, in which, you will remember, the highest records for the company were established. Trading conditions were not easy, and selling prices continued to show a downward trend. Industry generally suffered from the menace of the disquieting international political situations which culminated in the crisis in September last, when, thanks to the remarkable personal efforts of the Prime Minister, the country turned a bad corner successfully. That the fall in profits is so small is due to the increased efficiency in our factories, the constant effort made throughout our organisation to effect real economies backed up by a willingness to incur capital expenditure on improvements, and by hard work on the part of all grades of employees.

You will remember that last year I referred to the contract with a value of over £1,000,000 which we were fortunate in securing from the L.N.E.R. Under it we are responsible for the overhead and track equipment from Manchester to Sheffield and also in the neighbourhood of Liverpool Street, London. It is the most important railway electrification contract of the kind yet carried out in this country, and you will be interested to know that the preliminary work of arranging layouts for the many tunnels, bridges, and complicated sidings involved is proceeding normally, and we are just about to commence delivery of material to the sites.

Our important subsidiary, British Copper Refiners, Limited, continue to give excellent results both in the matter of the quality of output and in the financial results of its trading.

EXPORT TRADE

I should like also to refer to general export business, which is not only of importance to the British Insulated itself, but also to its subsidiary and associated concerns. Circumstances affecting world business are changing with breathless rapidity, and it is dangerous to express views based on facts as we know them to-day in case entirely fresh considerations arise to-morrow which may have the effect of nullifying everything that precedes it.

The wants of the world are still far from being satisfied, whereas one would have thought the opinion was held in various places abroad that world business had reached a static position and it

had to be indecently scrambled for. There is no limit to expansion of business in a peaceful world, and it is tragic when one sees the possibility of peaceful prosperity endangered by the rulers of Germany. One is driven to the conclusion that monopoly and domination is their aim, whereas the view of the business men in this country, widely and generally held, is that there is sufficient business in the world both for England and for Germany, and indeed enough for all the great industrial nations.

It has hitherto always been open to German industry to trade in the British Empire. It is true that the Ottawa Agreement gave us a natural position of preference, but this was never raised to the point where foreign manufacture was excluded from Empire markets. This fair treatment of Germany hitherto gave us the right to say to German competition that while we recognised their preponderant position in many parts of Europe, we could not admit that their position would ever become one of monopoly to our complete exclusion.

In a commercially sane world there surely can be no territorial allocation of world markets either to Germany or to England, or indeed any other country, on monopolistic lines, and it ought to be still well within the bounds of possibility and ingenuity to secure commercial understandings on sound and healthy lines in order to bring benefits to both countries in more and better trade.

The only sure road to peace is by way of universal trade on a basis which enables the easy and rapid passage of goods between all countries. But if present political conditions develop on the lines being pursued by certain Continental countries the consequence will be to set up fresh barriers between nations far higher and more insurmountable than any tariffs yet designed.

EMPIRE BUSINESS

With regard to Empire business, it is important to note that one of the direct results of German policy is the determination of our Dominions and colonies to pursue a policy of developing secondary industries for the purpose of making available to themselves goods manufactured within their own borders and with little regard to the large purchases which this country makes from them.

We would naturally prefer to continue to manufacture here and export to the Dominions and thus assist in maintaining exports so necessary to this country, but we have been and are being gradually forced to follow the alternative and take up interests in manufacturing concerns similar to our own in various of the Dominions. We do not pursue this policy alone. These interests have been acquired jointly with other members of the Cable Makers' Association, which comprises the bulk of the cable industry in Great Britain.

As a contrast to this tendency it is pleasant to be able to record that we have been recently successful in securing an important contract for super-tension cables from the Johannesburg municipality, having a value of about £200,000.

I cannot conclude my remarks on our export business without tendering our thanks to and expressing our admiration of the Hon. R. S. Hudson, head of the Department of Overseas Trade, who is now touring various countries in Europe for the purpose of improving trade relations with this country. These meetings and conferences are methods which are understood by the commercial world, who hold the view generally that direct action of this sort is much more likely to be productive of good than through the medium of long-range communications and third parties. The business as well as the political world will await the result of his tour with great interest.

I am glad to say that our relations with labour continue to be of the most cordial character. As you know, it has been our endeavour over years to provide the best conditions possible for our workpeople and to afford them as many privileges as we find it economically possible to do.

We are now able to grant holidays with pay. We have a compassionate fund in operation which cares very satisfactorily for a number of needy cases arising from illness and old age. We, as you know, have sports grounds at the two principal factories, and help wherever we can over means of recreation.

At the moment we have a satisfactory balance of orders in hand, and the indications up to a week or two ago were that we could expect a normal year. Providing no international catastrophe intervenes, your board thinks that our expectations will be realised.

The report and accounts were unanimously adopted.

THE ASSOCIATED PORTLAND CEMENT MANUFACTURERS, LIMITED

DIVIDEND OF 20 PER CENT.

SIR P. MALCOLM STEWART'S SPEECH

The fortieth ordinary general meeting of the Associated Portland Cement Manufacturers, Limited, was held, on the 30th ultimo, at the Council Chamber of the Federation of British Industries, 21 Tothill Street, London.

Sir P. Malcolm Stewart, Bt., O.B.E., D.L., LL.D., the chairman and one of the managing directors of the company, presided.

The chairman, after dealing with the details of the accounts, continued:—We are able to recommend the payment of the final dividend on the preference stock and of a final dividend on the ordinary stock of 12½ per cent., making 20 per cent. for the year, which compares with 22½ per cent. paid last year. There will then remain a balance of £2,806 to be added to the carry-forward, which will thus stand at £208,699.

Speaking frankly, the results are somewhat better than was expected a year ago, our total sales being well maintained. Further, we reaped to a greater extent than anticipated the benefit of economies arising from capital expenditure on works. Had it not been for the advance of 3s. a ton early in the year, to meet the substantially increased manufacturing costs, the results submitted to you to-day would have been of a very different character.

THE FRUITS OF SELF-HELP

Several factors have operated to bring our industry out of adversity into prosperity. In the first place, cement manufacturers have had to learn through hard experience the lessons of adversity. This has undoubtedly helped common sense to prevail and encouraged the spirit of give and take. During the past thirty years there has been a varying degree of co-operation. There have been trials and errors, but from the efforts made there has always emerged something constructive which has strengthened the common faith in the cause of co-operation. Government assistance has not been sought to put our house in order; it has been an effort of self-help.

A high degree of efficiency has been procured in respect of production, but for some time there have been weaknesses, which have been a matter of common knowledge, with regard to distribution and selling of Portland cement. The liaison between our group of companies and the Tunnel company made some twelve months ago is working well. It has directly contributed to the possibility of making more orderly the somewhat chaotic selling conditions. What is now sought is the provision of a similar plan to benefit the industry as a whole and, as opportunity affords, the consumer. This should, of course, give a more complete control of the price at which cement is sold. More effective control if obtained need not of itself be a matter for objection. The true issue that arises is whether control will be wisely used to the advantage of all interested, including the consumer. I maintain there is no warrant for the assumption that the position will be misused in view of our past record and known determination to encourage construction of all description by the fixing of prices at as low a figure as is reasonable.

HOW THE CONSUMER FARES

Let us consider the plain facts as to our treatment of the consumer. If the cost and the net home prices per ton realised in 1925 are represented by 100, then our total cost of production has come down from 100 in 1925 to 68 in 1938—that is to say, we have effected a reduction in cost of 32 per cent. on every ton manufactured. I think you will agree that this is a very satisfactory achievement, bearing in mind the advance in prices of materials required for maintenance and manufacture, as well as the increase of wages paid to our employees, whose improved conditions of service I will refer to later.

Now, with regard to the consumer, taking the average net price per ton obtained in 1925 as 100, the 1938 average price received from him was only 66 per cent. of what he paid us in 1925, a reduction of 34 per cent. as compared with fourteen years ago. Thus, in addition to giving away the saving in the cost of production on each ton sold in the home market, we have given the consumer a bonus of 2 per cent.

Last year the margin of profit earned per ton was only 61 per cent. of that earned in 1925, a decrease of 39 per cent. It goes without saying that it would not have been possible for us to have reduced our prices to the consumer so substantially and made more

recently overdue improved returns to our stockholders had we not been successful in marketing a much larger tonnage.

Reverting to our reduction in cost of manufacture, I should like to stress the fact that this reduction has not been obtained in any way at the expense of our employees. Since 1925 increases in wages amounting to 8s. per week have been granted, and wages are now about 16 per cent. higher than they were in that year; all our employees have for twenty years enjoyed a week's annual holiday with pay and for eleven years a profit-sharing bonus scheme. More recently contributory pension schemes have been instituted.

The published prices for Portland cement usually quoted are those to the consumer at destination. A fact often insufficiently appreciated is that from these prices heavy deductions have to be made before the net price at works can be arrived at. These deductions embrace such items as freight and handling, merchants' rebate, deferred rebate, discount and bags. These charges vary according to method of distribution and distance of transport, but under favourable circumstances they represent 30 per cent., and in some circumstances 45 per cent., of the price charged to the consumer at destination.

THE SERVICE RENDERED BY COMBINES

I have spoken of industrial organisations, and now I will say something of combines. Speaking after many years of industrial experience, during which I have fought both against and for combines, I am convinced the advantages envisaged have amply accrued and that generally speaking combines render a greater service to the community than would be obtainable from the aggregated individual service of the component firms which form them. Investigation will, I believe, show that this is true. Labour in particular has benefited. Wages, rates of pay and conditions of work in combines are found to be of a higher standard.

It has been represented to me that I should urge the claims of concrete in connection with A.R.P. work. I must decline to do so since it has been publicly stated that the whole question of the provision of deep and other forms of shelters is receiving close consideration. The experts are at work, and the Cement and Concrete Association has offered its services. Certain aspects of the problems involved are not simple and a decision must be awaited with patience.

NEED FOR DEMOCRATIC SERVICE

With regard to the present serious international situation I venture to offer a suggestion; it relates to an aspect which has perhaps been somewhat overlooked. Should not the Government, the Churches and the Press bring more influence to bear in the teaching of what will be primarily required now that aerial warfare would bring the horrors of war into our homes? Let these authorities clearly tell every citizen that his first duty is to show the same calm courage and fortitude as was so gloriously displayed by our officers and men in the Great War. Is it fair play between man and man to place responsibility of service only on those willing and ready to do their duty? If our people did but realise the menace which hangs over them they would rise and say arms alone will not suffice and demand what I term democratic service as their unhesitating answer to the tyranny which threatens peace and liberty. Democracy will not survive on the merits of its past achievements, however great, but only through its courage in adapting itself to the necessities of to-day. Would not a period of democratic service strengthen the true spirit of democracy, help to lessen invidious class distinctions and, above all, give that sense of comradeship which was born in the war and survives to-day in the British Legion. Why wait for war to light again what peace can kindle now? Let us re-learn the meaning of Nelson's immortal words "England expects every man to do his duty."

I will now review the prospects for the current year. We have not made such a good start as we did last year. Our home trade deliveries are down. After making allowance for the unfavourable weather early experienced there is evidence that the demand has fallen off although it has started to pick up as is usual at this time of the year. However, we can hardly expect to reach this year the peak deliveries of the past year.

The report and accounts were unanimously adopted, and the proceedings terminated with a vote of thanks to the chairman, directors and staff.

BRITISH ALUMINIUM COMPANY, LIMITED

RECORD OUTPUT AND SALES

The twenty-ninth ordinary general meeting of the British Aluminium Company, Limited, was held, on the 28th ultimo, in London.

Mr R. W. Cooper, M.C. (the chairman), in the course of his speech, said: The profit for 1938, amounting to £909,851, shows an increase of £136,419 over the previous year. This result is consequent upon the output of aluminium of the company and of its subsidiary companies having reached a new high record, coupled with the sale of a considerably larger tonnage than in the preceding year. The sale price of ingot aluminium was reduced by 4 per cent. during the year, but prices of rolling-mill products remained steady. The large capital expenditure involved in our programme of expansion became productive to some extent during the year, but full output from the enlarged Lochaber works was not obtained until the last quarter of the year. I mentioned last year that the first half of the additional plant at Lochaber commenced production in March, but later it was found desirable to dewater the fifteen-mile-long tunnel in order to effect the connection of the new pipelines with the tunnel. This work was satisfactorily carried out, and the opportunity was taken of inspecting the whole length of the tunnel, which had conveyed water under pressure continuously for nearly nine years. I am glad to say that the tunnel was found to be in excellent condition. The present programme of enlargement of the Lochaber works is now completed, as are also the extensions of the Burntisland alumina works.

NEW ALUMINA WORKS AT NEWPORT

The erection and equipment of the new alumina works at Newport, Monmouthshire, have been actively proceeded with during the year, and after some constructional delays production is now scheduled to commence next month. Additions to the rolling-mills were carried out during the year, and further extensions are still in progress.

Two years ago, in association with others, we formed a company in Australia, and following detailed investigation that company is now erecting a rolling-mill in that country. This mill will not only satisfy the requirements of the existing market, but will also provide for the new demand of the aircraft industry, which is in course of establishment in Australia.

For many years we have been the main suppliers of aluminium in India, where we possess fabricating factories. We have now decided that the time has arrived when the potentialities of the market in that country warrant the production and rolling of aluminium locally, and consequently, in partnership with others, we are now engaged in providing the necessary plants in India.

The third and last stage of the civil engineering works at Lochaber still remains to be constructed, and I am pleased to be able to tell you that royal assent was obtained in July of last year to a bill confirming a provisional order which was promoted by the Lochaber Power Company. Under the terms of this Act we have been given a further seven years in which to commence and complete these works.

At a previous annual meeting I informed you of our interest in the production of magnesium metal through our substantial holding in the Imperial Magnesium Corporation, Limited. That company, through an operating subsidiary company, the Magnesium Metal Corporation, Limited, has been engaged for some time past in the erection of a plant at Swansea, and it is anticipated that the production of magnesium will be commenced in the near future.

CAPITAL EXPENDITURE

The balance sheet figures reflect the increase in our trading and the capital expenditure to which I have referred. The increase in the latter item amounts to £619,700, to which has to be added £609,933, by which amount our loans and advances to subsidiary companies have increased—the greater part of this being represented by capital expenditure.

We are in a position to recommend the same dividend as was paid for the year 1937—namely, 12½ per cent. on the ordinary stock. But on this occasion the whole of the ordinary stock, which was increased by 50 per cent. towards the end of 1937, ranks for dividend for the full year.

With regard to business for the current year, I may say that as far as can be seen at present the demand is likely to be maintained, if not increased. The outlook for the immediate future of our industry may therefore be regarded as satisfactory.

The report and accounts were unanimously adopted.

NATIONAL PROVIDENT INSTITUTION

SATISFACTORY NEW BUSINESS

The 103rd annual meeting of the National Provident Institution for Mutual Life Assurance was held, on the 24th ultimo, in London.

Mr Robert E. Dickinson (the chairman) said that their new business continued to be satisfactory. During the past year they issued 3,576 policies for sums assured of £2,095,000, and after allowing for £48,000 reassured the net amount retained at their own risk was £2,047,000. Although this figure was not so large as that of last year it had only been exceeded once during the history of the Institution. The net result of the year's working was that their life assurance and annuity fund had increased by rather more than £300,000, and now amounted to £12,750,000.

At the present time the financial position of the Institution was strong, their current trading profits were substantial, and, if peace was preserved, there was every prospect that when the triennial actuarial valuation was made at the end of the current year they would find themselves in the position once again of being able to distribute substantial bonuses.

Life insurance was more valuable and more important to the ordinary man than ever before. For most people it was the only means of obtaining adequate protection for wife and children, while as a means of saving for retirement and old age it accorded facilities which no other form of investment could give. The quotation in the report that "there is nothing in the commercial world which approaches even remotely the security of a well-established life office" was just as true to-day as it was when it was written many years ago.

They regretted the tendency for members to choose policies maturing in their own lifetimes rather than to aim first at the fuller cover given by whole-life assurances. The first object of life assurance was the protection of one's dependants, and any given annual premium would naturally buy a larger amount of assurance under a whole-life table than under the endowment table. Alternatively there was the endowment bonus policy, a doubly attractive plan, which combined permanent whole-life assurance with some provision for one's own retirement. He invited members and agents to examine the merits of this policy.

The report was unanimously adopted.

BRITISH ROPES, LIMITED

25 PER CENT. DIVIDEND

Mr Herbert Smith (the Chairman), at the annual general meeting held, on the 28th ultimo, in London, in the course of his speech, said:—

The position disclosed by the accounts is satisfactory, which result has been attained despite the difficulties experienced during the year under view, especially during the latter months.

The profit for 1938 amounts to £238,056, after making provision for depreciation, debenture interest and redemption and taxation. While the figure is somewhat smaller than last year, it is a satisfactory profit having regard to the generally unsettled trading conditions, and the directors recommend that the dividend on the ordinary share capital for the year be maintained at 25 per cent. I would remind you that this only represents a dividend of just over 3 per cent. to the original shareholder who had his ordinary shares written down from 20s. to 2s. 6d. in 1934.

While we, as a board, feel a certain amount of gratification at the position in which the company now finds itself, we are by no means satisfied that the full earning power of our undertaking has been reached.

The board have considered on many occasions the question of rectifying the capital position by some measure or by some means increasing the value of our issued ordinary share capital. To write up the value of our assets is against both our principles and instincts. It might be argued that we could use the £400,000 of reserves by issuing shares against that sum, but at present we do not think it policy to do this, as we must have adequate reserves to take care of situations which may arise in the future.

The first accounting period of Rand Ropes (Proprietary), Limited, in South Africa, is encouraging. The profits of our Canadian subsidiaries are not unsatisfactory.

During the last twelve months we have been engaged on the installation of an electro-galvanising plant, part of which has just commenced working. It will give us a much finer product than has ever previously been obtained in this country.

I consider, assuming the maintenance of reasonable trading conditions, that the outlook is very favourable.

The report was unanimously adopted.

AUTOMATIC TELEPHONE AND ELECTRIC COMPANY, LIMITED

INCREASED ORDERS AND PROFITS

The nineteenth ordinary general meeting of the Automatic Telephone and Electric Company, Limited, was held, on the 30th ultimo, in London.

Sir Alexander Roger (the chairman) said that orders received and factory output were the most satisfactory in their history and they reported a net profit of £202,074 against £148,624, despite higher costs and keener competitive conditions. The directors recommended a final dividend of 7 per cent. on the ordinary stock, making 10 per cent. for the year, plus a bonus of 2½ per cent., and a dividend for the year of 10 per cent. on the deferred stock and shares plus a bonus of 2½ per cent. The carry forward would be increased from £105,632 to £153,159.

Personally, he was not in favour of Government-owned commercial enterprises, but he cordially agreed that the General Post Office conducted its telephone department in a manner which commanded admiration. The public did not realise or appreciate fully the bold and able policy which had energised the vast expansion of the Post Office telephone system in this country during the past fifteen years at a cost exceeding £200,000,000.

For the scrutiny of the Public Accounts Committee they had every respect, since they were a national safeguard for the Public Purse and the evidence submitted to that committee year after year amply showed that the Post Office with its able body of experts conducted continuous examination of prices in the most meticulous fashion, while the manufacturers on their side afforded them every reasonable facility.

They as a company had again been able to reduce their prices as a result of improved production efficiency and increased volume of output. The price of completed main exchange equipment was only 60 per cent. of its equivalent price of ten years ago, notwithstanding rises in costs of labour and material, while for a number of years miscellaneous telephone equipment had been supplied at figures yielding little or no profit to the manufacturer.

EXPORT BUSINESS

Broadly speaking, they traded all over the world. In 1938 they exported to 62 different countries, which was by way of being an achievement in these times. Apart from the multitude of restrictions and regulations which had to be surmounted in one way or another, the position of the exporter from this country in the main was that he no longer traded against individual competitors; he was the individual competitor trading against the group competition of industries owned and controlled in all but name by Governments and certainly directed under Government supervision.

What was the effect of the trading methods of which the principal originator and exponent was Germany? Rising taxation in that country and internal economic difficulties had driven Germany into amazing psychological misconceptions. In her eagerness to trade with the world, she forgot that it was not alone the quality of the goods, the technique of the manufacturer, or power politics which induced permanent export sales; there was another and intangible but indispensable quality, the element they called goodwill. To create that and to retain customers, it was necessary to respect their ideas, philosophy and their moral principles, and for those—satisfied that National Socialism was faultless—she had little or no regard.

There was ample trade for Germany and for the other manufacturing and exporting countries, and it was certain that millions in Germany would prefer to pursue peacefully the methods of trading with the world she had found successful in the past. It was even more clear that the entire population of Great Britain would infinitely prefer to have the priceless advantages which would accrue from trading in a peaceful and prosperous world. He made no apology for expressing views on so-called politics. The life of the nation was at stake and consequently the life of the company.

THE OUTLOOK

As to the outlook for the current year, with a full order book in their possession and with good prospects in addition, he believed they would show even better results than those for the year under review. With Germany's critical economic condition and the profound necessity for several years of peace in order to complete her internal reconstruction, he doubted whether they were going to have any political catastrophe in 1939 to prevent their hopes being fulfilled.

The report was unanimously adopted.

RADIATION, LIMITED

THE IMPORTANCE OF RESEARCH

MR H. J. YATES'S ADDRESS

The annual meeting of Radiation, Limited, was held, on the 30th ultimo, in London.

Mr H. James Yates, the Chairman of the company, who presided, said that when Radiation was formed, central research laboratories had been established at Radiation House, London, and he could say without hesitation that the research work which had already been done, and which he hoped would always continue, had revolutionised domestic gas apparatus. During the present year further important developments should become practical propositions. For that reason they had a staff of highly trained men—the Radiation Technical Service Department—whose time was devoted to dealing with gas undertakings on technical matters. All that was, of course, arranged with the full co-operation of the gas undertakings, and he was confident that that section of the Radiation organisation would prove to be of increasing value in extending the good relations already existing between the undertakings and Radiation.

CENTRAL RESEARCH KITCHEN

The company's Central Research Kitchen was also at Radiation House, and they had in addition a large demonstration kitchen at their Birmingham works. Students from cookery schools, demonstrators, and others could receive advice from their trained experts. The Radiation School of Cookery, with its service of lectures, and practical help and advice to inquirers, had been greatly appreciated by housewives all over the country. The Central Research Kitchen at Radiation House had witnessed some really remarkable demonstrations of the variety of dishes which could be cooked in the "New World" Cooker under "Regulo" control.

From time to time they had been asked to make the tests required for the final judging of recipes submitted in connection with national competitions—a tribute to the appreciation with which Radiation and its consistent efforts to improve the standard of domestic cooking in this country was viewed. The Radiation Cookery Book was in its twentieth edition, and 1,340,000 copies had been sold. Its wealth of detailed information, including the "Regulo" settings for a great variety of recipes, made it a standard household reference book. That book went all over the world and had even been translated into Chinese. They had also published a book "The Economy of Good Carving," dealing with the selecting of joints, poultry, game, etc., and the preparation recommended before cooking. It was fully illustrated to show the best methods of carving various joints and birds. That book had met with a great demand.

THE "NEW WORLD" COOKER

The "New World" Cooker, with its single burner at the back of the oven, and with the "Regulo" control, was used in all parts of the world where gas was available. There was no oven-heat control so accurate and reliable as the "Regulo." That word was among their most valuable trade marks, and had been registered in many countries. The most recent improvements to their "New World" cookers were self-lighting hotplate burners, together with refinements in burner design and manufacture, which gave such an increase in flame stability that that latest type of burner was technically described as "non-lighting-back" or "self-righting."

Naturally, many of their improvements in domestic appliances had been adapted to other types of their apparatus. The large cooking apparatus for hospitals, hotels, restaurants, etc., had been continually developed, and he could say confidently that they led also in those types of appliance. The Radiation stand at the British Industries Fair, Birmingham, recently held, had been devoted almost entirely to a display of the company's large cooking apparatus, and any of the shareholders who had seen the Stand would, he was sure, agree that their exhibit showed what very fine apparatus Radiation manufactured. In particular, he thought one could not help being impressed by the 16-oven hotel range.

As to their "Radio" porcelain enamel, during the last few years they had enormously extended their plant, and as a result of their continued research work their enamel was of the highest quality obtainable in the present state of the art. That was of great advantage not only to the householder but also to the gas undertakings.

In the case of hot water apparatus, gas possessed the great advantages of cleanliness and convenience. Their domestic hot water appliances of various types—instantaneous for use over basin or bath, storage heaters with "Regulo" control, and others, for providing really hot water wherever required in the house—had been further developed during the past year.

The report and accounts were unanimously adopted.

ASSOCIATED ELECTRICAL INDUSTRIES, LIMITED

RECORD OUTPUT AND PROFIT

The thirty-ninth annual general meeting of the Associated Electrical Industries, Limited, was held, on the 30th ultimo, in London. Sir Felix J. C. Pole (the chairman) said that the profit for the year, including dividends from subsidiary companies, whose dividends in the aggregate were less than the profits earned, amounted to £1,399,499. That was the largest profit earned in the history of the company, and was £109,491 greater than in the previous year. After providing for the dividend on preference stock, £75,843, there remained £608,480, and the directors recommended a dividend on the ordinary stock at the rate of 10 per cent. per annum, less tax. The inflow of orders during 1938 was greater than in any previous year, except the year 1937, which was a record. That was in accordance with expectations, having regard to the abnormally large quantity of orders received in 1937. All the works of the group were fully employed, and the output was the highest in the history of the company. Special efforts had been made to effect deliveries, and the unexecuted orders on hand at the end of the year were slightly less than at December 31, 1937.

GOVERNMENT WORK

From what had appeared in the press, stockholders would have gathered that the company had placed its manufacturing, engineering and research facilities at the disposal of the Government. A considerable amount of Government work was in process of manufacture, and the factory at Trafford Park had been extended to cope with Air Ministry and War Office contracts. Naturally, he could not particularise the many directions in which they were assisting the Government in the vital and essential work of re-armament, but he might mention Sir Kingsley Wood's announcement in the House of Commons on November 10th last with reference to the manufacture of aircraft by the Metropolitan-Vickers Electrical Company in technical collaboration with A. V. Roe and Company. A factory for this purpose was nearing completion on land adjoining the Trafford Park works. Also, in co-operation with John Brown and Company, a financial interest had been acquired in the Westland Aircraft Company, of Yeovil.

The directors had continued the policy of keeping in personal contact with overseas markets, and had received some valuable orders, notwithstanding the difficulties of competing with certain countries. He would like to take the opportunity of expressing appreciation of the Government's keen interest in export trade and cordially to commend the active steps now being taken by the Department of Overseas Trade to negotiate trade treaties and to encourage international trade. They also acknowledged gratefully the assistance they had always received from the Export Credits Department of the Board of Trade. Their companies were represented, and were active in overseas markets, and were determined to secure—in the national interest as also in their own—a fair share of the available business, even though the ruling price levels were often unsatisfactory.

AN IMPORTANT ORDER

The use of electricity in this country continued to increase, and naturally this growth demanded the manufacture of more generating and other equipment, for which they had received a large volume of orders. The largest machine ordered was a 60,000 kw. turbo generator set. He might particularise one export order which had been secured notwithstanding extreme competition. It was for Enso-Vallinkoski, Finland, and comprised four 30,000 K.V.A. water wheel alternators. These machines were estimated to weigh over 400 tons each, and would be the largest yet built in this country.

The necessity to uphold the position of pre-eminence in engineering technique that the company had achieved gave added value to the activities of their engineering and research departments. Under the adverse conditions of world trade existing to-day, it was more than ever important that their companies should remain in the vanguard of engineering progress, and it was only by doing so that they could maintain their proper position in the export market. To that end they continued to spend large sums each year on engineering development and research work.

From what had been said at previous meetings, stockholders would be aware that the Education Department was an outstanding feature of their activities. Last year there had been an interesting development in association with the Lancashire Education Authority, viz., the provision of a new school in the Trafford Park Works. The school had been built by the company, and the staff would be provided by the Lancashire Education Authority.

The report and accounts were unanimously adopted.

MAPLE AND COMPANY, LIMITED

LARGE CONTRACTS IN HAND

The forty-ninth annual general meeting of Maple and Co., Ltd., was held, on the 30th ultimo, in London.

Mr C. C. Regnart (the president) said that the year under review had been the most disturbed and anxious period since the end of 1918, and the repercussions on the trade of this country and particularly the retail trade of the West End of London had been far-reaching. Despite the conditions the branch in Birmingham continued to progress. It was unquestionably the finest furniture shop in the Midlands. Upon the expiration of their lease at Gervin Place, Bournemouth, they transferred, on February 1st last, to new premises in St Peter's Road. Those premises had proved most attractive and had not only commanded the general approval and admiration of all visitors, but the trade done during the first few weeks showed very satisfactory increases. It was again acknowledged to be the most beautiful furniture emporium in the South of England. He was pleased to report continued progress of their branch in the Argentine, despite a further fall in the rate of exchange, which was still causing British Companies considerable anxiety.

Regarding their Paris company, the directors considered it was a triumph of good management on the part of their branch managers that they were able to come through the year without making a loss. As regards their factories at Cheltenham, known as H. H. Martyn and Company, Limited, here again they had considerably extended, especially on the metal side, and he thought the future policy of the board would, in the near future, be entirely justified. They had, at the moment, large contracts in hand, including those for the S.S. "Queen Elizabeth" and other ships.

The financial position of the company was as strong as ever. If they enjoyed a peaceful era they would prosper as in the past. He was sure shareholders would not expect him to hazard any prognostications as to the future, but this he could say: he felt confident that, come what may, Maple and Company would weather the storm and sail into calm waters. There was a great future for the company, and stockholders should not be unduly disappointed because the dividend proposed was reduced.

The report was adopted, and the dividend of 5 per cent. approved.

MOSS' EMPIRES, LIMITED

SATISFACTORY RESULT DESPITE DIFFICULTIES

The fortieth ordinary general meeting of Moss' Empires, Limited, was held, on the 24th ultimo, at the company's London offices.

Addressing the stockholders, Colonel J. J. Gillespie (the chairman) said:—The amount owing on debentures is over £7,000 less than 1937. Reserve account is slightly more, being £449,562. This, together with the surplus of valuation over book values on properties, £428,149, and the amount to be carried forward on profit and loss account, £26,967, makes a total reserve of well over £900,000, and there is nothing included in the balance sheet for goodwill.

On the other side of the balance sheet, additions to properties are £1,578 less than in the previous year. The additional amount written off properties is £4,532, mainly for amortisation of leaseholds. The total amount standing to the credit of leasehold reserve is £92,578. Depreciation written off furnishings is £19,630.

The figures in the profit and loss account differ very little from 1937, except that income tax and N.D.C. are nearly £10,800 up. The net trading profit is within £1,000 of 1937. The amount paid in entertainment tax is very large, and this keeps people of limited means out of the higher-priced seats. The directors hope for some relief from this heavy imposition on the "living stage." The net result of the year is that the carry-forward is only £1,587 less than in the previous year.

He considered that the year's results were more than satisfactory when one considered the effect of the crisis on entertainment business.

Right up to the month of August last year the board hoped to present a profit and loss account showing enhanced profits as compared with the year 1937. The trading profit for 1938 until the month of August showed a considerable increase as compared with the corresponding period of the preceding year. The crisis then became acute and business declined, this company's theatres being adversely affected in common with the whole entertainment business.

It is too early to forecast, but trading results as a whole are not quite so good.

The directors' report and accounts were adopted and a dividend was declared on the ordinary stock of 5 per cent. actual, less income tax—making 10 per cent. for the year.

PINCHIN, JOHNSON AND COMPANY, LIMITED

COMPANY'S HIGH STATE OF EFFICIENCY

The annual general meeting of Pinchin, Johnson and Company, Limited, was held, on the 28th ultimo, at the Hotel Victoria, London.

Mr Edward Robson (the chairman), in moving the adoption of the directors' report and balance-sheet for the year 1938, said: When I had the pleasure of addressing you a year ago, the prospects for a continuance of satisfactory trading were quite definite. In fact, for the first five months of the year our sales were generally well maintained. Subsequently, however, the trade recession began to make itself felt.

The unfavourable conditions that developed were intensified by the serious international political disturbances that ensued in the early autumn.

In November, however, a definite recovery set in and, commencing with that month, sales not only substantially recovered but, in fact, have shown an increase in each month to date this year.

The decrease in profits is due entirely to the conditions to which I have referred, which have affected equally both the home trade and also our revenue from associated companies overseas.

FOREIGN MARKETS

In spite of the most difficult situation that has existed in Shanghai for a long time, it is gratifying to report that our China company is now working at a profit.

For the past two years the industrial position in France has been unsatisfactory, but there has been in recent months a very definite improvement.

Through the French company, we are interested in a trading unit in Barcelona, and I am pleased to say it has continued operations throughout the war period, and the factory is intact.

You will hardly expect me to attempt to anticipate very definitely the future prospects. It will, perhaps, be sufficient for me to say that if world conditions are reasonably satisfactory our business is bound to progress. Our organisation, technically and industrially, is in a very high state of efficiency and the future of our business should be in the direction of steady advancement.

The report was adopted.

Capital Issues

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Conversions	New Money
April 1	£	£	£
To the Public	Nil	Nil	Nil
To Shareholders	58,750	Nil	61,687
By S. E. Intro.	Nil	Nil	Nil
By Permiss. to Deal	2,303,185	1,015,000	1,207,674
Sav. Certs., week ended Mar. 25 ...	Dr450,000	...	Dr450,000
		Including Conversions	Excluding Conversions
Year to date			
1939 (New Basis)	33,865,928	32,634,863	
1938 (New Basis)	57,902,042	44,596,535	
1939 (Old Basis)	19,461,010	19,244,945	
1938 (Old Basis)	39,789,074	27,733,672	

Destination (Excluding Conversions)

	U.K.	Brit. Emp. ex U.K.	Foreign Countries
Year to date			
1939 (New Basis)	24,159,382	8,255,481	200,000
1938 (New Basis)	35,286,345	6,880,961	2,429,229
1939 (Old Basis)	15,557,589	3,487,356	200,000
1938 (Old Basis)	21,133,449	4,175,099	2,399,124

Nature of New Borrowing (Excluding Conversions)

	Deb.	Pref.	Ord.
Year to date			
1939 (New Basis)	16,270,169	1,555,046	14,809,648
1938 (New Basis)	20,398,099	3,773,113	20,425,323
1939 (Old Basis)	13,097,435	867,697	5,279,813
1938 (Old Basis)	15,730,122	2,260,722	9,742,828

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

Jonas Woodhead and Sons, Ltd.—Particulars of 100,000 6 per cent. convertible cumulative £1 preference shares taken by Messrs Erlangers at par, subject to 6d. p.s. commission, and a fee of £500. Proceeds to purchase 99 per cent. of share capital of Ibbotson, Brothers and Company of Sheffield. Shares redeemable from March, 1944, to 2039 at 22s. 6d. Convertible to March, 1944, into four 5s. ordinary per one £1 preference.

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ISSUE TO SHAREHOLDERS ONLY

Lewis's Investment Trust.—Issue of 58,750 £1 ordinary shares at 21s., in proportion of one for 20 held.

BONUS SHARES

Churchill Machine Tool.—It is proposed to capitalise £65,940 of profits, and issue to existing ordinary stockholders one £1 share for £3 of stock held.

CONVERSIONS AND REPAYMENTS

British Columbia Investment Company (5 per cent. 1st mortgage gold bonds—Series A—1960).—The whole of these bonds now outstanding will be redeemed on June 1, 1939.

SHORTER COMMENTS

Company Results of the Week.—COLTNESS IRON COMPANY report that coal output in 1938 was rather higher than in 1937, but the foundries were not so busy; total profits are £12,464 lower at £341,016. Despite a decline in voyage profits,

The re-election of the directors and auditors followed, and the meeting terminated after a hearty vote of thanks to the Chairman, proposed by Mr Wm. C. Howard.

ERICSSON TELEPHONES, LIMITED

RECORD TURNOVER AND PROFIT

The annual general meeting of Ericsson Telephones, Limited, was held, on the 29th ultimo, in London.

Mr T. Kirkham (managing director) presided in the absence in America of Sir Harold Wernher, the chairman, and read a speech prepared by him.

Mr Kirkham, in the course of his address, said:—We may congratulate ourselves that notwithstanding the disturbed conditions which prevailed throughout the past year, our company emerged in a stronger position than ever. The order-book was again a record one, and the careful planning of the preceding years enabled us to achieve a much greater output. It is appropriate to report that during the past few years our output has trebled, and we now have upwards of 4,500 employees, all working full time. This is particularly noteworthy, inasmuch as we have been employed, in the main, upon our normal activities and not upon so-called war work.

You will have observed recently the emphasis placed by other nations upon the importance of export trade, but to this country, built up during the past 100 years so largely upon foreign commerce, the matter is one of supreme importance. I am, therefore, always particularly glad when I can inform you, as I can to-day, that our sales abroad have again shown a substantial increase, and every effort is made to expand these.

As may be expected from a record turnover, the net profit is also a record, being £161,293 (which includes £5,579 dividends received from a subsidiary company), as compared with £148,704 for 1937. As you will see, taxation has risen from £59,003 to £83,268, this being due, of course, to the higher standard rate applied to the greater profits and to the new Defence Contribution.

The past is gone and we face the future. Fortunately, perhaps, it is given to none of us to see "which seed will grow and which will not." We are all conscious of the clouds which threaten the international horizon, but this at least we can say, whatever the future holds, your company meets it in a strong and healthy condition. We again have a record volume of orders in hand with splendid prospects of further large contracts.

The report was adopted and the dividend of 18 per cent., free of tax, plus a bonus of 7 per cent., free of tax, was approved.

ROYAL MAIL LINES are maintaining their 5 per cent. dividend. The balance sheet reflects the Pacific Steam Navigation acquisition. The full report of JOHN BARKER AND COMPANY confirms the satisfactory impression made by the preliminary statement. Net profits are £385,870 against £379,068. Profits of PROVINCIAL NEWS-PAPERS are fully maintained, and the dividend is being raised from 2 per cent. to 3 per cent. Although orders received by A. REYROLLE AND COMPANY in 1938 were lower, they came in at a satisfactory rate, and sales rose considerably. Trading profits thus amount to £335,035 against £247,305. A setback has been experienced by STEEL BROTHERS AND COMPANY. The year's total profit of £320,272, moreover, contains larger profits of a capital nature. JOSEPH TRAVERS AND SONS have maintained their turnover, but in consequence of increased competition, have experienced a decline in net profits. TUNNEL ASBESTOS CEMENT report a decline in sales, and no dividend is being paid on the deferred shares.

MISCELLANEOUS

Royal Mail Lines.—Voyage profits for 1938, £903,187 (£1,035,460). Total income 1938, £980,222 (£1,111,141). Administration expenses £345,017 (£351,201). Net profit £617,933 (£743,055). To fleet replacement £136,165 (£146,435). To insurance account £25,000. (For 1937 £100,000 was placed to general reserve.) Ordinary dividend maintained at 5 per cent. Carry forward reduced from £35,228 to £29,296. Balance sheet shows cash down from £1,125,000 to £225,000, but investments in subsidiaries stand at £607,815 against £14,520.

(Continued on page 67)

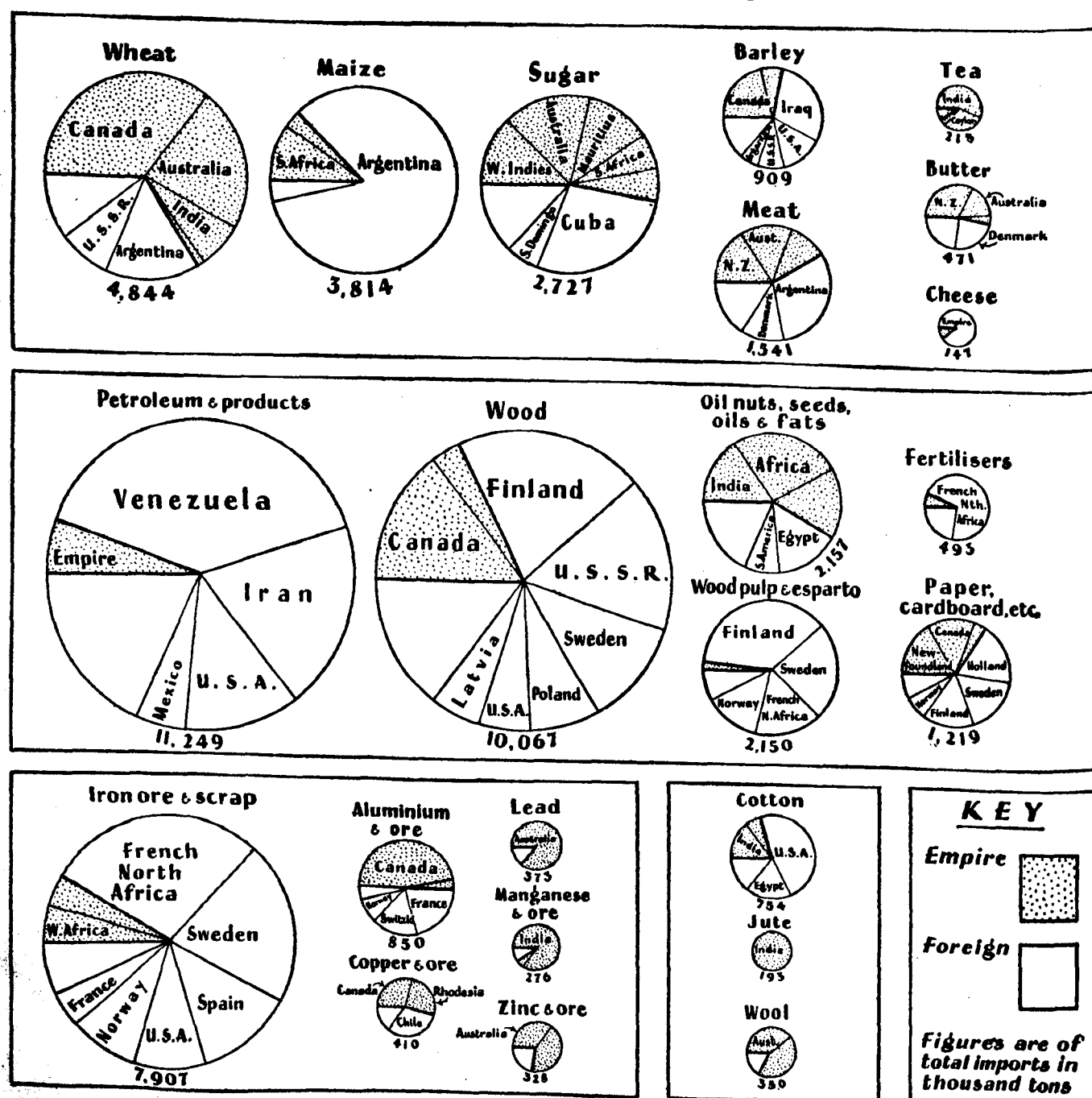
CURRENT STATISTICS

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Britain's Largest Imports



The commodities selected are the most important by weight. Figures refer to 1937

Finance

GOVERNMENT RETURNS

For the week ended March 25, 1939, total ordinary revenue was £19,997,000, against ordinary expenditure of £11,255,000. Thus, excluding sinking fund allocations, Defence expenditure from loans, and interest paid and received under the Defence Loans Act, the deficit accrued since April 1st last is £11,001,000, against a surplus of £32,131,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Mar. 26, 1938	April 1, 1938, to Mar. 25, 1939	Week ended Mar. 26, 1939	Week ended Mar. 25, 1939
ORDINARY REVENUE					
Income Tax	341,150	292,174	327,733	8,505	10,558
Sur-tax	62,000	54,890	59,320	3,640	3,510
Estate, etc.	88,000	87,800	76,140	2,000	1,770
Duties	24,000	23,700	20,650	300	300
Stamps	20,000	1,330	21,300	530	1,120
N.D.C.					
Other In. Rev. Duties	1,250	1,700	1,490	40	...
Total I. Rev.	536,400	461,594	506,633	15,015	17,258
Customs	227,950	219,179	222,900	5,078	5,167
Excise	116,150	113,232	113,400	732	700
Total Cust. and Excise	344,100	332,411	336,300	5,810	5,867
Motor duties	36,000	34,400	35,343	...	...
P.O. (Net Receipt)	8,670	11,730	10,060	Dr2100	Dr3150
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	11,869	10,824	26	22
Total Ordinary Revenue	944,650	858,539	906,109	18,751	19,997
SELF-BAL. REVENUE					
Post Office and Broadcasting*	80,492	74,020	77,139	3,250	4,350
Total...	1,025,142	932,559	983,248	22,001	24,347

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Mar. 26, 1938	April 1, 1938, to Mar. 25, 1939	Week ended Mar. 26, 1939	Week ended Mar. 25, 1939
ORDINARY EXPEND.					
Int. & Man. of Nat. Dt.	230,000	214,427	214,765	581	425
Payments to N. Ireland	8,900	7,657	8,567	428	462
Other Cons. Fund Serv.	5,239	3,009	4,755	67	85
Total...	244,139	225,093	228,087	1,076	972
Supply Serv. Do.	707,586	601,315	689,023	7,012	10,283
Total...	951,725	826,408	917,110	8,088	11,255
Def. Ln. Iss. Sinking Fds.] SELF-BAL. P. O. and B'dcasting	131,904	45,350	104,250	6,500	14,500
	80,492	74,020	77,139	3,250	4,350
Total...	1,032,217	910,528	1,005,902	11,568	16,860

* Revenue required to meet expenditure.
† Excluding Post Office and Broadcasting and £131,904,000 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, revised and increased Civil Estimates (additional to marginal provision). Net increase, £7,327,000, plus £50,000 for broadcasting.
|| Now transferred as charge against revenue.
¶ After adding issues from Defence Loans.

After reducing Exchequer balances by £295,967 to £2,456,860, the other operations for the week (as shown below, but excluding issues from Defence Loans, and interest paid and received in respect of those issues) raised the gross National Debt by £6,916,000 to about £8,286 millions.

WEEK'S CHANGES IN DEBT

NET INCREASES (£ thousands)		NET REPAYMENTS, ETC. (£ thousands)	
Treasury Bills	6,545	Nat. Savings Certs.	700
Pub. Dept. Advances	1,550	P.O. & Teleg.	450
		N. Atl. Shipping	29
	8,095		1,179

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to March 25, 1939, are shown below:—

Ordinary Exp. (£ thousands)		Ordinary Rev. (£ thousands)	
Eire issues	917,110	Eire receipts	906,109
Def. Loan iss.	104,250	Defence int. recd.	1,946
Cz. Slovak iss.	10,029	Gross borr.	137,032
Def. int. paid	1,946	Less	
Inc. in balances	93	Sinking Fds.	11,659
		Net borrowing	125,373
	1,043,428		1,043,428

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Dep'ts.	Bank of Eng-land		
1938						
Mar. 25	512.0	265.0	54.1	5.9	837.0	319.1
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	536.8
" 11	381.0	520.4	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
" 18	356.0	505.7	41.8	...	903.5	547.5
" 25	366.0	502.2	43.4	...	911.6	545.6

TREASURY BILLS (£ millions)

Date of Tender	Amount		Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for		
1938				
Nov. 25	50.0	84.6	50.0	9 11.31
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 0.09
" 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 1.23
Mar. 3	40.0	83.8	40.0	10 0.48
" 10	40.0	81.3	40.0	10 1.01
" 17	40.0	73.8	40.0	10 1.32
" 24	45.0	57.9	45.0	14 7.44

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 24th applications at £99 16s. 3d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, and Thursday of following week were accepted as to about 73 per cent. and applications accepted at higher prices in full. Applications at £99 16s. 4d. for bills to be paid for on Friday and Saturday were accepted in full. £45.0 millions of Treasury bills are being offered on March 31st.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
Ten weeks to:—		
March 12, 1938	7,172,025	5,379,016
March 11, 1939	6,715,801	5,036,850
Week to:—		
March 12, 1938	647,580	485,685
March 4, 1939	687,251	515,438
March 11, 1939	641,993	481,495

BANK OF ENGLAND RETURNS

MARCH 29, 1939

ISSUE DEPARTMENT

Notes Issued: £		Govt. Debt: £	
In Circul.	481,986,595	Other Govt. Securities	11,015,100
In Banking	44,173,410	Gold Coin & Bullion	287,884,872
		Other Secs.	316,626
		Silver Coin	783,402
		Am't. of Fid.	300,000,000
		Gold & Silver	226,160,005
		(at 148.6 per oz. fine)	
			526,160,005

BANKING DEPARTMENT

Props.' capital £		Govt. Secs. £	
Rest	14,553,000	Other Secs.	102,301,164
Public Dep'ts	21,774,470	Discs.	4,776,139
Other Dep'ts	98,508,737	Securities	22,471,837
Bankers	36,268,344	Notes	27,247,976
Other	134,777,081	Gold & Silver	44,173,410
		Coin	1,071,212
			174,793,762

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

THE WEEK'S CHANGES (£ thousands)

Both Departments	Amt. Mar. 29, 1939	Compared with	
		Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	481,987	+ 4,575	- 3,424
Deposits: Public	21,775	+ 6,823	+ 4,008
Bankers	98,509	+ 6,303	+ 9,624
Others	36,268	+ 560	+ 1,115
Total outside liabilities	638,538	+ 4,615	- 10,154
Capital and rest	18,242	+ 1	- 39
COMBINED ASSETS			
Govt. debt and securities	401,201	+ 2,988	+ 91,195
Discounts and advances	4,776	+ 1,597	+ 3,926
Other securities	22,789	+ 76	+ 1,768
Silver coin in issue dept.	783	+ 21	+ 773
Gold coin and bullion†	227,231	+ 87	- 10,003
RESERVES			
Res. of notes & coin in banking department...	45,245	- 4,488	+ 3,421
Proportion of reserve to outside liabilities—			
(a) Banks dept. only ("proportion")	28.9%	- 2.8%	+ 3.3%
(b) Gold stocks to deposits and notes ("reserve ratio")	35.6%	- 0.1%	- 14.9%

† Revalued from Mar. 1, 1939, in accordance with the Currency and Bank Notes Act, 1939.

COMPARATIVE ANALYSIS (£ millions)

	1938	1939			
	Mar. 30	Mar. 8	Mar. 15	Mar. 22	Mar. 29*
Issue Dept.:					
Notes in circ.	485.4	479.2	477.2	477.4	482.0
Notes in bank-ing dept.	41.0	46.9	48.8	48.6	44.2
Govt. debt and securities	199.2	299.3	299.3	298.9	298.9
Other sec's	0.8	0.0	0.0	0.4	0.3
Silver coin	0.0	0.7	0.7	0.8	0.8
Gold, valued at s. per f. oz.	326.4	226.0	226.0	266.0	226.2
Deposits:					
Public	17.8	11.4	10.5	28.6	21.8
Bankers	108.1	97.4	106.5	92.2	98.5
Others	37.4	35.8	35.5	35.7	36.3
Total	163.3	144.6	152.5	156.5	156.6
Bkg. Dept. Secs.					
Government...	110.8	89.2	97.5	99.4	102.3
Discounts, etc.	8.7	3.4	1.7	3.2	4.8
Other	20.2	22.4	21.7	22.4	22.4
Total	139.7	115.0	120.9	125.0	129.5
Banking dept. reserve	41.8	47.9	49.8	49.7	45.2
"Proportion"	25.6	33.1	32.6	31.7	28.9
Reserve ratio†	50.5	36.4	36.1	35.7	35.6

* 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; Egypt, of March 4th; Denmark, and International Settlements, of March 11th; Finland, of March 18th; Danzig, Estonia, Greece, Hungary, Latvia, Lithuania, New Zealand, Roumania, South Africa and Sweden, of March 25th.

U.S. FEDERAL RESERVE BANKS

Million \$'s				
	Mar. 31, 1938	Mar. 23, 1939	Mar. 23, 1939	Mar. 30, 1939
12 U.S.R. BANKS				
Assets				
Gold and coin, on hand and due from Treas.	9,213	12,155	12,308	12,424
Total reserves	9,696	12,597	12,723	12,837
Total cash reserves	474	432	406	404
Total bills discounted	12	4	3	3
Total bills in open mkt.	1	1	1	1
Total bills on hand	13	4	4	4
Industrial advances	17	15	14	14
Total U.S. Govt. sec.	2,564	2,564	2,564	2,564
Total bills and s.s.	2,594	2,583	2,582	2,582
Total resources	12,901	15,927	16,008	16,111
LIABILITIES				
F.R. notes in circ.	4,122	4,356	4,335	4,345
Aggregate of access mfr. bank res. over reqts.	1,560	3,380	3,360	3,520
Deposits — Member bank reserve account	7,312	8,942	8,989	9,125
Govt. deposits	292	1,168	1,222	1,201
Total deposits	7,919	10,593	10,722	10,811
Cap. paid in and surplus	300	311	311	311
Total liabilities	12,901	15,927	16,008	16,111
Reserve to sept. and F.R. notes	80.5%	84.3%	84.5%	84.6%
U.S.R. BANKS AND TRUST CO. COMBINED				
Assets				
Monetary gold stock	12,794	14,888	15,075	15,160
Treas. and Nat. Bk. currency	2,680	2,827	2,834	2,837
LIABILITIES				
Money in circulation	6,329	6,739	6,758	6,765
Treas. cash and deposits with F.R. B.	3,843	3,884	3,965	3,923

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

	Mar. 31, 1938	Mar. 23, 1939	Mar. 23, 1939	Mar. 30, 1939
Total gold reserves	4099.1	5796.9	5676.6	5789.0
Total bills discounted	2.7	1.0	1.3	1.1
Bills in open mkt.	0.2	0.2	0.2	0.2
Total U.S. Govt. sec.	739.5	724.6	724.6	724.6
Total bills and s.s.	746.8	729.6	730.0	729.8
Deposits — Member bank reserve account	3475.0	4867.1	4825.4	4921.3
Reserve to depts. and F.R. notes	86.2%	90.0%	89.9%	90.1%

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

	Mar. 16, 1938	Feb. 1939	Mar. 15, 1939	Mar. 15, 1939
Assets				
Loans, total	8,889	8,215	8,338	8,281
Investments	12,255	13,393	13,507	13,541
Reserve with Federal Reserve banks	5,733	7,171	7,409	7,464
Due from domestic bks.	2,045	2,522	2,532	2,659
LIABILITIES				
Deposits: demand	14,335	15,951	16,086	16,143
Time	5,223	5,181	5,224	5,198
U.S. Government	725	631	632	633
Inter-bank	5,736	6,285	6,518	6,657

BANK OF FRANCE.—Million francs

	Mar. 24, 1938	Feb. 1939	Mar. 16, 1939	Mar. 23, 1939
Assets				
Gold	55,807	87,266	87,266	87,266
Bills: Commercial	12,207	9,825	8,417	10,453
Bought abroad	805	726	726	726
Advances on securities	3,627	3,317	3,340	3,332
Thirty-day advances	755	73	166	203
Loans to State without interest: (a) general (b) provisional	3,200	10,000	10,000	10,000
Negotiable bonds	36,674	20,627	20,627	20,627
Sinking Fund Dept.	5,575	5,470	5,470	5,470
Other assets	3,925	4,322	4,461	4,315
LIABILITIES				
Notes in circulation	94,815	111,162	113,415	115,922
Deposits: Public	2,218	5,079	5,412	4,736
Private	22,038	22,432	18,786	18,890
Other liabilities	3,505	2,953	2,862	2,845
Gold to sight liabilities	46.8%	62.9%	63.4%	62.5%

* Revalued Nov. 17, 1938, at 27½ milligrams.

REICHSBANK

Million Reichsmarks				
	Mar. 23, 1938	Feb. 1939	Mar. 15, 1939	Mar. 23, 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	5.6	5.8	5.8	6.0
Bills and cheques	492.1	648.9	706.8	699.2
Silver and other coin	239.8	256.5	214.8	233.9
Advances	44.2	35.0	46.1	37.0
Sec. for note cover	423.0	660.4	677.2	677.2
Others	803.9	1633.0	1291.3	1303.4
LIABILITIES				
Notes in circulation	832.2	7248.7	7757.7	7463.7
Other daily maturing obligations	204.6	1085.3	964.4	1014.2
Other liabilities	439.9	463.7	469.4	469.4
Cover of note circulation	1.59%	1.06%	1.01%	1.03%

CENTRAL BANK OF ARGENTINA

Million paper pesos				
	Feb. 15, 1938	Jan. 15, 1939	Jan. 31, 1939	Feb. 15, 1939
ASSETS				
Gold at home	1,336	1,224	1,224	1,224
Other gold & for. exch.	67	71	74	71
Non-int. Govt. bond	119	119	119	119
Treasury bonds	398	397	397	397
LIABILITIES				
Notes	1,149	1,110	1,125	1,138
Deposits: Government	101	116	133	127
Banks	370	354	393	411
Certs. of participation in Treasury bonds	292	263	226	191
Gold and for. exch. to note and sight liab.	86.4%	81.8%	78.6%	77.1%

AUSTRALIAN COMMONWEALTH BANK.—Million £'s

	Mar. 28, 1938	Feb. 20, 1939	Mar. 27, 1939	Mar. 27, 1939
Assets				
Gold and English stg.	16.00	16.03	16.03	16.03
Other coin, bullion, &c.	5.02	5.69	5.80	5.33
Call money, London	26.70	18.63	19.26	19.07
Secs. and Treas. bills	91.40	89.64	55.19	54.95
Discounts and advances	11.97	15.66	15.94	16.02
LIABILITIES				
Notes issued	49.03	47.53	47.53	47.53
Res. pm. on gold sold	7.75	7.75	7.75	7.75
Deposits, etc.	86.29	84.05	86.32	85.49

NATIONAL BANK OF BELGIUM

Million belgas				
	Mar. 24, 1938	Feb. 23, 1939	Mar. 23, 1939	Mar. 23, 1939
Assets				
Gold	3,146	3,471	3,118	3,057
Silver and other coin	57	56	55	58
Foreign exchange, etc.	1,089	918	767	734
Bills and securities	591	555	673	689
Advances	30	33	68	86
LIABILITIES				
Notes in circulation	4,385	4,409	4,271	4,290
Deposits: Govt.	17	15	17	10
Other	426	521	303	233

NATIONAL BANK OF BULGARIA

Million levas				
	Mar. 15, 1938	Feb. 7, 1939	Mar. 7, 1939	Mar. 15, 1939
Assets				
Gold holdings	1,994	2,006	2,006	2,006
Balances abroad and foreign currencies	921	1,197	1,012	1,051
Discounts and advances	973	728	851	753
Advances to Treasury	3,495	3,441	3,441	3,441
LIABILITIES				
Notes in circulation	2,248	2,496	2,620	2,601
Sight liab. and deposits	4,111	3,982	3,826	3,839

BANK OF CANADA

Million \$'s				
	Mar. 23, 1938	Feb. 1939	Mar. 15, 1939	Mar. 15, 1939
Assets				
Reserve, of which	207.9	235.8	237.0	238.5
Gold coin and bullion	180.4	196.9	201.8	202.1
Securities	173.2	165.8	156.3	156.9
LIABILITIES				
Notes in circulation	148.8	157.9	159.7	159.2
Deposits: Dom. Govt.	25.7	27.1	20.2	22.7
Chartered banks	194.0	212.0	206.4	204.1
Reserve to notes and deposit liabilities	56.0%	59.0%	60.8%	60.9%

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

	Mar. 16, 1938	Feb. 1939	Mar. 15, 1939	Mar. 15, 1939
Assets				
Gold against gold liab.	2,652	2,361	2,362	1,896
Balances abroad and foreign currencies	509	1,140	1,052	999
Discounts and advances	1,817	2,902	2,921	3,560
LIABILITIES				
Bank notes in circulatn.	6,013	6,781	6,964	6,028
Deposits	650	619	454	608

† Less bank notes, and gold cover therefor, withdrawn from circulation in the Sudeten area.

RESERVE BANK OF INDIA

Million rupees				
	Mar. 18, 1938	Feb. 1939	Mar. 10, 1939	Mar. 17, 1939
Assets				
Gold coin and bullion	444	444	444	444
Rupee coin	629	693	696	700
Balances abroad	91	75	156	152
Sterling securities	788	595	595	595
Indian Govt. rupee securities	274	323	322	323
Investments	67	69	68	66
LIABILITIES				
Notes in circn.: India	1,808	1,824	1,837	1,817
Burma	82	112	117	114
Deposits: Govts.	158	137	123	144
Banks	149	127	137	134
Gold and sterling to liabilities	57.7%	50.6%	50.5%	50.4%

BANQUE MELLÉ IRAN

Million rials				
	Feb. 19, 1938	Jan. 19, 1939	Feb. 4, 1939	Feb. 19, 1939
ASSETS				
Gold	308.0	310.7	310.7	310.7
Silver	405.7	405.8	405.8	405.8
Discounts	394.0	273.1	276.2	279.2
Public departments	693.4	757.7	751.1	742.9
Other debit balances	730.2	818.5	790.8	797.1
LIABILITIES				
Notes in circulation	879.9	813.3	816.5	812.6
Public departments	415.4	436.0	451.9	449.3
Other credit balances	1199.9	1158.8	1100.0	1125.7
N.B.—Market value is: † 433.9 million rials				
† 405.8 million rials.				

BANK OF JAPAN.—Million yen

	Mar. 5, 1938	Feb. 25, 1939	Mar. 2, 1939	Mar. 5, 1939
ASSETS				
Coin and bullion: Gold	801.0	501.3	501.3	501.3
Other	31.8	36.4	35.1	33.7
Spec. fd. for for. exch.	532.3	478.2	489.0	479.4
Discounts and advances	1156.8	1618.6	1694.1	1626.9
Government bonds	120.2	182.1	219.9	191.2
LIABILITIES				
Notes issued	1790.7	2316.8	2224.1	2309.7
Deposits: Government	534.0	264.6	591.2	548.4
Other	66.2	203.7	126.9	89.1

BANK OF JAVA.—Million florins

	Mar. 26, 1938	Feb. 25, 1939	Mar. 25, 1939	Mar. 25, 1939
ASSETS				
Gold and silver	136.67	138.89	138.47	138.79
Discounts, advances & other investments	73.57	75.05	73.65	73.41
Foreign bills	1.81	8.32	7.71	8.24
Other assets	70.38	62.15	65.38	61.58
LIABILITIES				
Notes in circulation	183.58	184.71	187.44	184.58
Deposits and bills	83.68	85.23	83.21	82.88

NATIONAL BANK OF YUGOSLAVIA

Million dinar				
	Mar. 22, 1938	Feb. 1939	Mar. 15, 1939	Mar. 22, 1939
ASSETS				
Cash reserve: Gold	1,777	1,913	1,915	1,915
Other foreign exchange	385	443	444	466
Discounts and advances	1,587	1,927	1,910	1,921
Government advances	2,240	2,229	2,229	2,229
LIABILITIES				
Notes in circulation	5,657	6,386	6,426	6,530
Sight liabilities	2,792	2,241	2,174	2,104

NETHERLANDS BANK

	Mar. 28, 1938	Feb. 27, 1939	Mar. 20, 1939	Mar. 27, 1939
ASSETS				
Gold	1465.8	1431.3	1386.1	1335.0
Silver	14.7	27.0	25.4	24.9
Home bills, etc.	9.1	8.4	8.5	9.8
Foreign bills	5.2	3.2	2.7	2.7
Loans and advances in current account	298.4	260.8	215.4	200.9
LIABILITIES				
Notes in circulation	934.1	991.6	973.2	978.4
Deposits: (a) Govt.	71.5	139.9	64.3	41.3
(b) Other	804.8	619.4	620.9	572.9

EXCHANGE RATES—cont.

NEW YORK

New York on	Mar. 23, 1939	Mar. 24, 1939	Mar. 25, 1939	Mar. 27, 1939	Mar. 28, 1939	Mar. 29, 1939
London —						
60 days	467 ³ / ₃₂	467 ²⁵ / ₃₂	467 ³ / ₃₂	467 ²⁵ / ₃₂	467 ²⁵ / ₃₂	467 ¹⁹ / ₃₂
Cables	468 ³ / ₃₂	468 ³ / ₃₂	468 ³ / ₃₂	468 ³ / ₃₂	468 ³ / ₃₂	468 ³ / ₃₂
Demand	468 ¹ / ₃₂	468 ¹ / ₃₂	468 ¹ / ₃₂	468 ¹ / ₃₂	468 ¹ / ₃₂	468 ¹ / ₃₂
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.	16-83	16-82 ¹ / ₂	16-82 ¹ / ₂	16-82 ¹ / ₂	16-82 ¹ / ₂	16-82 ¹ / ₂
Switzerland, Fr.	22-51	22-51	22-49	22-48	22-47 ¹ / ₂	22-47 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	40-04	40-10	40-13	40-12 ¹ / ₂	40-12 ¹ / ₂	40-12
Amsterdam, Guilder ..	53-09	53-08	53-08	53-13	53-08 ¹ / ₂	53-09
Copenhagen, Kr.	20-91	20-91	20-91	20-91	20-91	20-90
Oslo, Kr.	23-54	23-54	23-54	23-54	23-52 ¹ / ₂	23-52 ¹ / ₂
Stockholm, Kr.	24-14	24-14	24-14	24-14	24-14	24-13
Athens, Dr.	0-86	0-86	0-86	0-86	0-86	0-86
Montréal, Can. \$	99-590	99-590	99-590	99-530	99-500	99-530
Yokohama, Yen.	27-33	27-33	27-32	27-32	27-32	27-32
Shanghai, \$	16-30	16-25	16-25	16-25	16-18	16-18
B. Aires, Peso	29-05	29-05	29-05	29-05	29-05	29-04
Rio, Milreis†	5-90	5-90	5-90	5-90	5-90	5-90

Usance: T.T.

† Official.

EXCHANGE RATES (Monthly Tables)

SOUTH AFRICA

(BUYING RATES PER £100 STERLING)

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

(SELLING RATES PER £100 STERLING)

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

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 ³ / ₈	125	124 ³ / ₈	125 ¹ / ₂	125
Sight	(t) 126 ¹ / ₈	(t) 125 ¹ / ₈	125 ¹ / ₈	124 ¹ / ₈	124 ¹ / ₈	124 ¹ / ₈	124 ³ / ₈
30 days	126 ¹ / ₈	126 ¹ / ₈	126 ¹ / ₈	124 ¹ / ₈	124 ¹ / ₈	124 ¹ / ₈	124 ³ / ₈
60 days	127 ¹ / ₈	126 ¹ / ₈	126 ¹ / ₈	124 ¹ / ₈	124 ¹ / ₈	124 ¹ / ₈	124 ³ / ₈
90 days	127 ¹ / ₈	127 ¹ / ₈	127 ¹ / ₈	124 ¹ / ₈	124 ¹ / ₈	124 ¹ / ₈	124 ³ / ₈

* 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.

IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended March 30, 1939

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
GOLD					
South Africa	£ 61,168	£ ...	Canada	289,358	£ 5,050
S. Rhodesia	79,378	...	Netherlands	118,703	11,969
British India	56,310	...	France	15,535	15,409
New Zealand	19,227	...	Switzerland	1,653,923	1,182
Netherlands	164,731	137,249	Egypt	240	7,514
Belgium	4,994,161	4,848	United States	34,260,273	11,486
Switzerland	418,530	249,122	Palestine	240	...
Total*	5,840,762	393,879	Total*	36,343,053	64,765
SILVER					
India	4,991	4,000	Sweden	2,055	...
South Africa	1,527	...	Norway	988	...
Australia	1,152	...	Poland	25,445	...
Belgium	34,937	183	Germany	152	...
France	62,863	...	Switzerland	223,020	...
United States	13,558	...	Other countries	1,313	203
Total*	150,309	10,017	Total	254,525	203

* 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 February 28, 1939.
Colombia.*	Sight selling rate on New York was 175-45 pesos per 100 U.S. dollars on March 6, 1939. This rate applies to holders of permits buying in the "open" market.
Ecuador.	Sight selling rate on New York was 14-95 sucres per U.S. dollar on March 3, 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 March 4, 1939.
Paraguay.	Exchange is quoted on Buenos Aires; the sight selling rate was 71-50 Paraguayan pesos per Argentine "free" paper peso on February 24, 1939.
El Salvador.	Sight selling rate on New York was 2-49½ colones per U.S. dollar on March 8, 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	2 1/2	Montreal	Mar. 11 '35	2 1/2
Amsterdam	Dec. 2 '36	2 1/2	Oso	Jan. 5 '38	4
Athens	Jan. 4 '37	7	Paris	Jan. 3 '39	2 1/2
Batavia	Jan. 14 '37	4	Prague	Jan. 1 '36	3 1/2
Belgrade	Feb. 1 '35	6 1/2	Pretoria	May 15 '33	4
Berlin	Sept. 22 '32	5	Tallinn	Oct. 1 '35	4
Brussels	Oct. 27 '38	3	Riga	Jan. 1 '39	5 1/2
Bucharest	May 5 '38	4 1/2	Rio de Janeiro	May 31 '35	...
Budapest	Aug. 28 '35	4 1/2	Rome	May 18 '36	...
Calcutta	Nov. 28 '35	4 1/2	Sofia	Aug. 15 '35	7
Copenhagen	Feb. 23 '39	4	Stockholm	Dec. 1 '33	3 1/2
Danzig	Jan. 2 '37	5	Swiss Bank	Nov. 25 '36	2 1/2
Helsingfors	Dec. 3 '34	4 1/2	Tokyo	Mar. 11 '38	3-285
Kovno	July 1 '37	5 1/2	Warsaw	Dec. 18 '37	5
Lisbon	May 11 '36	5 1/2	Wellington	Nov. 22 '38	2
New York Fed. Reserve	Aug. 26 '37	1 1/2	Irish	June 30 '32	3 1/2
Madrid	July 15 '35	5 1/2			

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.

OIL OUTPUTS

Phoenix Oil Transport.—To write down book values and establish a capital reserve, it is proposed to use £25,000 of carry forward and to write down capital by £2,349,320. Existing capital is £3,737,588 in £1 shares, and £50,000 in 1s. shares (carrying rights to about 13½ per cent. of distributions, each share being worth about 23-40ths of a £1 share). New capital will be £1,438,268 ordinary stock, all of one class. Reduction effected by reducing 3,737,588 £1 shares to 6s. 8d. (or £1,245,863 in all), and transferring 854,432 shares of 3s. 4d. each, rateably to the 1s. shareholders, who will thus hold £192,405 of the new ordinary stock. Effect is to give £1 shareholders, £33 new stock per £100 held, and 1s. share-

holders, £19 stock per 100 1s. shares, with fractions in cash.

Mexican Eagle Oil.—It is announced that discussions between the President of Mexico and Mr. Donald Richberg were completed on March 22nd, and Mr. Richberg is returning to the U.S.A. to report. The position so far is that, while discussions have been cordial, agreement has not been reached on any of the fundamental questions.

Anglo-Iranian Oil Company, Ltd.—Production in Iran for December, 1938, 862,370 tons. The total production for 1938 was 10,195,371 tons.

British Controlled Oilfields, Ltd.—Total output week to March 11, 1939,

11,846 barrels. Total output week ended March 18, 1939, 11,678 barrels. Total output week ended March 25, 1939, 11,750 barrels.

Dacia Romano Petroleum.—Gross output February, 1939, Dacia 1,450 tons; Perimeter X, 2,297 tons; Starnaphta, 541 tons.

Trinidad Petroleum Development.—Output week to March 11, 1939, 54,106 barrels. Output week ended March 18, 1939, 51,915 barrels. Output for week ended March 25, 1939, 52,416 barrels.

Venezuelan Oil Concessions, Ltd.—Total output week to March 18, 1939, 822,832 barrels. Total output week ended March 25, 1939, 848,437 barrels.

Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Mar. 26 (£'000)					Aggregate Gross Receipts 12 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Total Goods	Total	Passenger	Merchandise	Coal & Coke	Total Goods	Total
L.M. & S.—										
1938	421	491	253	744	1,165	4,725	5,838	3,644	9,482	14,207
1939	410	479	288	767	1,177	4,621	5,261	3,619	8,880	13,501
L. & N.E. (a) —										
1938	267	364	251	615	882	3,124	4,149	3,333	7,482	10,606
1939	263	325	263	588	851	3,070	3,647	3,181	6,828	9,898
Great Western—										
1938	167	200	112	312	479	1,971	2,387	1,519	3,906	5,877
1939	164	197	117	314	478	1,950	2,239	1,398	3,637	5,384
Southern—										
1938	285	66	33	99	364	3,138	724	452	1,776	4,314
1939	260	61	34	95	354	3,117	674	438	1,112	4,229
Total—										
1938	1,120	1,121	649	1,770	2,890	12,958	13,098	8,948	22,046	35,004
1939	1,097	1,062	702	1,764	2,861	12,758	11,821	8,636	20,457	33,215

(a) Week ended Mar. 25.

CUMULATIVE AND WEEKLY COMPARISONS

(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross receipts, first half 1938, over first half 1937	780	638	318	105
Gross receipts, second half 1938, over second half 1937	2,423	1,812	926	54
Gross receipts, first half 1939, over first half 1938	706	708	290	85
Weekly Figures				
Av. weekly receipts, 1st half 1939	58-83	59-00	24-16	7-08
Latest week compared with average 1927-30	+ 12	- 31	- 1	- 9
Latest week compared with average 1927-30	- 181	- 204	- 85	- 31

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended March 24, 1939 (£'000)			Aggregate Gross Receipts 12 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1938	1-7	0-4	2-1	19-9	5-2	25-1
1939	1-7	0-4	2-1	19-9	5-2	25-1
Great Northern—						
1938	7-2	9-9	17-1	96-2	104-2	200-4
1939	7-1	11-0	18-1	98-7	115-5	214-2
Great Southern—						
1938	27-2	40-2	67-4	335-1	488-6	823-7
1939	27-2	43-0	70-2	333-0	484-3	817-3

SUEZ CANAL RECEIPTS

(For headings, see Overseas Traffic table).

Transit Receipts.....	11 Mar. 20	1939	1938
	£270,500	£1,900	2,005,400
			175,100

* 10 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	%	%		%	Easterns	7½*	Apr. 11	7½*		Steel Brothers	%	20	...	40½
Rhodesia Railways ...	20	...	Nil		Flower and Sons ...	11½	16	18		Stephenson (R.)	3	...	...	Nil
BANKS					Fuller Smith, etc.	3½†	10½	12		Travers (Joseph)	10	...	...	15
Bank of England ...	6	Apr. 5	6		Fullers	5†	10	10		United Glass Bottle... ..	8½†	12	...	12
INSURANCE					Gadong Coconut	4	...	8		Walker (C. and W.) ...	...	12½	Apr. 27	18½
Calcedonia Insurance	75	...	75		G'dsmiths & S'miths	3	...	6		White (J. Samuel)	5*	...	...	...
World Marine, etc.	112	Apr. 18	30†		Grayson Rollo, etc.	7½	...	7½		Wickhams (C. Barker) ..	6†	10	Apr. 29	10
TEA & RUBBER					Heatray	12½	...	12		Wyman and Sons	5	...	...	3
Bikam Rubber	5	May 17	10		Heenan and Froude	5*	Mar. 31	5*		UNITED TRUSTS	Pence	...	...	Pence
Cheviot Rubber	10	...	12½		Herrburger Brooks	2*	...	2½*		Brit. General "B"	4-4	...	Apr. 15	...
Kuala Selangor Rbr.	8½	May 6	12½		Hudson's Bay Co.	3½(c)	May 15	4(c)		" " "C"	4	...	Apr. 15	4-2
Labu Rubber	10	...	15		Lucas (Joseph)	2½*	...	2½*						
Sungei Choh Rubber	2	Apr. 14	5		McNeill (F.) & Co.	7½†	12½	10						
Sunnygama Co.	5	...	12½		Mannesmann Tube	6	...	5						
MINING					Marconi Marine	7½†	10	Apr. 18	7½					
Rhokana Corp'n.	25*	Apr. 12	25*		Marshall's	7	Apr. 19	8½						
INDUSTRIALS					Morrison and Gibb	5*	May 15	5*						
African City Prop. Tst.	13†	17	...	17	Ortman Telephone	18†	112	112						
Albion Motors	...	15	...	12½	Pitalman (Sir L.)	2½*	...	Apr. 1	2½*					
Berger (Lewis)	6*	May 10	6*	...	Price and Pierce	5*	...	...	37½					
Bombay Gas	4½†	8	...	8	Randall (C. W.)	...	95½	...	95½					
British Oxygen	10†	17	May 1	17	Shoepers Ord.	...	10	...	10					
Brown Hopwood, etc.	25*	...	...	21*	Do. Def.	...	5	...	8					
Burt, Boulton, etc.	2½*	...	...	2½*	Selangor Oil Palm	...	5	...	10					
Crow Cork	17½†	30	...	6d*	Skefko Ball Bg.	11-pst	30	...	30					
Daily Mail Trust	44½†	...	6*	...	Slough Estates	10†	15	...	15					
Dunswart, Inc.	...	...	...	...										

(c) 1 per cent. free of income tax.
† Free of income tax.

DAILY MAIL TRUST.—Interim dividend reduced from 2½ to 1½ per cent., tax free.

HUDSON'S BAY COMPANY.—Dividend, 2½ per cent., subject to tax (compared with 3 per cent. for 1937) from profits of trade. In addition, there is again a 1 per cent. dividend, on which tax is not payable, from surplus of land account.

RHOKANA CORPORATION.—Interim dividend, 25 per cent., as before.

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 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.

(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 3½% of face value.
 (p) Yield worked on a 10% basis. (q) Yield worked on a 5½% basis. (r) Yield worked on a 14% basis. (s) Yield free on 2.0925% basis.
 (w) Yield based on 40% of coupon. † Free of Income Tax. (y) Yield based on 47% of coupon. (z) 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. (h) Yield on 20% basis.
 † Free of Income Tax. (i) Yield worked on 6% basis.
 ‡ Including bonus of 5% free of tax. (p) Annas per share. (e) Allowing for rate of exchange.

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				Correspondin Period Last Year	
					Prefe. Amount	Dividend		Carried to Reserve, Deprecia- tion, etc.	Balance Forward	Net Profit
						Amount	Rate			
Banks										
Commercial of Near East....	Dec. 31	£ 759	£ 4,271	£ 5,030	£	£	%	£ 4,708	£ 322	£ 6,223
National Bank of Egypt.....	Dec. 31	239,445	474,640	714,085	...	450,000	15	...	264,085	459,575
Financial Land, etc.										
N. of Scot. Can. Mortgage...	Feb. 15	...	Dr. 19,411	Dr. 19,411	...	...	...	Dr. 19,411	...	Dr. 29,255
Rubber Plantations Invest.	Dec. 31	97,096	194,184	291,280	...	187,056	10	10,000	94,224	193,509
Iron, Coal and Steel										
Bowes (John) and Partners	Dec. 31	11,368	149,842	161,210	...	30,450	6	106,409	24,351	103,084
Coltess Iron	Dec. 31	233,259	309,516	542,775	25,750	137,812	23½	125,500	253,713	324,980
Halesowen Steel Co.	Dec. 31	7,222	7,550	14,772	543	10,875	15	...	3,354	44,282
Vulcan Foundry	Dec. 31	9,255	67,239	76,494	7,800	42,255	5	...	26,439	(a)
Motor Cycle and Aviation										
Currys, Ltd.	Jan. 28	19,001	44,162	63,163	15,000	26,250	7½	2,624	19,289	64,649
Rubber										
Ayer Kuning (F.M.S.)	Dec. 31	22,764	8,596	31,360	...	6,090	6	3,000	22,270	20,575
Cheras.	Dec. 31	12,173	3,503	15,676	...	3,250	5	2,500	9,926	11,226
Dennistown.	Dec. 31	3,542	6,996	10,538	...	6,780	4	...	3,758	21,833
Dunlop Plantations	Oct. 31	...	121,172	121,172	(b)	...	...	194,349	Dr. 73,177	423,757
Gopeng (Perak)	Dec. 31	6,754	11,508	18,262	...	3,365	3½	...	6,581	25,064
Gula-Kalumpang	Dec. 31	31,420	40,204	71,624	...	33,250	5	5,000	33,374	87,193
Highlands and Lowlands	Dec. 31	40,911	22,127	63,038	...	17,950	8	5,000	40,088	38,371
Jasin (Malacca)	Dec. 31	5,048	1,863	6,911	...	1,800	3	...	5,111	8,702
Kombok (F.M.S.)	Dec. 31	9,384	912	10,296	...	...	...	...	10,296	6,948
Kuala Pilah	Dec. 31	691	147	838	...	...	...	...	838	3,837
Medini	Dec. 31	2,290	3,495	5,785	...	3,000	6	1,000	1,785	4,388
Mendaris (Sumatra)	Dec. 31	25,733	27,615	53,348	...	12,926	3	13,500	26,922	39,266
Pataling	Dec. 31	24,747	27,374	52,121	...	22,886	7½	4,040	25,195	63,740
Rangoon Para	Dec. 31	2,990	4,290	7,280	...	3,126	4½	1,000	3,154	8,046
Sungei Purun (F.M.S.)	Dec. 31	14,209	2,663	16,872	...	2,600	4	4,000	10,272	9,298
Shipping										
Cairn Line of Steamships	Dec. 31	3,406	23,396	26,802	...	...	...	25,000	1,802	44,538
General Steam Navigation	Dec. 31	23,288	32,158	55,446	13,324	18,996	5½	...	23,126	61,256
Royal Mail Lines	Dec. 31	35,228	617,933	653,161	...	145,000	5	478,865	29,296	743,055
Shops and Stores										
Barker (John) and Company	Jan. 31	189,562	385,870	575,432	46,176	165,950	15	172,927	190,379	379,068
Stagg and Russell	Jan. 31	25,860	12,662	38,522	12,500	...	...	...	26,022	12,409
Tea										
Pantiya	Dec. 31	888	616	1,504	...	900	3	250	354	2,560
Telegraphs & Telephones	Dec. 31	28,768	78,967	107,735	...	75,364	8	...	32,371	78,013
Textiles										
British Enka Artificial Silk...	Dec. 31	Dr. 583,332	Dr. 31,680	Dr. 615,012	...	...	...	38,525	Dr. 655,337	22,711
Brocklehurst-Whiston, etc.	Dec. 31	Dr. 86,451	Dr. 40,854	Dr. 127,305	...	...	...	26,192	Dr. 153,497	(a)
Drey, Simpson & Co.	Dec. 31	1,208	7,074	8,282	...	6,982	7 & 13½	1,000	300	20,422
Trusts										
Friars Investment	Feb. 15	14,747	23,410	38,157	...	22,000	4	...	16,157	31,829
Second-Caledonian	Mar. 1	29,250	12,987	42,237	10,813	...	...	...	31,424	20,001
Third Guardian	Mar. 15	14,345	28,167	42,512	12,542	12,760	5	3,000	14,210	31,788
Third Scottish Western	Mar. 1	37,480	17,220	54,700	15,138	...	...	...	39,562	24,837
Other Companies										
Allied Dairies	Feb. 2	Dr. 844	Dr. 611	Dr. 1,455	...	...	...	...	Dr. 1,455	Dr. 548
Argus Press	Dec. 31	2,892	61,014	63,906	11,515	31,719	17½	20,000	672	66,187
Brilliant Signs	Dec. 31	2,203	11,044	13,247	2,625	4,350	10	...	6,272	(a)
Carpet Trades	Dec. 31	29,066	Dr. 29,914	Dr. 848	9,062	...	...	Dr. 10,155	245	18,285
Dunlop Cotton Mills	Dec. 31	11,889	247,897	259,786	106,031	48,000	19½	94,045	11,710	237,079
Dunlop Rubber	Dec. 31	591,429	1,114,783	1,706,212	276,562	552,062	9	274,168	603,420	1,093,730
Griew (I.) & Co.	Dec. 31	6,643	16,121	22,764	2,655	4,060	8	4,237	11,812	(a)
Hall (L.) (Edmonton)	Dec. 31	30,568	20,369	50,937	4,500	15,000	15	...	31,437	23,360
Hanson (Sam.) and Son	Dec. 31	4,579	12,143	16,722	14,405	...	...	...	2,317	24,515
Humphreys, Ltd.	Nov. 30	21,022	26,491	47,513	5,500	10,000	10	...	32,013	24,896
Lon. & Thames Oil Whvs.	Dec. 31	262,786	726	263,512	...	...	...	95,652	167,860	203,768
Pettigrew and Stephens	Feb. 19	26,622	35,244	61,866	7,250	20,400	15	1,991	32,225	31,070
Provincial Newspapers	Nov. 30	48,905	153,973	202,878	76,125	21,750	3	47,512	57,491	153,727
Randall (C. W.)	Dec. 31	25,167	10,112	35,279	6,000	3,750	37½	203	25,326	9,748
Reynolds (A.)	Dec. 31	144,235	253,903	398,136	7,175	102,089	12½	146,234	142,638	207,667
Rolls Razor	Dec. 31	4,199	42,380	46,579	10,688	21,750	60	10,164	3,977	50,451
Rowntree & Co.	Dec. 31	82,151	247,148	329,299	169,800	50,000	10	...	109,499	219,168
Slaegers	Dec. 31	13,468	14,445	27,913	...	13,512	7½	500	13,901	20,348
Smithfield Animal Products	Dec. 31	11,759	Dr. 7,551	4,208	...	...	...	...	4,208	5,959
Steel Brothers and Co.	Dec. 31	25,998	272,318	298,316	183,000	50,000	20½	39,291	26,025	348,731
Travers (Joseph) and Sons	Jan. 28	29,256	21,661	50,917	6,250	20,000	10	5,472	19,195	32,533
Tunnel Asbestos Cement	Nov. 30	4,222	27,894	32,116	6,084	5,437	5	16,136	4,459	32,377
United Newspapers	Dec. 31	...	22,435	22,435	19,983	...	...	1,226	1,226	16,682
Wilkes Berger Engineering	Dec. 31	5,433	13,997	19,430	478	8,156	12½	950	9,846	(a)
Total Profits, 1939, in £000's	No. of Cos.	602	27,730	84,699	112,429	15,445	46,462	21,221	29,301	91,883
To March 25	657	29,491	89,423	118,914	16,517	48,390	...	23,145	30,862	97,651

† Free of income tax. (a) No comparable figure. (b) The preference dividend £108,750 for year to November 30, 1938, has been paid by the Dunlop Rubber Company under the terms of its guarantee. (c) Eighteen months. (d) Absorbed £87,750.

TRANSVAAL GOLD OUTPUT

Statistics for February 1939 (on basis of £7 8s. Od. per fine ounce)

Name of Mine and Group	Tons Milled	Output Fine ozs.	Net Estimated Value	Working Costs	Profit	Working Costs Per Ton	Name of Mine and Group	Tons Milled	Output Fine ozs.	Net Estimated Value	Working Costs	Profit	Working Costs Per Ton
Anglo-American Corporation			£	£	£	s. d.	Goldfields			£	£	£	s. d.
Brakpan Mines	126,500	...	244,061	139,045	105,016	...	Simmer and Jack	109,000	23,309	172,486	...	59,307	20 9-9
Daggalontein Mines	135,000	...	281,534	140,310	141,224	...	Robinson Deep	109,500	25,578	189,388	...	78,106	20 5
Spring Mines	147,000	...	297,562	146,417	151,145	...	Sub Nigel	56,600	39,077	289,168	...	195,440	33 1-4
West Springs	87,500	...	134,963	84,951	50,012	...	Vogelstruisbult	64,600	16,030	118,392	...	34,650	25 11-1
S. African Land and Exploration	64,200	...	130,782	80,478	50,304	...	Rietfontein Cons.	28,000	4,088	30,203	...	10,007	14 5-2
Central Mining—Rand Mines							Luipards Vlei	50,500	10,862	80,381	...	23,088	23 0-1
City Deep	103,000	20,901	154,811	...	28,566	24 6-2	Johnnies Group						
Cons. Main Reef	163,000	27,803	205,930	...	53,039	18 9-1	East Champ D'or	28,000	...	53,082	...	24,304	20 9
Crown Mines	328,000	77,901	577,206	...	239,066	20 7-4	Government Areas	195,000	...	338,129	...	160,150	18 5
Durban Roodt. Deep	135,000	25,838	191,179	...	50,041	20 10-9	Langlaagte Estate	98,000	...	103,114	...	9,108	19 5
East Rand Prop.	204,000	43,320	321,116	...	96,801	21 11-9	New State Areas	14,000	...	233,048	...	133,117	17 9
Goldenhuis Deep	62,200	9,106	67,462	...	17,300	13 10-5	Randfontein Estates	364,000	...	411,990	...	106,233	16 11
Modderfontein B.	84,000	13,712	101,857	...	43,416	13 11-0	Van Ryn Deep	96,000	...	110,378	...	27,094	17 6
Modderfontein East	117,000	21,112	156,148	...	55,043	17 3-4	Witwatersrand	81,000	...	88,123	...	12,127	19 1
New Modderfontein	181,000	31,091	230,119	...	94,128	15 0-3	Johnnies Group Total	976,000	...	1,337,864	...	472,133	17 11
Nourse Mines	76,000	15,012	111,121	...	23,100	23 2-0	Union Corporation						
Rose Deep	75,000	11,666	86,566	...	16,885	18 7-0	East Geduld	140,000	40,246	298,164	109,273	188,891	...
General Mining							Geduld Prop.	108,500	25,504	189,838	79,756	110,082	...
Van Ryn Gold	58,000	...	51,522	...	4,802	16 6	Grootevlei Prop.	64,000	13,753	102,325	71,198	31,127	...
West Rand Cons.	186,000	...	255,103	...	101,502	17 0	Modder Deep	46,800	6,171	45,782	38,558	6,924	...
							Van Dyk Cons.	77,000	18,327	135,851	87,339	48,512	...
							Other Mines						
							Glynn's Lydenburg	8,000	2,379	17,615	...	4,805	32 0-3
							New Kleinfontein	69,800	13,250	97,994	67,806	30,188	19 5
							Transvaal Gold	25,200	4,301	31,530	...	4,501	21 5-4
							Witwatersrand Deep	47,200	7,596	56,094	46,961	9,133	...

(See Leading Article on page 6.)

IMPORTANT ISSUES FIRST QUARTER, 1939

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Industry and Trade

COMMODITY STATISTICS

Coal

COAL OUTPUT ('000 tons)

District	Week ended		January-February	
	Mar. 11, 1939	Mar. 18, 1939	1938	1939
Northumberland	287.6	300.9	2,296.9	2,267.3
Durham	671.9	676.4	5,493.8	5,174.0
Yorkshire	933.0	933.0	7,892.2	7,719.3
Lancs, Cheshire and N. Wales	361.7	359.5	2,924.5	2,947.9
Derby, Notts & Leicester	740.1	725.7	6,316.8	6,199.2
Staffs, Worcs, Salop. and Warwick	423.5	417.3	3,513.3	3,565.3
South Wales & Monmouth	719.3	734.8	6,447.4	5,694.9
Other English districts*	119.0	122.3	955.7	907.3
Scotland	639.5	633.2	5,090.5	5,055.4
Total	4,895.6	4,903.1	40,931.1	39,510.6

* Including Cumberland, Gloucester, Somerset, and Kent

Cotton

RAW COTTON delivered to Spinners ('000 bales)

Variety	Week ended		Total Deliveries	
	Mar. 17, 1939	Mar. 24, 1939	Aug. 1, 1937-1938	Aug. 1, 1938-1939
American	19.7	19.1	868	677
Brazilian	6.4	5.7	210	187
Peruvian, etc.	3.4	3.1	84	77
Egyptian	10.3	4.3	241	205
Sudan Sakel	1.7	1.7	234	253
East Indian	2.9	6.0	234	253
Other countries	9.8	9.8	234	253
Total	54.2	43.2	1,863	1,597

Metals

SALES ON LONDON METAL EXCHANGE

	Week ending		From Jan. 1 to Mar. 29, 1939
	Mar. 22, 1939	Mar. 29, 1939	
Copper	6,725	4,260	77,810
Tin	1,685	1,305	17,440
Lead	6,650	4,400	75,650
Spelter	4,575	2,800	46,870

U.K. STOCKS

	Mar. 18, 1939	Mar. 25, 1939
Copper (Br. official w/houses):		
Refined	5,230	4,824
Rough	26,974	26,837
Tin (London and Liverpool)	11,945	12,063

METALS—(cont.)

TINPLATE INDUSTRY

	Week ended		
	Mar. 19, 1938	Mar. 11, 1939	Mar. 18, 1939
Production—per cent. of capacity	43.70	59.22	58.80
Shipments—warehouse and in vans	3,971	3,627	4,508
Shipments	10,524	5,128	5,215

Foods

WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)

From	Week ended		Season to	
	Mar. 18, 1939	Mar. 25, 1939	Mar. 26, 1938	Mar. 25, 1939
N. America	571	266	16,067	20,348
Argentina and Uruguay	243	311	5,520	5,862
Australia	294	289	8,702	7,823
Russia	135	81	5,368	6,740
Danube and dist.	71	53	1,079	624
India	71	53	1,079	624
Other Countries	71	53	1,079	624
Total	1,314	1,015	41,795	46,645

To	Week ended		Season to	
	Mar. 18, 1939	Mar. 25, 1939	Mar. 26, 1938	Mar. 25, 1939
U.K.	259	177	10,591	11,551
Orders	304	31	8,525	10,834
France	17	13	627	877
Belgium	65	30	3,606	3,106
Holland	95	18	2,363	2,638
Italy	5	8	737	943
Greece	5	37	1,521	818
Scandinavia	38	1	1,161	1,106
Other European Countries	8	62	4,940	4,012
Ex-European Countries	518	358	7,724	10,760
Total	1,314	1,015	41,795	46,645

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

From	Week ended		From Apr. 1 to	
	Mar. 18, 1939	Mar. 25, 1939	Mar. 26, 1938	Mar. 25, 1939
Argentina	91	91	31,709	13,370
Atlantic America	130	101	4,992	13,230
Danube Region	112	73	3,836	4,086
S. & E. Africa	52	9	5,247	1,570
Indo-China, etc.	28	35	1,879	2,200
Total	413	309	47,663	34,456

OTHER FOODS

	Week ended	
	Mar. 18, 1939	Mar. 25, 1939
BACON:		
Arrivals in London (bales):	15,102	12,733
Danish	5,421	5,126
Canadian	3,528	4,340
Dutch	2,246	2,699
Lithuanian	3,624	3,901
Polish		
Cocoa:		
Movement in Lond. (bags):	4,590	5,928
Landed	4,261	7,715
D/d for home consumption	101	467
Exports	156,489	154,215
Stocks, end of week		

OTHER FOODS—(cont.)

	Week ended	
	Mar. 18, 1939	Mar. 25, 1939
COFFEE:		
Movements in Lond. (cwt.):		
Brazilian—Landed	10	169
" D/d for home consn.	437	176
" Exports	17	59
" Stocks, end of week	4,791	4,725
Central and S. American:		
Landed	5,549	11,411
D/d for home consn.	1,563	3,410
Exports	288	288
Stocks, end of week	69,506	77,219
Other kinds—Landed	15,062	21,018
" D/d for home consn.	4,390	5,334
" Exports	707	498
" Stocks end of week	150,940	166,126
MEAT:		
Supplies at Smithfield (tons):		
Total	8,964	9,809
Beef and veal	4,631	5,198
Mutton and lamb	2,744	3,011
Pork and bacon	907	998
Poultry, etc.	592	602
SUGAR:		
Movements, London and Liverpool (tons):		
Imports	15,263	20,448
Deliveries	17,197	19,437
Stocks, end of week	202,354	282,365
TEA:		
Sales on Garden A/c. (pkgs.):		
N. India	45,619	43,096
S. India	2,969	7,271
Ceylon	19,022	18,125
Java	2,256	2,618
Sumatra	1,333	327
Africa	1,895	5,025
Total	71,884	76,462

* Weeks ended Mar. 16th and Mar. 23rd.

Miscellaneous Commodities

MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL

	Week ended	
	Mar. 18, 1939	Mar. 25, 1939
Landed	1,392	1,449
Delivered	1,784	1,628
Stocks, end of week	73,118	72,939

WORLD SHIPMENTS OF LINSEED ('000 tons)

	Week ended		From Jan. 1 to	
	Mar. 11, 1939	Mar. 18, 1939	Mar. 19, 1938	Mar. 18, 1939
Oranges, Valencia, 1/2 cases	13	6	15	0
" Valencia Bloods	19	9	22	0
" 1/2 cases	21	9	25	0
" Jaffa	16	0	16	6
Lemons, Naples	15	0	15	0
" Sicilian	11	3	11	9
Apples, Amer. (var.)	36	0	40	0
" Canadian: Nova Scotian	15	0	15	0
Grapes, S. Africa, Bx. A. Laval	6	0	7	6
Grapefruit, Jaffa, Seedless	14	3	16	6
" Florida, Seedless, bxs.	15	6	17	6
" Jamaican, Marsh	10	0	10	0
" Seedless, bxs.	16	3	16	3
ARD (per cwt.):				
Irish, finest bladders	50	0	50	0
U.S.	38	0	36	3
" (Duty paid)	39	3	38	3
EPFEE (per lb.):				
Black Lampong (in Bond)	0	21/2	0	21/2
White Muntok (f.a.q.) (in Bond)	0	31/2	0	31/2
" (Duty paid)	0	4	0	4
DTATOES (per cwt.):				
English, King Edward, Siltland	7	0	7	6
Wisbech	100	0	110	0
" (per ton)	105	0	120	0
IGAR (per cwt.):				
Centrifugal, 96%, prpt. shimp.	6	51/4	6	6
Refined London	19	101/2	19	101/2
Yellow Crystals				

BRITISH WHOLESALE PRICES

CEREALS AND MEAT

	Mar. 22, 1939		Mar. 29, 1939	
	s. d.	s. d.	s. d.	s. d.
GRAIN, etc.—				
Wheat—				
No. 2, N. Mar. 496 lb.	27	0	26	6
Eng. Gaz. av. per cwt.	4	2	4	1
Liv. Mar. per cental	4	4	4	3
Flour, per 280 lb.—				
Straights, d/d London	22	6	22	6
Manitoba, ex store	21	6	21	3
Barley, Eng. Gaz., av. per cwt.	7	3	7	3
Oats	6	0	6	0
Maize, La Plata, landed, 480 lb.	26	6	27	0
Rice, No. 2 Burma, per cwt.	7	11/2	7	7 1/2
MEAT—				
Beef, per 8 lbs.—				
English long sides	4	4	4	4
Argentine chilled hinds	4	5	4	5
Mutton, per 8 lb.—				
English wethers	5	0	5	4
N.Z. frozen wethers	3	4	3	4
Lamb, per 8 lb.—				
English	4	8	4	6
Pork, English, per 8 lb.	6	4	6	4
BACON (per cwt.)—				
English	100	0	102	0
Danish	100	0	103	0
Dutch	96	0	96	0
Irish	102	0	102	0
HAMS (per cwt.)—				
Canadian	96	0	100	0
United States	96	0	94	0

OTHER FOODS

	Mar. 22, 1939		Mar. 29, 1939	
	s. d.	s. d.	s. d.	s. d.
BUTTER (per cwt.)—				
Australian	115	0	113	0
New Zealand	116	0	114	0
Danish	135	0	135	0
HEESE (per cwt.)—				
Canadian	73	0	72	0
New Zealand	60	0	60	0
English Cheddars	86	0	86	0
Dutch	48	0	46	0
MOOBA (per cwt.)—				
Accra, g.f.	22	0	21	6
Costa Rica, medium to good	72	0	72	0
Kenya, medium	88	0	86	0
GGG (per 120)—				
English (15-15 1/2 lb.)	10	3	10	3
Danish (15 1/2 lb.)	10	9	10	9
RUIT—				
Oranges, Valencia, 1/2 cases	13	6	15	0
" Valencia Bloods	19	9	22	0
" 1/2 cases	21	9	25	0
" Jaffa	16	0	16	6
Lemons, Naples	15	0	15	0
" Sicilian	11	3	11	9
Apples, Amer. (var.)	36	0	40	0
" Canadian: Nova Scotian	15	0	15	0
Grapes, S. Africa, Bx. A. Laval	6	0	7	6
Grapefruit, Jaffa, Seedless	14	3	16	6
" Florida, Seedless, bxs.	15	6	17	6
" Jamaican, Marsh	10	0	10	0
" Seedless, bxs.	16	3	16	3
ARD (per cwt.)—				
Irish, finest bladders	50	0	50	0
U.S.	38	0	36	3
" (Duty paid)	39	3	38	3
EPFEE (per lb.):				
Black Lampong (in Bond)	0	21/2	0	21/2
White Muntok (f.a.q.) (in Bond)	0	31/2	0	31/2
" (Duty paid)	0	4	0	4
DTATOES (per cwt.):				
English, King Edward, Siltland	7	0	7	6
Wisbech	100	0	110	0
" (per ton)	105	0	120	0
IGAR (per cwt.):				
Centrifugal, 96%, prpt. shimp.	6	51/4	6	6
Refined London	19	101/2	19	101/2
Yellow Crystals				

Oranges, Valencia, 12 cases	16	8	15	0
" Valencia Bloods	19	9	22	0
12 cases	21	0	25	6
" Jaffa	9	3	9	0
" boxes	16	0	16	0
Lemons, Naples	15	0	15	0
" boxes	30	0	32	0
" Sicilian	8	6	9	0
" boxes	11	3	11	9
Apples, Amer. (var.) ... barrels	25	0	24	0
" Canadian : Nova Scotian	36	0	40	6
(var.) barrels	17	0	17	0
Grapes, S. Africa, Bxs. A. Lavallo	6	0	6	0
" boxes	10	9	9	3
Grapefruit, Jaffa, Seedless	14	3	16	6
" boxes	...	...	15	6
" Florida, Seedhss, bxs.	...	...	17	6
" Jamaican, Marsh	...	...	10	0
Seedless, bxs.	...	...	16	3
ARD (per cwt.)—				
Irish, finest bladders	50	0	50	0
" boxes	58	0	58	0
U.S.	38	0	36	3
" boxes	39	3	38	3
EPFER (per lb.)—				
Black Lampong (in Bond)	0	212	0	212
" (Duty paid)	0	3	0	3
White Muntock (f.a.q.) (in Bond)	0	312	0	312
" (Duty paid)	0	4	0	4
DATATOES (per cwt.)—				
English, King Edward, Siltland {	7	0	7	6
" boxes	7	6	8	6
Wiesbech	100	0	110	0
" (per ton)	105	0	120	0
JGAR (per cwt.)—				
Centrifugal, 96%, prpt. shipm.	6	514	6	6
c.i.f. U.K./Cont.	...	...	...	...
REFINED London	10	1012	10	1012
" Yellow Crystals	...	...	...	...

DAGGAFONTEIN MINES, LIMITED

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised £2,000,000. Registered and Issued £1,750,000.
In 7,000,000 shares of 5s. each, fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1938.

Tons Milled	1,701,000	Yield (per ton 5'67 dwts.)	482,534 ozs.
Revenue (per ton milled 40/4-6)	£3,434,546	Government Taxes	£499,709
Working Costs (per ton milled 20/9-2)	1,765,956	Government participation in Profits	258,482
Working Profit (per ton milled 19/7-4)	1,668,590	Reserve for Liability under Miners' Phthisis Act	1,798
Sundry Revenue, less expenditure	18,446	Dividend No. 11—25 per cent.	437,500
Total Profit	1,687,036	Dividend No. 12—26 1/4 per cent.	459,375
Add:—		Directors' Special Remuneration	7,500
Balance to credit of Appropriation Account on 31st December, 1937	73,864	Appropriated for Capital expenditure	20,313
	£1,760,900	Balance unappropriated at 31st December, 1938	76,223
			£1,760,900

ORE RESERVE.—The Ore Reserve was recalculated at the end of 1938, and disclosed the following:—

Tons	8,002,133
Stope Width (inches)	40.67
Stope Value (dwts.)	6.37
Inch-dwts.	259

DEVELOPMENT.—The development accomplished during the year on the Main Reef Leader Horizon was 43,386 feet, a decrease of 10,601 feet compared with the previous year. The percentage payable was 51.4, average reef width 20.62 inches, average assay value 15.83 dwts. Inch-dwts. 326.

Kimberley Reef.—In addition to the above, a total of 2,584 feet was accomplished during the year on the Kimberley Reef horizon from No. 3 Shaft, and of the footage sampled 460 feet (27.2 per cent.) proved payable, with an average value of 7.02 dwts. over a width of 45.92 inches or 322 inch-dwts. The corresponding figures for the previous year were 423 feet developed, 70 feet (34.1 per cent. of the footage sampled) being payable, the value being 6.54 dwts. over a width of 42.50 inches, equivalent to 278 inch-dwts.

THE FULL REPORT AND ACCOUNTS CAN BE OBTAINED FROM THE LONDON SECRETARIES OF THE COMPANIES, ANGLO-AMERICAN CORPORATION OF SOUTH AFRICA, LTD., 11 OLD JEWRY, LONDON, E.C.2.

WESTERN REEFS EXPLORATION AND DEVELOPMENT COMPANY, LTD.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised £2,000,000. Registered and Issued £862,500.
In 3,450,000 Shares of 5s. each, fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1938.

FINANCE.—The Capital Receipts and Expenditure from the inception of the Company to the 31st December, 1938, were as follows:—

Working Capital:—		Property, Options and Rights on Farms	£525,736
2,442,500 Shares at 5s. each	£610,625	Shaft Sinking, Development and Equipment	1,253,939
1,007,500 Shares at 37s. 6d. each	1,899,063	Boreholes and Prospecting	316,730
		Joint Prospecting Ventures	38,524
		Shares and Interests in Co-operative Concerns	2,377
		Stores and Materials on Hand	22,782
			2,160,118
		Cash and Cash Assets, less Creditors	339,570
3,450,000	£2,499,688		£2,499,688

OPERATIONS.—During the year under review satisfactory progress was made. No. 1 Shaft was sunk to its final depth and development work was started from this shaft. At No. 2 Shaft sinking operations were continued without any serious delay. Details of the work accomplished and the results obtained are given below.

SHAFT SINKING AND DEVELOPMENT

No. 1 SHAFT.—To a depth of 2,320 feet the formation encountered in this shaft was lava; at this elevation the contact of the Ventersdorp lava and Witwatersrand quartzites occurred. Sinking continued in the quartzite and various reefs were exposed. In June, shaft sinking was completed at a depth of 2,820 feet, the footage sunk for the year being 1,181 feet.

As sinking progressed, stations were cut and advanced a small distance at various horizons in the shaft. Stations were located in accordance with information obtained from the earlier diamond drilling, and were cut as follows:—

Station.	Depth Below Shaft Collar.	Station.	Depth Below Shaft Collar.
No. 2 (17 Level)	1,700 feet	No. 5 (26 Level)	2,600 feet
No. 3 (20 Level)	2,000 feet	Conveyor Belt Station	2,720 feet
No. 4 (23 Level)	2,324 feet		

Development was started on the four levels mentioned above and also on the Conveyor Belt Station. Most of this work, being in the nature of station roadways and general station layout, was off reef. A total of 2,515 feet was accomplished for the year. The only horizon where work was in the vicinity of the reefs was the 23 Level. Here 916 feet was advanced, of which 200 feet was on reef. In this area the No. 1 and No. 2 Reefs are separated by only a small parting of quartzite, and a complete exposure of both reefs could generally be obtained in a development heading of normal dimensions. Consequently these two reefs can be regarded under present conditions as a composite body, for which the sampling results are as follows:—

Footage sampled (feet)	200	Percentage payable	77.5
Average value (dwts.)	9.69	Average value (dwts.)	11.40
Average width (inches)	71.32	Average width (inches)	75.96
Footage payable (feet)	155	Inch-dwts.	866

No. 2 SHAFT.—During the year this shaft was sunk 3,035 feet, making the depth at the end of the period under review 4,211 feet. At 3,425 feet the contact of the Ventersdorp lava and Witwatersrand quartzites was located, but no values were found at this horizon. At 3,440 feet a reef was intersected but owing to faulting, the exposure was not complete. Sampling results showed 2.4 dwts. over 33 inches. At 3,452 feet a further partial exposure of reef was faulted, the result being 1.8 dwts. over 38 inches. At 3,916 feet the shaft entered the Gold Estates Reef, which was 64 feet in width; sampling results disclosed no values of economic importance.

At a depth of 2,182 feet a station was cut for the intermediate pump chamber. The main shaft station was located at 4,080 feet, and the loading bin station at 4,200 feet. A commencement was made with the cutting of these stations. This work, as well as the construction of the ventilation partition in the shaft, will take a considerable time, and it is therefore not anticipated that development from this shaft will be started until the second half of 1939.

DIAMOND DRILLING OPERATIONS.—During the year three new boreholes were commenced and three existing holes were deepened. A total of 17,393 feet was drilled during the year, of which 8,930 feet was in the Ventersdorp System, 7,155 feet in the Elsburg and Upper Witwatersrand beds, and 1,308 feet in the Lower Witwatersrand beds.

The principal reef disclosures for the year were as follows:—

Borehole.	Depth of Reef.	Reef Width.	Reef Value.	Inch-Dwts.
Goedgenoe No. 51	3,375	73	2.7	195
Goedgenoe No. 5	3,401	29	6.1	177

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EAST DAGGAFONTEIN MINES, LTD.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised £2,000,000. Registered £1,800,000 in 3,600,000 shares of 10s. each.
Issued £1,350,000 in 2,700,000 shares of 10s. each, fully paid.

The Issued Capital has since been increased to £1,800,000 in 3,600,000 shares of 10s. each fully paid by the subscription of 900,000 shares offered to the shareholders at £1 per share in January, 1939.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1938.

FINANCE.—The capital receipts and expenditure from the inception of the Company to the 31st December, 1938, were as follows:—

RECEIPTS		EXPENDITURE	
Working Capital:—		Purchase of 50 per cent. undivided interest in 179 Discoverer's Claims	
2,100,000 Shares at 10s. each, fully paid	£1,050,000		£102,803
330,000 Shares at 10s. each, fully paid, issued at 30s.	495,000	Shaft Sinking, Development and Equipment as per Schedule attached to Balance Sheet	
270,000 Shares at 10s. each, fully paid, issued at 37s. 6d.	506,250		2,248,598
			Shares and Interests in Co-operative Concerns
			2,008
			Stores and Materials on Hand
			20,922
			2,374,331
		Creditors in Excess of Cash and Cash Assets	323,081
2,700,000	£2,051,250		£2,051,250

DEVELOPMENT.—The footage accomplished on the Main Reef Leader horizon was considerably increased, and work on the Kimberley Reef, which had only just commenced at the end of 1937, was continued with very gratifying results. The necessary arrangements in the shafts in connection with hoisting and ventilation requirements are almost completed. On the surface, construction proceeded according to programme. The footage accomplished on the Main Reef Leader horizon was 29,577 feet, an increase of 10,080 feet on the previous year's figure, of which 23,013 feet was on reef. Sampled 22,970 feet, reef width inches 11.48, assay value 12.58 dwts. Of the footage sampled during the year 19.0 per cent. (8,950 feet) proved payable, and disclosed an average value of 25.13 dwts. over a width of 11.48 inches, equivalent to 288 inch-dwts.

In addition to the above a total of 3,352 feet was accomplished on the Kimberley Reef horizon, of which 2,255 feet was on reef. Sampled 2,245 feet, reef width inches 17.27, assay value 21.18 dwts. Of the footage sampled during the year 2.005 feet, equal to 89.3 per cent., proved payable, having an average value of 23.34 dwts. over a width of 17.09 inches, equivalent to 399 inch-dwts.

ORE RESERVE.—The Ore Reserve was recalculated at the end of 1938, disclosing the following:—

	Tons	Stope Width, Inches.	Stope Value, Dwts.	Inch-dwts.
Main Reef Leader	1,466,303	37.79	8.98	226
Kimberley Reef	135,275	40.00	8.59	344
Total	1,601,578	37.97	6.18	235

No. 1 SHAFT.—This shaft was sunk 143 feet during the year to a final depth of 3,743 feet, and good progress was made with the excavations necessary for the revised station layout.

Development was commenced at the Kimberley Reef horizon in order to expedite the connection between this shaft and the May Shaft on this reef.

THE FULL REPORT AND ACCOUNTS CAN BE OBTAINED FROM THE LONDON SECRETARIES OF THE COMPANIES, ANGLO-AMERICAN CORPORATION OF SOUTH AFRICA, LTD., 11 OLD JEWRY, LONDON, E.C.2.

THE SOUTH AFRICAN LAND & EXPLORATION COMPANY, LIMITED

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised £1,000,000. Registered £437,500 in 2,500,000 shares of 3s. 6d. each.
Issued £433,125 in 2,475,000 shares of 3s. 6d. each fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1938.

Tons Milled	264,600	Yield (per ton 5'06 dwts.)	67,417 ozs.
Revenue (per ton milled 37/0-6)	£493,950	Provincial Companies Tax	£5
Working Costs (per ton milled 28/5-7)	379,597	Reserve for Liability under Miners' Phthisis Act	1,704
Working Profit (per ton milled 8/6-9)	114,353	Dividend No. 1—14 1/4 per cent.	61,875
Deduct:—		Directors' Special Remuneration	594
Proportion of administration charges to 30th June, 1938,		Capital Duty and New Share Issue Commission and Expenses	26,927
less sundry revenue	574	Balance unappropriated at 31st December, 1938	41,736
Total profit	113,779		
Add:—			
Balance to credit of Appropriation Account at 31st December, 1937	19,062		
	£132,841		£132,841

OPERATIONS.—During the year under review the Company reached the production stage, and milling started on the 29th June. From the commencement of operations the tonnage milled has increased monthly, and after the second month a working profit was declared, which has steadily improved.

DEVELOPMENT.—The total footage accomplished for the year was 31,967 feet, of which 12,351 feet and 5,119 feet were advanced by Brakpan Mines and West Springs respectively. The percentage payable was 49.7, the average reef width 28.39 ins., average assay value 14.65 dwts. Inch-dwts. 416.

Development work on the Company's behalf was discontinued by West Springs in May, and by Brakpan Mines in June, when the development headings being advanced by these mines were connected with the main collecting haulages from your No. 1 Shaft. During the year efforts were primarily directed towards preparations for stoping, and completing the underground transport and ore handling arrangements. This explains why the footage in 1938 was 19,600 feet less than that accomplished during the previous year.

Included in the above is an advance of 1,342 feet accomplished on the Footwall Reef, of which 1,115 feet was sampled and 58.7 per cent. (655 feet) proved payable, having an average value of 8.62 dwts. over a width of 47.08 inches, equivalent to 406 inch-dwts.

ORE RESERVE.—The Ore Reserve was recalculated at the end of 1938, disclosing the following:—

Tons	3,030,690
Stope width (inches)	36.49
Stope value (dwts.)	6.02
Inch-dwts.	280

No. 1 SHAFT.—This shaft was completed in February at a final depth of 4,644 feet, the advance for the year being 176 feet.

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BRAKPAN MINES, LIMITED

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised £1,250,000. Registered and Issued £1,150,000.
In 4,600,000 Shares of 5s. each, fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1938.

Tons Milled	1,648,500	Yield (per ton 5-13 dwts.)	423,000 oz.
Revenue (per ton milled 36'5-5)	£3,005,354	Government Taxes	£456,082
Working Costs (per ton milled 20'8-4)	1,706,174	Government Participation in Profits	124,974
Working Profit (per ton milled 15'9-1)	1,299,180	Reserve for Liability under Miners' Phthisis Act	3,508
Sundry Revenue, less expenditure	24,272	Dividend No. 52—30 per cent.	345,000
Total Profit	1,323,452	Dividend No. 53—32½ per cent.	373,750
Add:—		Directors' Special Remuneration	7,500
Balance to credit of Appropriation Account at 31st December, 1937	96,049	Capital Expenditure	32,119
	£1,419,501	Balance unappropriated at 31st December, 1938	76,568
			£1,419,501

ORE RESERVE.—The Ore Reserve was recalculated at the end of 1938, and disclosed the following:—

Tons	7,082,840
Stope Width (inches)	45-90
Stope Value (dwts.)	5-61
Inch-dwts.	257

DEVELOPMENT.—The development accomplished during the year was 64,339 feet, a decrease of 5,049 feet, on that done during 1937. The percentage payable was 38·1, the average reef width 31·54 ins., average assay value 11·72 dwts. Inch-dwts. 370. The footage accomplished on Hanging Wall Leaders was 6,262 feet, or 1,741 feet less than in 1937. The footage sampled was 4,830 feet, of which 42·8 per cent. was payable, with an average value of 7·42 dwts. over a width of 49·65 inches, equivalent to 368 inch-dwts.

THE FULL REPORT AND ACCOUNTS CAN BE OBTAINED FROM THE LONDON SECRETARIES OF THE COMPANIES, ANGLO-AMERICAN CORPORATION OF SOUTH AFRICA, LTD., 11 OLD JEWRY, LONDON, E.C.2.

SPRINGS MINES, LIMITED

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised £1,750,000. Registered and Issued £1,560,000. In 6,240,000 shares of 5s. each, fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1938.

Tons Milled	1,827,400	Yield (per ton 5-63 dwts.)	514,012 ozs.
Revenue (per ton milled 39'11-7)	£3,652,233	Government Taxes	£456,631
Working Costs (per ton milled 19'10-3)	1,814,219	Government Participation in Profits	527,513
Working Profit (per ton milled 20'1-4)	1,838,014	Reserve for Liability under Miners' Phthisis Act	9,361
Sundry Revenue, less expenditure	7,577	Dividend No. 38—25 per cent.	390,000
Total Profit	1,845,591	Dividend No. 39—27½ per cent.	429,000
Add:—		Directors' Special Remuneration	7,576
Balance to credit Appropriation Account at 31st December, 1937	62,048	Capital Expenditure	10,927
	£1,907,639	Balance unappropriated at 31st December, 1938	76,631
			£1,907,639

ORE RESERVE.—The Ore Reserve was recalculated at the end of 1938, and disclosed the following:—

Tons	9,001,985
Stope Width (inches)	43-06
Stope Value (dwts.)	5-31
Inch-dwts.	229

DEVELOPMENT.—The footage accomplished on the horizon of the Main Reef Leader was 20,480 feet, showing a decrease of 2,842 feet compared with the previous year. The percentage payable was 45·7, average reef width 30·21 ins., average assay value 11·80 dwts. Inch-dwts. 356. **Kimberley Reef.**—Exploratory development was continued from No. 1 Shaft. The footage accomplished was 924 feet, of which 830 feet was sampled, giving an average value of 0·14 of a dwt. over a width of 68·25 inches. No payable values were disclosed. These results are in addition to those obtained on the Main Reef Leader tabulated above.

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WEST SPRINGS, LIMITED

(Incorporated in the Union of South Africa.)

CAPITAL: Registered and Issued £1,935,000. In Shares of £1 each, fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1938.

Tons Milled	1,061,500	Yield (per ton 4-08 dwts.)	216,358 ozs.
Revenue (per ton milled 29'0-1)	£1,539,681	Government Taxes	£43,338
Working Costs (per ton milled 18'7-0)	986,193	Government Participation in Profits	205,323
Working Profit (per ton milled 10'5-1)	553,488	Reserve for Liability under Miners' Phthisis Act	3,374
Sundry Revenue, less expenditure	3,666	Dividend No. 26—6¼ per cent.	120,938
Total Profit	557,154	Dividend No. 27—6¼ per cent.	120,937
Add:—		Directors' Special Remuneration	9,000
Balance to credit of Appropriation Account at 31st December, 1937	115,175	Capital Expenditure	107,367
	£672,329	Balance unappropriated at 31st December, 1938	62,052
			£672,329

ORE RESERVE.—The Ore Reserve was recalculated at the end of 1938, and disclosed the following:—

Tons	4,545,170
Stope Width (inches)	53-36
Stope Value (dwts.)	5-25
Inch-dwts.	280

DEVELOPMENT.—The footage of 23,845 feet accomplished during the year was 6,004 feet more than that for 1937. The percentage payable was 50·6, average reef width 31·68 inches, average assay value 14·94 dwts. Inch-dwts. 473. **No. 2 Shaft** and its Sub-vertical Shaft were completed during the year under review. No. 2 Shaft was brought into commission during February. The Sub-vertical Shaft was sunk 1,226 feet during the year to its final depth of 1,275 feet, which is 6,401 feet below the surface. The whole of the equipment was installed by the end of the year, and the shaft was put into commission on the 29th December, 1938.

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Britain Girds Her Loins

"I FIND myself," said Mr Winston Churchill in the House of Commons on Monday evening, "in the most complete agreement with the Prime Minister. I listened to his speech with the greatest attention, and both in its assertions and its reservations, in its scope, in its emphasis and in its balance, I find myself entirely in accord with what he said." All those who, with Mr Churchill, have bitterly regretted the perilous delays of the years that the locust hath eaten and have prayed that the eyes of the Government would be opened before it was too late, can now say no other. The eyes are open.

So sudden was the conversion which Mr Chamberlain announced in his Birmingham speech on March 17th that suspicions of its completeness and sincerity were only legitimate. The fortnight of apparent inaction that followed appeared to confirm the suspicions, and it was possible for the Nazi propagandists to crow that the Birmingham policy had already failed. But appearances were deceptive and the suspicions unfounded. The guarantee given to Poland last Friday and the explanatory statement made by the Prime Minister on Monday prove that the conversion is, after all, complete. It is true that even now the usual irresponsible commentators, who have done such infinite harm to British probity and policy in the past, are hard at work reading dishonest meanings into the Government's statements. But the Government's foreign policy can only be judged by the categorical statements of the Prime Minister and the Secretary of State for Foreign Affairs. And the plain meaning of these

statements is unmistakable. It would possibly be slightly misleading to describe the new British policy as collective security, since that term has been overlaid with a number of special meanings. But, in a historical parallel which must be in Mr Chamberlain's mind, the policy is that of William Pitt. Great Britain is taking the lead in organising a Grand Alliance to defend Europe against an attempt at world domination.

The guarantee to Poland, as the Prime Minister pointed out, although it is only an interim measure and a first step, is decisive. It is in flat contradiction to the whole of British policy ever since the war. It is not a normal development so much as a revolution in British policy. Its direct effect is to show that Britain is now seeking her security in Eastern Europe—since, of course, no pretence has been, or could be, made that it is not in direct defence of her own interests that Britain is now acting. But perhaps more important than the diplomatic and strategic change is the change in attitude and psychology that is reflected. For six long years the dictators have drawn strength from the fact that, while they put their ambitions above peace, the democracies have seemed to put peace above their safety. That is now ended. For the first time since 1918, Great Britain has taken a stand, knowing that she thereby runs the risk of war. We stand face to face with the dictators now on a plane of psychological equality—indeed, on a superior plane, for, as Monday's debate showed, there is virtual unanimity behind the Government and it is the unanimity of free men. Si

vis pacem para bellum is not a maxim of universal validity. But it is very true when one is dealing with treaty-breaking aggressors. Over and over again it has been urged in these columns that the price we have to pay for peace is one of courage—the courage of not being afraid of war. The country is now ready to pay that price and gains enormously in strength thereby. Pray God the new resolution does not come too late.

There is, of course, no longer any concealment that our policy is directed against Germany, and the German reaction has been one of boundless fury. In every German speech and article, the new British policy is described as "encirclement"—the nightmare of every German. Now "encirclement" may have two meanings. It may mean an offensive alliance of aggressive intent to crush the encircled nation. Or it may be a purely defensive alliance of self-protection, which will never come into operation if the encircled nation acts as a good neighbour. The British policy is emphatically of the second variety. That has been made clear by the Prime Minister. Indeed, it is explicit in the terms of the guarantee to Poland, which is not to come into effect unless there is an attack on Poland's independence of such a character that Poland herself feels compelled to wage war against a far stronger foe to prevent it. But it is revealing of German intentions that no trouble is taken to distinguish between the two varieties of encirclement. The British policy is described as an attempt to constrict the German people's *Lebensraum*. This can only mean that Germany demands the right, within her circle of influence, to make demands so indefensible that her neighbours (not one of whom is half her size) would be driven in desperation to take up arms. This must be the meaning of German policy, since the British plan would not operate against anything else.

It would be foolish, however, to close our eyes to the fact that the cry of "encirclement" is one to which the German people instinctively reacts, and it is being used with powerful effect by the Nazi propaganda machine. It would be foolish, too, to assume that because Herr Hitler's speech at Wilhelmshaven was mostly taken up with the familiar abuse of the democracies in general and of Great Britain in particular, that he has accepted check-mate. One of the most dangerous aspects of an undeniably dangerous situation is that the Fuehrer, constitutionally inclined to self-exaltation, has been led by his long series of unopposed triumphs to exaggerate his strength, to lose his caution, and to believe himself invincible. Nobody who is acquainted with the mentality of the Nazis will find it advisable entirely to exclude the possibility of a sudden attack without warning on any or all of the countries that are now moving towards a defensive alliance. And it can be taken for granted that, even if Germany does not take to the field to break the alliance, her diplomacy and that of her allies will be indefatigable in probing for the weakest links in the chain of the alliance. The German Press is full of threats against all who are in communion with London. Italy threatens to put pressure on the Balkan countries through Albania. There are confident reports that General Franco will sign—or that he has already signed—the anti-Communist Pact. And though Japan has apparently declined to convert the Pact into a military alliance, every pressure will be exerted upon her to play her allotted part. All the not inconsiderable resources of German diplomacy will be enlisted to prevent the consummation of a plan which, if it is successfully brought to birth and maintained in existence, spells the end of the Nazis.

For this reason there is need of the utmost speed in cementing the Grand Alliance. And the cement that will give it the strength it needs is the adherence of Russia. This was the point on which Mr Lloyd George fastened in Monday's debate, and though his declaration that "if we are going in without the help of Russia we are walking into a trap" is exaggerated—since Poland and Roumania are

essential members of the alliance and by no means inconsiderable military powers—it is true that the new position we have taken up will not be secure until it is supported by Russia. It is not merely a question of preventing "ideological differences" from blocking the road to Anglo-Russian collaboration. In Mr Lloyd George's phrase "it is a military matter of the very first importance"; or, as the Soviet Ambassador remarked not long ago, the future of the world may depend upon the degree of co-operation between Moscow and London. The difficulties in the way must not be ignored. In particular, it is unlikely that Poland will form a direct alliance with Russia. But these difficulties should not be impossible to surmount. If Poland is allied to Great Britain and France and the two western powers are allied to Russia, the effect would, in time of war, be the same as a direct Polish-Russian arrangement. But in any case the adherence of Russia is essential.

There is, of course, an economic side to all these proposals. The mere fact that defensive arrangements are being debated is proof that Germany is regarded at the very least as a potential aggressor. Is it not merely common sense to see that she enjoys no special economic favours by which she may increase her striking force? In principle, no dispute with this is possible. But in practice, great care and foresight are necessary in treading this path. There is already, in many countries, a silent and unorganised refusal to buy German goods. This will inevitably and rightly increase. But the organisation of boycotts, especially by governments, is a thorny and difficult problem. There should, of course, be no question whatever of re-opening commercial discussions of the Duesseldorf type; the pity is that they have not been more forcibly denounced. Since German goods are confessedly subsidised, there would be the fullest commercial justification for the imposition of anti-dumping duties, such as has already been done in the United States. Further, there is no possible exception to the principle of the exchange clearing, though it is a little hard to see how the imposition of an Anglo-German clearing, as distinct from a reduction in British purchases of German goods, would affect the issue. All these are measures which should at once be considered—and considered, be it said, in the fullest concert with our friends. But if we are thinking of going any further and of initiating anything in the nature of economic sanctions against Germany, we should be very clear in our minds that sanctions are a form of war and will be treated as such. If we impose them in a cause for which we are not ready to take up arms, we run the risk of humiliation such as we suffered in 1936.

Economic defence, however, like every other form of defence, begins at home. Much more urgent than the economic weakening of Germany is the economic strengthening of Britain. It is abundantly clear that the doubling of the Territorial Army is only the first instalment of a gigantic increase in our defence efforts. It should also be abundantly clear that, as Mr Hore-Belisha said months ago, no substantial increase in supplies of equipment is possible with our present system. Moreover, on the financial side, whether or not the borrowing of £350 millions will be inflationary, the borrowing of well over £400 millions, which we must now contemplate, would undoubtedly be inflationary unless measures of control were taken. The two irresistible conclusions are that, on the industrial side, we need at once a full-blown Ministry of Supply and that, on the financial side, we need to begin without delay formulating and applying a wartime financial policy designed to secure resources of labour and capital for the needs of the State by methods more direct and less harmful than an uncontrolled rise in prices.

These subjects, it is known, are under consideration by the Government. Nobody will accuse them of inconsistency if on these great issues also they will show that their eyes have been opened.

The Sport Industry

LOOKED at in one way, the demand for entertainment is simply a demand for a pleasant means of spending spare time. It is just the same as the demand for motor cars or the demand for wireless sets. It is a social phenomenon tied up with the much-debated problem of leisure and leisure pursuits in an urban and mechanical age. Looked at in another way, however—that is, on what the economists call the "supply side"—entertainment is quite a different proposition. It is an industry like, again, the motor car industry or the wireless industry. It affords employment to thousands of workers of both sexes and of all grades in turning out goods and services to meet our demands; and secondly, it is an industry with special problems of policy and organisation all worthy of close attention.

The first feature of the entertainments industry which strikes the enquirer is its size and the rate at which it is expanding nowadays. In the middle of last year nearly 140,000 persons, consisting, roughly, of 85,000 men and boys and 55,000 women and girls, were insured against unemployment in this industry. This is a surprising figure when it is remembered that this number of employees is larger than the 115,000 employed in electrical engineering and not so far short of the 200,000 or so employed in cotton weaving. If we make an index number of the insured workpeople in entertainment and sport, it has risen from 100 in 1923 to 233.7 to-day.

These figures include, of course, the old-established theatres, cinemas and dance-halls as well as the sport industry proper—that is, the industry whose business it is to provide the mass spectacular pastimes like football, greyhound racing, ice hockey and speedway racing. Of the latter group, football—that is, association football—has the strongest traditional standing. It provides entertainment for over 14 million spectators in a year, and it receives in payment for admission to football grounds over £2 millions annually. Greyhound racing is only 14 or 15 years old, having been started in 1925 in that home of so many novelties, Manchester; probably 25 million attendances, including 11 million in London, are recorded every year. Something like £6 millions are invested in greyhound racing tracks, half of which represents the paid-up capital of public companies. Speedway racing is newer still, and, compared with football or greyhound racing, is not very important, providing only about a fifth of the meetings provided by "the dogs." Ice hockey in its present form is the newest of them all. It is a curious thing about modern English history that for the last fifty years or so ice skating and ice rinks have come into popularity in cycles. The researches of Dr Shannon into the company history of the nineteenth century revealed both a high birth rate and a higher mortality in what were called in those days "glaciara." The latest passion for the ice began in 1926, and to-day perhaps a million pounds are invested in skating rinks.

All this is very impressive, particularly when it is remembered that it does not include the sport of kings, publicans and sinners, horse racing, which has deeper roots in English tradition than any other sport, save football. But, impressive though these figures are, they do scant justice to the financial magnitude of the entertainments industry, since they exclude the huge ancillary industry of betting. Every year over £50 millions are spent on betting on greyhounds and not far short of the same sum on betting in the football pools. In the financial and statistical sense, this is much the most important aspect of the industry of sport.

Even so, statistics tell only part of the story. It is the

entertainments industry's economic problems that have most to tell observers of social trends. And first and foremost among these problems is that of maintaining public interest. Perhaps the most important fact about the entertainments industry is that it is dependent upon fashion and fancy. Association football, like county cricket and horse racing, has had a very long innings in the public favour. But the tenure of popular enjoyment by all these sports has had ups and downs, and the revenue derived from their organisation is similarly precarious. The central economic problem of the entertainments industry is to stabilise demand and to spread the risks of enterprise.

This problem has become especially important in the years since 1918. There is every sign during this period of an increasing restlessness in the search for amusement. One after another, pony racing, speedway racing, dog racing, all-in wrestling, pin-table saloons, football pools and even crossword puzzles have attracted the public interest. Some have survived, some have fallen by the wayside. This flourishing of crazes and innovations is important in two ways: in the first place there are vast windfall profits to be made by the first in the field; in the second place, there always comes a point when the rush of entrants into any particular branch of entertainment kills the margin of profit; and then it is the efficient or the fortunate who survive. In the same way, within the entertainments or sports which survive despite their ups and downs—such as, again, football, racing and the like—there are as many failures as successes in the financial sense. In association football, for instance, many are called into the professional field but singularly few are chosen. The aristocrats, like the Arsenal and Wolverhampton Wanderers and Everton, coin money hand over fist—though it costs them a great deal in expenses to do so; the small fry in the second and third divisions live from hand to mouth, and only too often on the charity of well-disposed business men seeking publicity for the town they trade in.

Let us, therefore, look at the devices which have been adopted to eliminate the risks of sporting fashion. One of the inconvenient facts about sport is that each and every one of its departments are seasonal. Cricket is played in the summer; football is played in the winter, though it does snatch a good deal of cricket's ostensibly sunny period for its own purposes. In racing, horses are permitted to run undeterred by the obstacles of hurdles for the spring, the summer and autumn; in the winter, rising to the grand and arduous climax of the Grand National, they become steeplechasers. So, too, with other sports. Greyhound racing is mostly confined to the summer; speedway racing is similarly seasonal. Football is played on Saturdays in the afternoon. Greyhound racing, speedway tracks and ice rinks are used in the evening on certain days of the week. The problem, then, is to make the greatest possible use of the costly capital facilities which each of these sports entails. In one way or another they all require expensive tracks, elaborate seating arrangements and enormous stadia. The reasonable way to spread the cost of these overheads over the largest possible number of days and meetings is to use them for several different sports. That is precisely what has been done.

It is interesting in this connection to see how the newer forms of entertainment have fared, faced as they are by the inherent precariousness of the industry. Greyhound racing leapt ahead from 1929 to 1932, the number of attendances rising fourfold. Between 1932 and 1938, however, they rose by more than a fifth but less than a quarter; the novelty had worn off, and the windfall profits of the first promoters had gone. It was now necessary to find new means

of stimulating interest and support, and in the case of greyhound racing the attempt to restimulate interest has been remarkably successful. The Greyhound Racing Association, which has a capital of £1,200,000, controls four tracks in London; in 1929 it paid 10 per cent. on its ordinary shares; in 1932 it paid 15 per cent.; in 1934 it paid nothing; in 1937 it paid 40 per cent.

Speedway racing, too, has had its vicissitudes since it started. It will never rank with football or greyhound racing. On the one hand it lacks human interest; on the other hand, it lacks betting value. But, and this is the important point, it has served surprisingly as the necessary supplement to greyhound racing itself. When interest in greyhound racing flagged, the speedway or dirt track riders were brought in to bring in the crowds, and advertise the stadia.

The fourth of this group of sports—ice hockey—is in some ways a thing apart. For one thing, it has the ominous record, as we have seen, as a craze that lives only a short time; for another, it needs special equipment. Footballers cannot play and greyhounds cannot race on a skating rink. To some extent, however, this has been solved in two ways. On the one hand, skating as an individual pastime provided a supplement to ice hockey as a mass spectacle. On the other hand, the growing national interest in swimming has been used. At the Wembley Empire Pool, for instance, there is swimming, there is skating and there is ice hockey. This alliance with swimming is important, because it cancels out the seasonal disadvantages which skating and ice hockey have. People swim in the summer

and skate in the winter and the equipment of restaurants and dressing rooms at Wembley is, by this happy combination, kept in use the whole year round. Ice rinks are a costly business. Between £80,000 and £100,000 is needed to build a new rink; it costs between £10,000 and £12,000 to convert a dance hall into a rink; and it costs something like £300 a week to run a rink, once it has been opened. Nevertheless, the device of joining with other diversions to bring in a large public to spread the use of the facilities over the whole year and to make the best use of capital equipment, has proved strikingly successful.

It is not possible in a brief article to give more than a sketch of the economics of the sport industry—or even of that more restricted section of it that has been chiefly under review here. But enough has been said to show that the newer branches of the industry have three main economic problems: first, the demand for certain sorts of mass and usually spectacular entertainment is extremely fluctuating; secondly, the past, present and future of these sports is tied up with betting; and, thirdly, one problem stands out conspicuously in the case of all of them: the problem of stabilising the demand. In fact, the long and short of it is that purveyors of sports of this kind must be purveyors of sport in general rather than purveyors of sport in particular. They must set up their stadia, build their bars and restaurants and their totes and then try their hardest to get all sorts and kinds of sports and pastimes to use the equipment they have provided. This is the direction of the most publicised section of the sport industry to-day.

The Year's Revenue

YEAR by year it is becoming more difficult to summarise the result of the year's Exchequer operations in a single figure. In the year 1938-39, which ended on March 31st, the revenue of the Exchequer (excluding the self-balancing items) was £927,285,034. On the expenditure side, there is a variety of figures that can be taken to compare with this revenue total. The total of what the official return calls "Ordinary Expenditure," which is expenditure charged to revenue, excluding sinking fund, was £926,779,724. For those who like their illusions *couleur de rose* there can thus be said to be a surplus of £505,310. If the sinking fund allocation is added in, the total of expenditure was £939,998,905. This, in the days when Budgets balanced, was the comparison by which the surplus or deficit was calculated; the result for 1938-39 would be a deficit of £12,713,871. But neither of the two figures of expenditure mentioned above includes £128,050,000 spent out of loans under the Defence Loans Acts. If this figure is added to the two previous figures in turn, the resulting deficit can be said to be £127,544,690 or £140,763,871 respectively. Still another basis of comparison is possible. On the revenue side, the Chancellor has done worse than he expected to the tune of £17,365,000 (i.e. revenue is by that amount below the estimate), while on the expenditure side the amount spent is £33,651,000 more than was provided in the Budget Estimates—a total "deficit" of £51,016,000. Five alternative results have now been quoted, and for each of them some theoretical justification could be pleaded. If the effect is bewildering, it only measures the degree of confusion that re-armament has imposed on British public finances.

The revenue side of the account, which is shown in the first table at the head of the next page, is still comparatively simple. The results, on the whole, have been disappointing, for though tax revenue was £55.2 millions more than in the previous year, it fell £20.1 millions short of the estimates. Nearly every item shared this

shortfall. The biggest drop was in death duties. The yield of death duties in recent years has usually exceeded the expectation, and though it was doubtless optimistic of the Chancellor, in view of the level of security prices, to estimate a yield barely £1 million less than last year, the fall of one-eighth in the yield is surprisingly large and suggests that the hazards of mortality among millionaires have been working, this year, against the Exchequer. If so, no further decline in 1939-40 is to be expected. A shortfall of over £5 millions in income tax is also disturbing. If it is due merely to delays in payment, the coming year will correspondingly benefit. But if it is due to an unexpectedly sharp fall in the corpus of taxable income, the same factor may be still at work. In any case, a decline in the yield of income tax is to be expected this year, as the incomes of 1938-39 (on which tax is now to be levied) are certainly lower than those of 1937-38. The profits of companies reporting since July 1st (this date allowing a time-lag of three months) have been, in sum, 6 per cent. below the previous year. Other constituents of income are not, of course, as volatile as profits, but a fall in yield of something of the order of £10 millions may have to be reckoned with. The disappointing performances of Stamps and of Customs and Excise all reflect the course of trade, on which they will likewise depend in the coming year. The yield of N.D.C., on the other hand, has been above the estimate.

The expenditure side, now that defence borrowing is so large, is of little more than formal interest. The provision for interest and management of the National Debt was increased by £6 millions to £230 millions in last year's Budget, but the increase has not been needed. Part of the increase in "Other Consolidated Fund Services" is due to the transfer of £2 millions to this heading from Supply Services, consequent upon the Agreement with Eire. This also partly explains the fact that expenditure on civil and revenue votes was less than the Budget estimate, even

REVENUE, 1938-39 (£000's omitted)				EXPENDITURE, 1938-39 (£000's omitted)			
	Actual Receipts	Estimate 1938-39	Larger (+) or Smaller (-) than Budget 1937-38		Actual Issues	Estimates 1938-39	Larger (+) or Smaller (-) than Actual Issues 1937-38
Income tax	335,901	— 5,249	+ 37,915	Interest and Management of National Debt	216,781	— 13,219	+ 548
Sur-tax	62,530	+ 530	+ 5,470	Payments to N. Ireland	9,459	+ 559	+ 572
Estate, etc., duties	77,430	— 10,570	— 11,550	Other Consolidated Fund Services	4,825	+ 1,625	+ 1,710
Stamps	20,980	— 3,020	— 3,190	Total Consolidated Fund ...	231,055	— 11,035	+ 2,830
National Defence Contribution...	21,890	+ 1,890	+ 20,470	Army, Navy and Air Votes	254,406	+ 1,158	+ 57,156
Other Inland Revenue	1,550	+ 300	— 180	Civil and Revenue Votes*	441,309	— 7,741	+ 33,544
Total Inland Revenue	520,281	— 16,119	+ 48,935	Total Supply Services* ...	695,715	— 6,583	+ 90,700
Customs	226,326	— 1,624	+ 4,765	Total Ordinary Expenditure	926,780	— 17,618	+ 93,530
Excise	114,200	— 1,950	+ 500	New Sinking Fund	13,219	+ 13,219	+ 2,675
Total Customs and Excise...	340,526	— 3,574	+ 5,265	Total Expenditure	939,999	— 4,399	+ 96,205
Motor Vehicle duties	35,608	— 392	+ 1,000	Sums met out of Loans under Defence Loans Acts	128,050	+ 38,050	+ 63,183
Total Tax Revenue	896,415	— 20,085	+ 55,200	* Excluding Post Office and broadcasting.			
Post Office (net receipt).....	9,500	+ 830	— 970	SELF-BALANCING REVENUE AND EXPENDITURE (£000's omitted)			
Post Office Fund	1,400	— 1,000	+ 575	Post Office and Broadcasting ...	78,950	— 1,542	+ 2,870
Crown Lands	1,330	...	...				
Sundry loans	5,699	+ 449	+ 469				
Miscellaneous receipts	12,941	+ 2,441	— 569				
Total Ordinary Revenue ...	927,285	— 17,365	+ 54,705				

though Supplementaries exceeded the Budget provision by £7½ millions. Total defence expenditure (i.e. including sums borrowed) is shown quarter by quarter in the following table:—

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	127.5

Expenditure in a single quarter has come within £10 millions of the annual expenditure in 1935-36.

The prospects for the forthcoming Budget are a little puzzling. Supply Service expenditure to be debited to revenue is £674.0 millions, but some provision for Supplementaries, which can hardly be less than £5 millions, will have to be made. The Consolidated Fund services can be put at £238 millions, assuming that last year's

increase in the debt provision is cancelled. Thus the lowest probable total for expenditure is £917 millions. On the other side, revenue, on the existing basis of taxation, will have difficulty in reaching this figure, unless there is some unrevealed windfall to swell Miscellaneous Receipts. When the Estimates revealed, a month ago, that the revenue was to be relieved of £44 millions of defence expenditure, it was widely—and naturally—assumed that this was done in order to balance the Budget without any new taxation. There was, at least, no other apparent reason for selecting the precise figure of £44 millions. Now this assumption begins to look unsafe and there may be a gap of a few millions to be closed, even if no provision is made from revenue for the additional expenditure now to be incurred. The taxpayer will have to wait until Budget day to learn whether he is to be asked to assume new burdens.

Topics of the Week

Sentence on Terrorists.—I.R.A. activities increased again last week with the planting of bombs on Hammer-smith Bridge, in Fleet Street and in other parts of London, and also in Birmingham and Liverpool, with threats of more to come. It is presumably more than a coincidence that these explosions, in which it was lucky that no one was directly hurt, took place only a day or so after sentence had been passed on nine members of the I.R.A., and while others were awaiting sentence. The speed of the authorities in bringing these men to trial is a matter for sincere congratulation. Even in the case of the Hammersmith explosion two men were arrested and detained on the same day as it occurred. The sooner the perpetrators are under lock and key the better it will be for all concerned. But it is certainty of conviction rather than severity of sentence which acts as the surest deterrent, and it is no mere spirit of criticism that leads one to think that the Courts have been rather too severe. Of the nine men sentenced last Tuesday four received long sentences, respectively of seventeen, fifteen, twelve and ten years; while at Manchester Assizes on March 10th five men were each sentenced to twenty years' penal servitude. There may be every reason for these heavy sentences, but it would be a mistake to fall in with the tactics of the I.R.A. by giving them a handle with which to play on public sympathy. As things stand, their campaign to frighten the British public into some vague and undefined act of restitution has

failed utterly; their activities are universally regarded with complete contempt. There is no reason why their cause should benefit from that quite illogical sympathy which is accorded to those whose punishment is excessive.

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Railway Wages.—The sense of the Railway Staff National Tribunal's decision early last month went far to support the railwaymen's case in asking for the minimum weekly wage of 50s., although this demand, among others, was in fact rejected. But a moral award, based on the Tribunal's observation that a great part of railway wages is too low for human needs and contemporary standards, is an empty victory when funds are lacking to put it into effect. This week the National Union of Railwaymen have considered their line of policy. They have wisely eschewed the appeal to direct action. Inevitably, they were also compelled to reject the Tribunal's award in its entirety, though in doing so they lost the concessions affecting Sunday duties and spreadover adjustments, which the Tribunal allowed. The delegate conference has instead decided to put a renewed claim before the companies for a 50s. minimum, unaccompanied by any other demands. It is estimated that the cost of this concession in the conciliation grades would amount to £1,087,000, and the companies estimate the cost to all grades at £2,566,000. Thus the union has maintained a strong strategic position. It has

rejected the Tribunal's findings, but without, apparently, imperilling the negotiating machinery set up in 1935. Its case for a minimum standard has been conceded. Whether this standard can be provided without an appreciable improvement in railway revenues has now to be tested.

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The "Grid's" Progress.—Among our modern technical and economic experiments, few have been more successful than the Central Electricity Board. It has achieved its task—to provide the most efficient generation and large-scale distribution of power. And it is already paying its way fully from revenue. Indeed, the "Grid" is so well inside its cautious budget that interest on all stocks allocated to general purposes was charged to revenue last year, although last year interest on only £9,550,000 of general purpose stocks out of a total of £36,725,000 was specifically chargeable to revenue, and full revenue obligations do not become operative until 1942. The Board's credit balance from trading amounted to £2,754,368, and showed an increase of £739,860 compared with 1937. The report for 1938 underlines the two major economies provided by the "Grid." It estimates that total capital saved by the reduction in reserve generating plant is of the order of £22 millions—nearly three-quarters of the total capital expenditure on the construction of the "Grid" itself. Secondly, the inclusive average cost of generation per unit from steam stations under the Board's control has been reduced by 24 per cent. compared with 1932, or 17 per cent. after including the Board's capital charges, despite the substantial rise in fuel costs since 1935. To some extent this increase has been offset by higher fuel efficiency. By concentrating output at the most economical stations, average fuel consumption last year was 20 per cent. lower than in 1932 under independent operation. Of 171 stations under the Board's control, only 30 were in continuous operation last year, and 14 of the most efficient stations supplied 50 per cent. of the total units generated for the Board. Such achievements are impressive. They do not depend upon abnormal benefits from the "cold snap" last December, from which the Board derived no more than £75,000, a figure much lower than some estimates. The Board has now placed orders for an emergency pool of switchgear, transformers and other equipment to replace temporarily any apparatus damaged in the event of war.

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Defence in the Dominions.—Australia is the first nation of the British Commonwealth to adopt a compulsory national register of man-power. After an experiment with a voluntary register, the Australian Cabinet decided last week to introduce compulsion. This followed an important statement by Mr Lyons, in which, after giving his cordial support to Mr Chamberlain's foreign policy, he declared that the time for making further concessions in the hope of preserving peace had passed. Within the last week the Cabinet had authorised additions to the existing armament programme amounting to £65 millions in three years, which would raise it to the rate of £26 millions a year, and this might not be the end. The militia had been enlarged and reorganised, and the air force now consisted of 132 first-line machines, with reserves. Immediate action (as Sir Kingsley Wood also announced in the House of Commons on March 23rd) would be taken to make in Australia airframes of British design, not only for the Australian force but also for the R.A.F. in the Far East. The production of munitions had likewise nearly reached the stage at which Australia could produce for other parts of the Empire as well as herself. In an optimistic review of South Africa's defence preparations, Mr Pirow also stressed the fact that the Union would soon be self-sufficient in ammunition. The four chief ports of the Union and South-West Africa were being armed with 15-in. and 9.2-in. guns. The air force consisted of nine squadrons, with reserves, and over 2,000 pilots were available. Canada is also accelerating her defence plans in the light of the increased international danger, more especially in the direction of improving the air defences of the coasts. Though it is for each Dominion to decide the nature

and extent of its participation in any war involving the United Kingdom, this determined girding on of arms cannot fail to make a valuable international impression.

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Canadian Policy.—In Canada, even more than in South Africa, because the needs of local defence are less demonstrably urgent, preparations to enable the Dominion to take part in a world stand against aggression are hobbled by the isolationism of a minority. In a debate on external policy during the past week, Mr Mackenzie King, obviously anxious to avoid widening the fissure in national outlook, returned to his familiar equivocation about Canada's attitude in the event of a war involving Great Britain. He opposed the enactment of a measure declaring that Canada would remain neutral until a separate declaration of war had been made by His Majesty on her behalf, on the ground that it would provoke a passionate controversy which would impair national unity, and because enemy nations might draw the unwarranted conclusion that Canada had made up her mind to be neutral in any conflict. Canada's decision about participation in a war would, he said, be determined by deeper forces than the legal position. The decision would be made by Parliament—but he did not go on to say that Parliament could well decide now its policy towards an outburst of aggression that involved the democracies in a death struggle. Mr Lapointe, the Minister of Justice, was firmer and franker in his declaration that neutrality was impossible for Canada. The Statute of Westminster, he said, was a statute of union, not of disintegration. For these expressions he has been hauled over the coals by some of his fellow French-Canadians, one of whom declared that if a majority tried to force the minority to take up arms for the defence of a foreign territory, that would be the end of the Canadian confederation. The impression left by the debate is that if Great Britain were involved in war against aggression the mass of Canadians would favour Canada's coming in with all her power, but that any attempt at conscription would meet with bitter hostility.

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France and Italy.—The first Italian rejoinders to M. Daladier's broadcast of March 29th were made before Mr Chamberlain's announcement, on the 31st, of the British guarantee to Poland. Presumably the new departure in British foreign policy, the rally of the whole nation behind it, and the welcome that it has received throughout the world, must be causing Signor Mussolini to think furiously about the prudence of trying conclusions with the Western Powers and their friends to the east of the Axis. It is all the more remarkable that, even before last Friday afternoon, the Italian reaction to the French Prime Minister's courteous and reasonable yet firm and plain speech should already have been unwontedly mild. "Italy does not intend to remain a prisoner in the Mediterranean" was Signor Mussolini's only comment in a speech which he made, on his Calabrian tour, at Cosenza on the 30th—and, to this, Signor Gayda's interpretative echo was "Italy is not impatient; she can wait." This last theme was developed by the Duce at Reggio on the 31st. "We think," he said, "in decades, and consequently we are always ready to wait with the confidence of a nation which has plenty of arms and sound hearts." He explained his meaning by declaring that the strong nations are those which are fertile, the weak are those which are sterile, and that when these latter are reduced to a miserable handful of old men they will have to bow to the whip of the young master. Whether fertility in itself is really a passport to world power may be debatable; the evidence of India and China does not point that way; but it is undoubtedly true that a persistently sterile nation would be bound eventually to forfeit its heritage; and if Italy's policy is to wait until she becomes the residuary legatee of her less fertile neighbours, nobody will want, or be able, to say her nay. The neighbours in question are primarily the Arab and Berber peoples under French rule, or French protectorate, in North-West Africa; and the Arabic version of M. Daladier's broadcast was enthusiastically

received from the Libyan frontier of Tunisia to the Atlantic seaboard of Morocco. These North African peoples, like the Italians just across the water, are "young" in the sense of being newly awakened to a national consciousness. They have rather suddenly developed a strong will to live and grow; and they evidently believe that they have a better chance of doing this under the aegis of a democratic France than under the heel of a Fascist Italy.

* * *

The mildness of the Italian reaction to M. Daladier may, however, be deceptive. Italian activities in the Mediterranean have not been abandoned. An extension of the already dominant Italian influence in Albania appears to be in prospect, with the possible object of reminding the countries of the Balkan Entente, especially Yugoslavia and Greece, that Italy has a foothold in their peninsula. And in the West, although General Franco has proclaimed the official end of the war in Spain, there is no sign of a move to repatriate the Italian troops. On the contrary, there are reports of reinforcements.

* * *

New Constitution in Denmark.—The Danes are in process of reforming their democratic system one step further. The Landsting, or the Upper House (the Lower House is called the Folketing), last month voted itself out of existence; this week's general election has created the new Parliament necessary to place the constitutional reform on the Statute Book; a referendum will next be taken, followed by Royal Assent to the reform; and, finally, another general election based on the new Constitution will return a reformed Parliament. The root cause of all this goes back to the middle of the nineteenth century; in brief, the Folketing has always been socially in advance of the Landsting, which has consistently hindered the Folketing's reforming zeal. In the general election of 1935 the Socialist-Radical Government of Hr. Stauning returned considerably strengthened and was in a position to initiate constitutional reform; but even with its added strength the Government could get the reform through the Upper House only by 43 votes to 32, while it passed through the Lower House by 90 to 23. Monday's election put back the Stauning Government for a fourth term of office with the loss of only four seats, and the voting left no doubt that the new constitution will be approved by referendum. In the new scheme of things Parliament will consist of a Rigsdag of 210 members, 175 of whom will be elected in the normal way; and 140 of these will form the Folketing—a reduction of nine seats in the Lower House. The remaining 35, elected by proportional voting from and by the 175 elected members, will join with 35 other members elected from a National List to form the Rigsting, or new Upper House. In cases of disagreement between the two Houses they will assemble together in a "united Rigsdag," and a majority vote will be recorded. Less pleasant in present Danish politics is the increase which Monday's elections showed in the German Nazi vote by 2,500 votes and in that of Hr. Clausen's Danish Nazi Party from 16,000 to 31,000. The Danish authorities have lately been troubled by bands of German youths crossing the frontier and distributing seditious literature; and the last few days have seen a recrudescence of anti-Danish propaganda in the German Press. The Germans in Slesvig are treated considerably better than they would be in Germany; but that fact will not exempt Denmark, when the time is ripe, from being the object of atrocity propaganda fabricated in Berlin.

* * *

A Double Tragedy in Iraq.—King Ghazi, the son of King Feisal and the second king of Iraq, was killed in a motor accident on Tuesday. A few hours after the accident a mob, infuriated by agitators who accused the British of the King's death, attacked the British Consulate in Mosul, murdered the consul, and burnt down the building. Martial law was at once declared in the Mosul area, and four men have been arrested and are to be tried in a special

court. The last day of King Ghazi's six-year reign was thus the most to be regretted; and that, as is commonly known, is saying a great deal. For King Ghazi was a bad king, impatient, indifferent, irresponsible, a direct contrast to his father. The measure of his unfitness for a position which asked great skill, courage, and judgment, is the amount of active political intrigue rife in Iraq during the past few years. To his credit it may be said that Ghazi at least kept out of most of this intrigue, though he was implicated in the *coup d'état* of General Bekir Sidky; equally he did nothing to curb it. The future does not seem over-bright. Ghazi is succeeded by his four-year-old son; the regency goes to the Emir Abdul Illah, who will require all his wits and courage to steer a Government through the nets of new intrigue which Ghazi's sudden death threatens to spread.

* * *

Road Accidents.—The Select Committee of the House of Lords on the prevention of road accidents has chosen an appropriate time for the publication of its report,* for the first Bank Holiday of the year generally marks the beginning of the seasonal increase in the number of casualties. These are illustrated by diagrams on page 112, and the melancholy picture there presented makes the public apathy, rightly condemned by the Committee, quite extraordinary. A hundred deaths in a smallpox epidemic would cause consternation throughout the country; yet the public, and the Government, seem quite content to allow 6,000 persons to be killed every year and thirty times as many to be injured. One of the chief recommendations, therefore, of the Committee, is that a Department of Propaganda should be set up to carry on an extensive and persistent campaign among all adult road users, and that instruction in road safety should form part of the curriculum of every school. The Committee, however, does not accept the Ministry of Transport view that over 90 per cent. of accidents are due to human errors of judgment and thoughtlessness, although it agrees that these probably account for the majority. It is of the opinion that road improvements could make a substantial reduction in the number of accidents; but it realises that in making its detailed recommendations for putting such improvements into effect it is up against the problem of expense and the division of responsibility between the Ministry and local authorities. For instance, it is virtually impossible for a County Council to construct dual carriage-ways, which have proved very effective in reducing accidents, as the Ministry offers only a 66½ per cent. grant for them, against a 60 per cent. grant for single carriage-ways, although a dual carriage-way costs from 75 to 100 per cent. more to construct. Moreover, progress on the trunk roads, for which the Ministry is wholly responsible, does not seem to be any faster. Obviously, the Ministry should

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have more power over local authorities; but it should also be willing to shoulder a far greater part of the financial burden than it does at present. The Committee's proposal for regional committees, consisting of representatives of local authorities and the police, is both novel and admirable; for they could do much towards securing more uniformity in road construction and enabling a large-scale programme to be carried out. But road improvements, however desirable, must take time. If there is to be an immediate fall in the death-rate on the roads, it can only be done by awakening public opinion to the responsibility which rests on drivers, cyclists and pedestrians alike whenever they are using them.

* * *

"Wireless" by Telephone.—Although the Ullswater Committee on Broadcasting recommended in 1936 that the services of the relay companies (i.e. companies which, within their local areas, distribute radio programmes by wire to subscribers' houses) should be taken over by the Post Office, Major Tryon announced in the House of Commons on Thursday last week that their licences are to be extended for a period of ten years until the end of 1949. In addition, the Post Office will introduce a service for the distribution of three or four broadcast programmes over the telephone. The Government hopes to be able to start this new service in a few districts this year and to extend it later. The cost of this new service to subscribers has yet to be worked out. In contrast to the relay companies, which hire out loud-speakers connected to a central receiving set, the Post Office's programmes will be transmitted through the telephone wires to the subscriber's own receiver. The new service, which is already in extensive use abroad, will be of considerable advantage in an emergency, for, unlike transmission "over the air," broadcasting by telephone cannot be easily interrupted, nor can it serve aircraft as direction-finding signals. There are already more than 3,000,000 telephone subscribers and the new service might ultimately be extended to non-subscribers. It is to be hoped that it will be developed with all possible speed.

* * *

Trade with Scandinavia.—The visit of Mr R. S. Hudson, the Secretary of the Department of Overseas Trade, to Sweden and Finland has once again directed attention to Anglo-Scandinavian trade. Whether judged by total consumption or by consumption per head of British goods, the four Northern countries—Finland, Sweden, Norway and Denmark—with a population of 17 millions, constitute a most important market. Last year their imports from us totalled over £40 millions, 18 per cent. more than in 1929 and more than those of either India or South Africa, our two largest individual customers. In particular our coal and coke exports to Scandi-

navia rose by 50 per cent. between 1929 and 1938, and now represent nearly a quarter of our total foreign sales. But, in spite of these increases in Scandinavian purchases of British goods, our imports have continued to exceed our exports. Last year our surplus of imports from Scandinavia, though much less than in 1929, was still substantial. Details of Anglo-Scandinavian trade, including an analysis of the principal imports, is given below:—

TRADE WITH SCANDINAVIA
(Figures in £'000)

		Finland	Sweden	Norway	Denmark	Total
Total Imports into U.K.	1929 ...	14,945	25,709	14,149	56,178	110,981
	1937 ...	22,437	26,191	11,574	36,750	96,952
	1938 ...	19,282	24,552	11,032	37,860	92,726
Domestic Exports from U.K.	1929 ...	3,363	10,548	9,858	10,670	34,439
	1937 ...	5,962	13,021	8,939	16,902	44,824
	1938 ...	5,524	11,725	7,566	15,783	40,598
Re-exports from U.K.	1929 ...	530	1,156	469	829	2,984
	1937 ...	398	952	375	667	2,392
	1938 ...	327	1,109	268	586	2,290
Excess of Imports	1929 ...	11,052	14,005	3,822	44,679	73,558
	1937 ...	16,077	12,218	2,260	19,181	49,736
	1938 ...	13,431	11,718	3,198	21,491	49,838

BRITISH IMPORTS FROM SCANDINAVIA
(£'000)

	1929	1937	1938	1938 Percent. of Imports from all Countries
Mainly Danish:—				
Bacon	29,240	16,585	17,200	56
Butter	23,854	13,705	15,540	31
Eggs in shell	5,231	4,810	5,100	41
From Norway and Sweden:—				
Iron ore and scrap	1,626	2,672	2,940	27
Iron and steel manufactures	1,823	3,013	2,567	18
From Norway, Sweden and Finland:—				
Timber	16,308	19,881	14,776	35
Paper-making materials	9,389	12,051	12,689	79

A feature of our trade with Scandinavia, not shown in these tables, is the relatively small proportion, 12½ per cent. of imports and 30½ per cent. of exports, carried in British vessels. In part this is due to the general failure of British shipping to compete successfully in the timber-carrying trade even between Empire ports. But not entirely; while British vessels carried £25 millions' worth of Anglo-Scandinavian trade in 1937, Scandinavian vessels carried £75 millions of trade between Britain and non-Scandinavian countries. As a result Scandinavia is one of the few parts of the world in our exchanges with which shipping is actually an invisible import. If it may be surmised that the balance of our invisible trade with Scandinavia does not amount to very much either one way or the other, then our balance of payments as well as our balance of visible trade would be about £50 millions. Scandinavia, if the surmise were correct, would alone account for the deficit in our balance of payments with all countries. It must not, of course, be assumed from this that our Scandinavian trade is a source of weakness. Quite the contrary is the truth. For one thing, since the Scandinavian countries are members of the sterling bloc, deficits on our accounts with them do not affect the exchange value of the pound. And secondly, our excess of imports with Scandinavia forms part of the chain that is (or was) the classical example of the advantages of multi-angular trade. The overseas primary producing countries in which British capital is invested sell raw materials to Germany; Germany sells manufactures to Scandinavia; Scandinavia exports to Great Britain; and so the interest on our capital invested in the tropics comes home in the form of Scandinavian timber.

* * *

The Slovak-Hungarian Frontier.—The Slovaks are quickly discovering that the German protectorate which Herr Hitler has conferred on their country is to be an instrument for furthering Germany's interests and not Slovakia's. During the latter part of last week the fighting between Slovak and Hungarian troops in the Slovak-Ukrainian borderland died down, and at Bratislava

31st, the Slovak-Hungarian Mixed Commission agreed upon a frontier line, in this sector, between Slovakia and Hungary, which substantially accords with the Hungarian demands. The Uzh (or Ung) valley, with the railway from Budapest to Lwów running through it, is to fall to Hungary, and the new frontier is approximately to follow the watershed between the rivers Uzh and Laborc. If all Ukrainians south of the Carpathians are to be regarded as Hungary's legitimate prey, the new line is not so unfair, since the old line assigned a fringe of Ukrainian population to Slovakia. It is obvious, however, that the Hungarian motives for demanding the present revision of the frontier have been not ethnographical but strategical, and that the Slovaks have capitulated not to abstract justice but to *force majeure*. They have been unable to resist Hungary because Hungary has enjoyed Germany's tolerance, while the Slovaks themselves have looked in vain for German support. Had they been sharper sighted, they might have saved themselves the trouble of asking for it, since Germany's attitude towards the present Slovak-Hungarian conflict was predictable in advance. For the moment, Germany's Slovak pawn has served its turn by ministering to the break-up and extinction of Czechoslovakia. On the other hand, Hungary has still to serve her turn by ministering to Germany's designs on Rumania. Therefore, for the moment, Hungary must be humoured and Slovakia be left in the lurch. If Hitler's grand design is not now thwarted by Mr Chamberlain, Hungary's turn will come later; for Poland may be brought to the ground by the erection of a German puppet state in the Polish Ukraine, and no doubt, if and when this step is duly taken in the Fuehrer's march towards world dominion, Hungary will be required to yield up the Sub-Carpathian Ukraine as her contribution to the manufacture of the new German pawn. It is thus a matter of indifference to Germany where exactly the momentary frontier between Hungary and Slovakia may be drawn. But the Slovaks must already be ruining the day when they repudiated the protection of the Czechs and threw themselves on the Germans' mercy; and the Hungarians and Ukrainians must be reflecting that it is not much fun for them to be the next pawns in the German dictator's game.

* * *

Appeasement in Yugoslavia.—The disappearance of Czechoslovakia has made more than ever desirable a rapid solution of the Serbo-Croat problem, and from current reports it seems that formal negotiations may be expected to bear fruit in the near future. An immediate rumour following the invasion of Bohemia was that the same technique would be applied to Yugoslavia, and on his side Dr Matchek, the Croat leader, did his best to counter this by an important statement in which he said that "the Croats sincerely desire the maintenance of existing frontiers and of the Serbian dynasty, but demand their liberty." He was ready, he added, to take part in a coalition Government while a federal solution was being worked out, "but the question must be resolved with the least possible delay." In view of his accustomed silence a good deal of importance should be attached to these remarks, and it is interesting that the censor permitted their publication in Yugoslavia. Dr Matchek is politician enough to take advantage of the present situation to press his demands more urgently, a hint which has not been lost by the authorities in Belgrade; a political amnesty was announced a few days ago, and, in order to clear the way for the passage of laws preparatory to formal negotiations, the Budget was pushed through the Senate almost without discussion. The attention of the Skupstina is already bent on the matter of electoral and Press law reform, but how far the Government will go towards federalism remains to be seen from the important talks held in Zagreb this week between M. Tsvetkovitch, the Prime Minister, and Dr Matchek. Meanwhile there are fresh rumours of a German attempt to secure virtual monopoly in Yugoslav trade; and although the rumours are officially denied the suspicion remains that something of the kind is in the wind. Given the widespread desire which exists in Yugoslavia to do more trade with Britain, a German success here would be deplorable.

Japan's New Islands.—Japan, like Germany, is now showing her hand. Last week she proclaimed the annexation of the Spratley Islands, a group of islets and reefs in the South China Sea about half-way between the southern tip of French Indo-China and the northern tip of British North Borneo. The Power immediately affected is France, who herself formally annexed these islands in 1933; but this latest Japanese move cannot leave either Great Britain or the Netherlands or the United States indifferent. The pretext for the Japanese annexation is the working of the phosphate deposits on the islands by Japanese nationals. But no other Power was interfering, or thinking of interfering, with this legitimate and harmless Japanese economic activity; and the inference is that Japan now intends to put the islands to their other possible use; that is, to convert them into an air-base. This prospect is of serious concern to the British Empire and the United States, for the Spratley Islands command the sea-route between Singapore and Hongkong, while Manila will be taken between two fires when the Japanese armed forces are established in the Spratley Islands on one side as well as in Formosa on the other. When the Japanese occupied the Chinese island of Hainan it was all but certain that this move was directed, not against China, but against the Western Powers; but we gave Japan the benefit of the doubt, in consideration of the assurance that the occupation would be only for the duration of the Sino-Japanese "incident," and that the purpose was to prevent the shipment of munitions to the Chinese army. The Spratley Islands, however, have nothing to do with China or the Sino-Japanese War, and Japan has annexed them outright. Therefore, there can be no doubt, this time, about what may be Japan's objective. The dangers of complacency in the face of aggressive intentions are as great in the East as in the West.

* * *

Rayon Production: A Correction.—A Note in last week's *Economist* with the title "Rayon's Claim," which commented on the proposal to include the rayon industry within the purview of the projected organisation of the cotton industry, contained an unfortunate slip. The Note argued that it was illogical to put a young and rapidly expanding industry under the control of an old and shrinking industry which is in many ways its competitor and, in developing the argument, stated that "while the output of the cotton industry has fallen by 40 per cent. since 1913, that of the rayon industry has risen by 22 per cent." This should, of course, have read "by 22 times," or "by 2,200 per cent." The argument gains a hundredfold by the correction.

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The World Overseas

Belgium's Problems

AS well as dealing with budgetary troubles the Belgian Parliament elected last Sunday will have to haul down the kites of a more serious menace to its stability. At a time when every small nation must look to its minorities if it wants to remain united and independent, Belgium is awake to sharpened hostility between the two great parts of its population, the Flemings and the Walloons.

It is not too much to say that the biggest influence on last Sunday's results was Herr Hitler. By providing so timely an example of what happens to nations split within themselves he roused Belgian fears to such a pitch that the Flemish Nationalists (the V.N.V.), contrary to previous expectations, succeeded in obtaining only one additional seat in the Chamber, at a time when the Rexists, in some sense their rivals, were losing seats by the handful.

The Chamber returns little altered in its main composition. The Catholic and the Liberal parties have won an additional ten seats each at the expense of the Socialists, who are reduced from 70 to 64 in payment for M. Spaak's appointment of Dr Martens, and also at the expense of the Rexists, who have lost 17 out of their 21 seats. Although the Liberals and Catholics have now a combined majority over the Socialists and the small parties, it is probable that the next Government, as were those before it, will be a Catholic-Socialist-Liberal coalition; but unlike them it will have the advantage of being able to work in a normal rather than a surcharged political atmosphere. It was noticeable in Brussels during the election campaign that each party was making an effort to pile the blame of upsetting the apple cart on to someone else, and that there was a common feeling of exasperation at what was thought to be an unelevating exhibition of irresponsibility. The Belgians as a people are ardent politicians: now that they have had catharsis in an election campaign they should be content to get down to work again. The failure of the Heimattreuefront, the German party in Eupen and Malmédy, to make much headway, is an encouraging sign of this.

The immediate cause of Flemish-Walloon tension was M. Spaak's appointment to the newly-formed Flemish medical academy—founded to appease those many Flemings who resent the implied superiority of French culture—of a man whom King Albert had condemned to death for separatist activity during the war, but whom the Crown had pardoned in 1937. Upon this hapless man, whose name is Dr Martens, was focused the hope of Flemish autonomists and the hatred of Walloon patriots. He was at once the figurehead of a principle in which he declared he no longer believed and an example of shame for his supporters' opponents. His appointment and later refusal to withdraw caused the fall of one Government and the impossibility of forming another; but now, in close agreement with the impetuous spirit of Belgian politics, he has solved his own problem by resigning from the academy.

His resignation does not end the matter. The new Chamber will have to devise further measures of appeasement. For while it is true that Flemish separatism finds little response in the wide spread of public opinion, movements which have their roots in genuine racial, traditional, and religious differences are difficult to calculate and sometimes impossible to contain. The ancient rights of local government to which the Belgians cling provide good soil for those roots; and the record of successes which the Flemings have scored since the war in the field of linguistic privilege might have carried them on the wings of a fanatical minority far beyond their original intentions. With the rude shock of events in Central Europe the risk of that has disappeared.

But disruptive forces remain. Least dangerous, because most impractical, is the Verbond van Dietsche Nationaal-solidaristen, whose object is to found a composite Netherlands State, called Dietschland, including Belgium, Luxembourg, Holland and other groups. As a source of university talk this movement is good fun: it has no other significance. Less impractical is the Vlaamsch Nationaal Verbond, with separatist ambitions confined to Belgian Flanders, and seventeen seats in the new Chamber. This is the real danger to Belgian unity, finding its strength in a deep-seated resentment of things French, in a harking back to Flemish artistic

glories, in the friction caused by a community of land-workers cheek-by-jowl with an industrialised community.

Were it not for one fact of immense political importance the V.N.V. might go much farther than it has. That fact is the essentially non-party aspect of Flemish nationalism. The political parties cut heedlessly across the linguistic division. What the Flemish sections of the Socialist and Catholic parties want (the Liberals have little influence in Flanders) is simply an extension of linguistic privilege, and in this they meet the main current of popular opinion.

Walloon trade unionists may grumble at seasonal labour imported from Flanders on the cheap, and Flemings at what they think idleness on the part of Walloons who will not bother to learn Flemish; but these dissensions, and others like them, are instinctive in the Belgian political animal and will never lead to separation. When the Army mobilised 380,000 men last October Flemish regiments were met with acclamation in Liège and Charleroi, and this is only one example in many of the ties which bind Belgium together. Another of those ties is the person and popularity of the King, and it is matter for sincere regret that among those who have suffered from *l'affaire Martens* King Leopold should have a leading place. His signature to the appointment of Dr Martens was read by Walloons already jealous of his Flemish accent as a mark of recognition for a man whom his father had sentenced to death. There was talk of intrigue; and although a movement for verbal disarmament is now in progress, the King's impartiality has been impugned and some of the mud will stick.

Balancing the Budget

Attempts to form a Government after the fall of M. Spaak shipwrecked as much on the budgetary as on the Flemish problem. Party prejudice has done its best to obscure issues which are really quite simple. The ordinary Budget for 1939 has to cover a deficit of 353 million francs, the extraordinary Budget a deficit of over two milliards, or about 2,500 millions in all. There is fairly general agreement that the ordinary deficit, amounting to 3.3 per cent., can be balanced by non-controversial economies: the fat was in the fire because the Liberals were accused of making party capital out of Dr Martens' appointment, and the Catholics out of the budgetary situation, in order to throw overboard the Socialist programme of public works.

The key problem rests in the deficit on the extraordinary Budget. Broadly speaking, there is the alternative between a loan or a devaluation with subsequent taxation of profits. The first of these carries difficulties which may after all persuade the Government to adopt the second alternative. Borrowing at home, however, will not be easy for a number of reasons, chief among which is the unreceptiveness of the money market. An internal loan issued after Munich last year was successful on a premium basis, but the fact remains that the tendency to hoard is common and that savings, even if ample, are not readily forthcoming. The opponents of public works point out that this situation has been aggravated by the large amounts raised internally for capital expenditure in recent years: 2,486 millions in 1936, 2,877 millions in 1937, and 2,573 millions in 1938. Borrowing abroad was carried through without mishap in Holland and Switzerland in 1938, but promises to be less easy and less cheap in 1939. There are, on the other hand, a number of strong arguments for another devaluation, or at least for an attachment to sterling rather than to gold, for nowhere is the course of the pound more closely watched and felt than in Belgium.

Belgium lives by exporting raw materials and manufactured goods at prices cheaper than neighbouring countries can manage, but the general movement of her foreign trade since 1931 has been far from satisfactory. The year 1938 showed a serious fall in exports:—

Foreign Trade	Imports (Millions of francs)	Exports (Millions of francs)
1936	21,700	19,750
1937	27,650	25,500
1938	23,185	21,730

Stocks of coal rose from 676,000 metric tons in December, 1937, to 2,222,000 metric tons in December, 1938; steel production fell from 3,843,000 metric tons in 1937 to 2,465,000 in 1938; and the daily average of registered unemployed rose from 179,000 in December, 1937, to 241,000 in December, 1938. Renewed competition by French industries working with the advantages of a devalued franc is a further argument for devaluing the belga. But at the moment counsels of caution prevail, founded on *rentiers'* reluctance and the probability of labour claims on the profits of devaluation.

It will be for the next Government to decide. To obtain public confidence must be their first objective, for too much damage has been done in the past few months by vacillation and internal dissension to allow a new Government to take office as if nothing important had happened. The international situation should be a further aid towards that compromise which they must in any case achieve; its elements will now be heavily in favour of the Liberal-Catholic thesis of retrenchment and against the spending programme of the Socialists. As far as one can see, *l'affaire Martens* will be buried in the same grave as some of the more expensive public works projects, and the ordinary Budget balanced by a national defence, will require most careful thought; it may perhaps be said that the arguments for a measure of devaluation seem powerful enough to overcome a rooted reluctance in financial circles to take this step.

For the Flemings the Government is likely to have soothing words pointed by linguistic concessions. In this they are expected to collaborate closely with the recently appointed Minister of Education, a well-known *Flamingant*, who proffers a dual administration of the ministry on bilingual lines. The appointment of this professor has stood firm through this month's marchings to and fro; he represents the sane and moderate side of Flemish particularism, and if the new Government acts with dignity and decision, there need be no fear of danger to the unity of Belgium.

Germany's New Economic Policy

[FROM OUR BERLIN CORRESPONDENT]

THE Third Reich's financial and economic policies were described once more in a speech made by Herr Funk, Reich Minister of Economics and President of the Reichsbank, some days ago to the central committee of the Reichsbank. With her new territories Germany has become the largest industrial country; and, by the aid of political pressure, has succeeded in creating for herself an "economic area" which stretches from the Baltic to the Black Sea.

The recently negotiated German-Roumanian trade treaty has a distinct rôle to play in Germany's trade policy; and it is also intended as a model for future agreements. With a dig aimed at Great Britain and the United States, Herr Funk emphasised that no "silver bullets" were to be fired with this agreement, and that "odious political loans and oppressive interest and currency obligations" would not be employed. The treaty, he said, served rather to develop Roumania's production and to raise her standard of living, while providing Germany with raw materials and increasing her exports. "We grant long-term credits in half-finished and finished goods," he explained, "and these are wiped off by the labour of the Roumanian people as soon as these investments become productive. In this way our goods act in Roumania as currency, and on our side Roumanian raw materials act as foreign exchange. On this basis, Roumania is financing her increased production with additional lei, while we finance ours with additional Reichsmarks."

This would seem to forecast an extension of the economic and financial system which, so far, has been restricted to Germany. The security of the currency is no longer based on the gold supply, but on the labour capacity of the nation—on the principle that each newly-created mark must be balanced by a corresponding increase of production. This in turn means that the stability of gold will be replaced, with the German-Roumanian treaty, by stable prices, production, and wages; and thus leave Roumania to run the danger of complete financial and economic isolation from the rest of the world, and of entire dependence on Germany. There is, too, the further danger that this dependence will force Roumania to institute a system similar to Germany's, so as to regulate dealings and movements in foreign exchange, goods, consumption, exports and imports. Furthermore, while Germany has a limited capacity to deliver industrial products to Roumania, the latter can deliver an unlimited quan-

tity of agricultural produce and oil to the Reich, with the result that very soon considerable amounts of Roumanian capital will become frozen credits in Germany.

With regard to Germany's economic relations with other nations, Herr Funk stated that Germany would never again allow herself to be caught in the net of international gold movements or international debts. The Reich, however, would be prepared to co-operate in the settlement of international economic questions as a partner with equal rights, and provided that respect were accorded to Germany's "national needs." With her 90 million inhabitants Germany was a desirable partner who could not be disregarded by the world, and least of all by neighbouring nations.

But the present trend has forced Germany to mobilise all her internationally negotiable assets in order to maintain her imports; and it has also shown that only in a very limited area can nations be coerced into supplying Germany. Willingness to sell and buy, closely connected as they are by Germany's lack of gold and foreign exchange, are rather a question of trust and friendship. With this in mind, Herr Funk explained that he considered the trade negotiations with England and France as only temporarily interrupted, thereby leaving the door open for their continuation. His attitude is significant.

The President of the Reichsbank also showed his dislike of the British Government's confiscation of private property owned by inhabitants of the Protectorate of Bohemia and Moravia; the British action, in his opinion, would make the prospective international financial and economic negotiations more difficult. He then mentioned the stand-still negotiations which, according to German ideas, should lead to a new basis of agreement. Germany has fought against the cancellation of credit lines during recent years, since she depends to a great extent on them for the financing of her foreign trade. In this connection, Herr Funk asked that private property should be internationally respected, and this, coming from him, sounds somewhat peculiar, National-Socialist Germany having financed a considerable share of her armaments at the cost of foreign creditors.

Dealing with the Reichsbank

A complete reorganisation of the Reichsbank is in sight. The international general council, and the commissioner in control of the note issue, were dropped in 1930. In February, 1937, Herr Hitler placed the Reichsbank entirely under the sovereignty of the Reich; and now, with the new Reichsbank law, Herr Hitler is given supervisory and directive rights over the bank and is thus master over German currency, finance and credit policy. The functions of the Reichsbank president and directors will now be confined to administration and advice. Against this system it may be complained that the head of the State cannot be subjected to restrictions regarding contracts and credits.

The capital of the Reichsbank, amounting to Rm. 150 millions, is to be entirely repatriated, although at the moment from Rm. 26 millions to Rm. 40 millions are in foreign possession. Foreign holders are to be "loyally" compensated, presumably by means of new bonds, with interest and amortisation paid in foreign exchange. The domestic shareholdings will also be affected since Reichsbank shares are to become State property. This would allow for the reduction or elimination of the 12 per cent. Reichsbank dividend, and would liberate resources that could be devoted to the export drive.

Speaking on the subject of currency and credit, Herr Funk declared that the Reichsbank's credit could not be safe in an authoritarian State, if the State credit itself were unsafe. The motto "The stronger the State, the stronger the Reichsbank" (or, in other words, that sound currency and credit depend on the strength of the State) is intended to justify unproductive State investment as well as to disprove the theory, which is not confined to foreign opinion, that there is

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a serious maladjustment in the Third Reich between consumer goods production on the one hand, and Government indebtedness and capital goods production on the other. Taking into consideration the excessive number of blocked marks (Sperrmarken) quoted at an unusually high rate of discount, Herr Funk's remark is rather curious: "In a healthy economy there is no bad currency, and in a disorganised economy there is no good currency." For the so-called "free Reichsmark," which is reckoned at the old parity, is only a fiction, since it is used neither for foreign buying nor selling, and even in the home market lacks buying power corresponding to its formal parity.

The Capital Market

The stabilisation of wages and prices, which are considered the most important prerequisites of a sound currency—and the balance between the monetary circulation and the production of goods, will, it is said, be facilitated by the consolidation of the two posts of Reich Economics Minister and President of the Reichsbank. The carrying-out of exceptional State projects can, according to Herr Funk, be continued without permanent harm on the triple assumption that no more contracts are granted than are possible with regard to available materials and man-power; that a reasonable relationship is maintained between capital and consumer goods; and that necessary exports are assured. Present developments have shown, however, that all plans to establish healthy conditions have been ruined by Germany's foreign policy.

The "New Finance Plan" is (as was described in last week's issue of *The Economist*) a continuation by different methods of the old system of indebtedness. The repayment of debts contracted by Germany's political expansion is charged to future generations. Since the Reich's need of money is still great, and large sums are to be immobilised by the use of tax certificates, it is questionable whether the industrial, mortgage and Reich Railways' issues planned for the current year and amounting to 2 to 2½ milliards, can be placed on the market. To create the necessary conditions on the capital market and on the Bourse the Loan Stock Law (which limits dividends) and the special tax on the sale of securities (speculation tax) have been repealed. The ban on mortgage credits has been lifted so as to encourage housing construction. The ban on issues by local authorities will also be raised to meet the lack of money now being felt by public enterprises connected with the Four-Year Plan.

The continued and acute demand for money by the State, and the demands made on business for taxes, has placed a strain on the Reichsbank. The total of Reichsbank credit reached a record level at the end of March at Rm. 9,207 millions, against Rm. 6,358 millions in the previous year; of this sum Rm. 8,137 (against Rm. 5,813) millions consist of bills, mainly armament bills. At the same time the currency circulation reached a new high point at Rm. 10,388 millions (against Rm. 7,571 millions in the previous year); whilst of this, the note circulation inclusive of Rentenbank notes, amounts to Rm. 8,699 millions (as against Rm. 6,013 millions).

* * *

Unemployment.—The Reich Labour Ministry has decreed that no unemployment figures are to be published in future, since, apart from those changing jobs, there are no more unemployed persons. As a result of the "flight from the land" there is a great labour deficiency in agriculture. In the old Reich territory there are 135,000, and in Austria 16,500 jobs open on the land, for which there were only 13,100 applicants in all. Two hundred thousand workers will come in from abroad, mainly from Italy.

Capital and Employment in America

[FROM OUR NEW YORK CORRESPONDENT]

THE first quarter is virtually ended, and there is as yet not one American statistical series that can be said to give positive indication of the expected Spring upturn. Since November the indices, making some allowance for seasonal considerations, have remained for five months on a sort of plane; about 20-25 per cent. above the first quarter of 1938, with a sagging rather than a rising tendency; but on the whole with no evident trend. Hope of a brisk second quarter upturn has by no means been abandoned, but the absence of positive harbingers is making this hope difficult to validate.

This hope rested partly upon the widely accepted doctrine of cyclical determinism—the theory which, stated in its baldest terms, is simply a conviction that what goes down

must come up, under the influence of "natural forces." This feeling is widely entertained, and goes so far as to believe that these "natural forces" are so powerful as to over-ride "artificial factors" although the latter are credited with some capacity to delay the effectiveness of the "natural forces." A second foundation of this hope was faith in the efficacy of the Spending Programme. As this correspondence has often remarked, even those who opposed the Spending Programme, conceded its efficacy as a recovery measure, resting their opposition, not on the argument that spending would not bring recovery, but that such a recovery would be brief and unstable. Some, if not a majority, of the most ardent budget-balancers "in principle" were at the same time more than acquiescent in the Spend-Lend programme announced a year ago. Proponents of the Spending Programme, of course, entertained no doubts of its efficacy.

The rather prompt sequence by which the upturn in the third quarter of 1938 followed the inauguration of the Spending Programme in the second quarter seemed to confirm these views; and the period of mid-winter quietude did not dispute them. But, as this correspondence has suggested previously, a failure of the recovery to extend itself by the second quarter of 1939 would be extremely disconcerting to the great body of American opinion; but again it may be emphasised that the rather disappointing record of the first quarter does not of itself forecast a poor second quarter.

The following table taken from the "Federal Reserve Bulletin" summarises new capital issues of recent years:—

NEW CAPITAL ISSUES (\$000,000)			
	Local Government	Federal Agencies	Corporate
1929	1,418	0	8,002
1930	1,434	87	4,483
1931	1,235	75	1,551
1932	762	77	325
1933	483	64	161
1934	803	405	178
1935	855	150	404
1936	735	22	1,192
1937	712	157	1,227
1938	962	481	854

Source: "Commercial and Financial Chronicle," retabulated in the "Federal Reserve Bulletin."

The table of local government issues is not strictly cumulative. Local government securities are commonly of the sinking fund or serial type, and of the \$15-\$20-odd billion outstanding in 1929, the provided retirement might be computed to average in excess of \$500 million a year. It is questionable if there has been a material net increase in local government debt in the past decade. The same general consideration would hold for corporate financing, although the serial or sinking fund obligation is perhaps not as frequent as in the local government field; and some allowance would have to be made for "disinvestment" in the form of default and bankruptcy. The year 1929 is not a good statistical "base," for it was a boom year, and of the new corporate capital issues, an incalculable portion were of a "financial" rather than a "productive" nature.

However, making all sorts of allowances, it seems clear that the rate of the flow of investment into corporate enterprise has a definite relation to unemployment. Approximately 1,000,000 persons a year come of working age, and of these it may be estimated that all the men and between a quarter and a half of the women expect to become employed. In modern industry, the tools of production are commonly expensive, although the investment per worker varies enormously from industry to industry, being highest in railroads and utilities, and lowest in the service industries that are in or near the handicraft stage. In 1929, there was an apparent "public" investment of about \$8,000 per person coming of working age; in 1938 it had fallen to about \$850—and that was above the average of recent years. The precise figures of new investment in enterprise required to provide all economic neophytes with the capital goods required for their productivity would be beyond calculation; but from the simple statistical fact that in 1929 the investment was apparently adequate and subsequently quite inadequate, one might arrive at an uncertain figure of considerable relevance.

In 1929 American enterprise sought about \$3 of new capital through shares, to \$1 of fixed obligations. Again, it may be emphasised that many of the shares of 1929 were distinctly financial investment trusts, holding companies, etc. But making all allowance, American enterprise in the '20's commonly financed itself with a relatively large proportion of shares to bonds. Since that time, it has been able to secure little share capital; or, more exactly, of the little capital American enterprise has been able to obtain, only a small fraction has been share capital.

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Statement of Condition, March 31, 1939

RESOURCES

CASH AND DUE FROM BANKS	\$1,229,178,285.66
BULLION ABROAD AND IN TRANSIT	15,861,281.62
U.S. GOVERNMENT OBLIGATIONS, DIRECT AND FULLY GUARANTEED	650,330,278.23
STATE AND MUNICIPAL SECURITIES	136,986,729.47
STOCK OF FEDERAL RESERVE BANK	6,016,200.00
OTHER SECURITIES	159,629,030.42
LOANS, DISCOUNTS AND BANKERS' ACCEPTANCES	608,609,357.21
BANKING HOUSES	34,177,962.73
OTHER REAL ESTATE	6,785,838.47
MORTGAGES	10,629,433.27
CUSTOMERS' ACCEPTANCE LIABILITY	21,742,149.91
OTHER ASSETS	8,324,829.46
	\$2,888,271,376.45

LIABILITIES

CAPITAL FUNDS :	
CAPITAL STOCK	\$100,270,000.00
SURPLUS	100,270,000.00
UNDIVIDED PROFITS	33,266,151.32
	\$233,806,151.32
RESERVE FOR CONTINGENCIES	16,104,748.04
RESERVE FOR TAXES, INTEREST, ETC.	2,279,790.34
DEPOSITS	2,594,436,940.07
ACCEPTANCES OUTSTANDING	22,826,549.23
LIABILITY AS ENDORSER ON ACCEPTANCES AND FOREIGN BILLS	6,837,144.02
OTHER LIABILITIES	11,980,053.43
	\$2,888,271,376.45

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Decline of Equity Capital

The table in the "Bulletin" further breaks down the corporate issues into fixed obligations and shares:—

NEW CORPORATE ISSUES (\$000,000)		
	Bonds and Notes	Shares
1929	2,078	5,934
1930	2,980	1,503
1931	1,239	311
1932	305	20
1933	40	120
1934	144	35
1935	334	69
1936	839	352
1937	819	408
1938	790	64

One may make certain obvious deductions from this table. The supply of debt capital annually accumulating in the United States does not appear to have greatly diminished since the 'twenties—that is the combined figures of Federal issues absorbed by the public, of local government obligations, and of corporate obligations would compare not unfavourably with comparable figures for, say, 1928 or 1929, allowing for the fact that in the former years, the Federal debt was shrinking. But the supply of equity or "risk" capital appears to have diminished enormously. One might go so far as to say that the current level of long-term interest rates compared with 1929 indicates that the supply of debt capital, relative to the demand (including the demand of the Federal Treasury) is greater currently than in 1929; but the supply of share capital has shrunk to a minute fraction of what it was. Whether the data should be interpreted to indicate that total savings available for investment have diminished in some proportion analogous to the figures of issues; or that the accumulation of debt-capital continues while the saving of equity capital has ceased; or that there is an accumulating uninvested saving of equity capital, is largely a matter of opinion. The simple facts seem to be (a) that American enterprise has not in recent years had access to any such supply of capital as would enable it to provide incoming potential workers with productive equipment, and (b) that the deficit has been most marked in the supply of equity or "risk" capital, and (c) that these factors appear to be related directly to the continuing question of whether the unemployed are to be cared for by the Federal Treasury or to find places in private enterprise.

Fall in Italian Shares

[FROM OUR TURIN CORRESPONDENT]

It was characteristic of business last year in Italy, as elsewhere, that the Stock Exchange was remarkably quiet. There was a marked and general fall in share values, and the following table of index numbers shows how drastically the prices of certain selected groups have been reduced since 1924:—

(Basis 100 = 1924)

	1935	1936	1937	1938 Feb.	1938 Nov.
Transport by sea....	6.2	11.9	15.3	15.7	12.6
Silk	13.7	20.3	23.2	23.4	17.3
Miscellaneous	12.9	16.1	18.5	18.3	17.9
Land & real estate	18.8	23.0	23.5	23.6	22.6
Cotton	16.5	22.6	29.8	30.6	25.8
Insurance.....	32.7	39.8	39.6	31.7	28.5

In the case of this group some shares are at a level which is actually only 30 per cent. of their 1924 value; and to explain these losses, it must be remembered that in this group are included old companies which, for special reasons, have suffered during the crisis enormous capital losses, and whose values will possibly never recover. Shipping, silk, land and insurance companies, moreover, live to-day in a very different world from that of 1924; and shareholders, writing off past dead losses, must be ready to consider, in one way or another, present values as normal.

These, however, are extreme examples of the fall that has taken place. Examination reveals other classes of shares whose value has not fallen so steeply. The next group includes industries whose share-values, at 30-50 per cent. of the 1924 level, remain below the general average:—

	1935	1936	1937	1938 Feb.	1938 Nov.
Rayon	26.5	34.5	40.6	44.7	38.0
Engineering.....	26.6	36.8	38.6	39.9	40.0
Chemical	29.0	35.9	38.5	41.2	40.9
Foodstuffs	36.7	40.0	43.4	45.0	45.0
General Index	35.3	45.3	48.9	50.0	48.8

This group is also very heterogeneous, and runs from rayon, which is a new industry, to the provision of food-stuffs, and to engineering and chemical concerns, which should profit from the self-sufficiency programme.

The general index has fallen to a bare half of the base-index for 1924. True, 1924 was perhaps the most prosperous stock exchange year in the present century; but the fact that shares dealt in on Italian bourses, notwithstanding two legal lowerings of the gold content of the currency unit, average only half the value of 14 years ago, is liable to be interpreted as an indication of the diminished net productivity of joint-stock companies.

It is important, on the other hand, to notice the important industries whose shares have by no means fallen so much in value as the general index. The following group includes industries whose share values, though still below the 1924 level, are above the prevailing general level:—

	1935	1936	1937	1938 Feb.	1938 Nov.
Iron and steel ...	41.8	57.1	56.8	61.5	58.4
Motor cars	46.3	60.3	59.8	56.8	59.3
Linen and hemp	44.7	59.4	75.3	71.6	66.5
Wool.....	60.3	64.9	79.0	83.8	68.5
Land transport...	60.0	77.2	73.3	77.5	72.5
Banking	62.0	77.7	82.1	83.3	73.8
Electricity	59.2	76.2	81.4	84.7	86.3
Mines	70.1	87.9	101.3	107.3	99.7

Finally, the picture is incomplete without reference to the small but significant group of industries, the value of whose shares has increased in some proportion to the reduction of the gold content of the lira:—

	1935	1936	1937	1938 Feb.	1938 Nov.
Water	106.7	119.2	120.7	122.5	117.3
Financial	62.8	87.3	107.7	118.0	117.5
Financial (ex Railways).....	84.3	108.0	122.9	127.7	120.5
Sugar	142.5	173.0	169.0	170.4	168.7

No general explanation can be given of the relatively high level reached by these groups. Water companies enjoy a monopoly, and sugar is highly protected; but as other groups have the same advantages, the real foundation of their improvement seems to be their conservative, exceptionally prudent, management. Financial companies (and ex-railway companies must be classed under the same head) have been able to shift their investments and pick the best securities in the market. They offer to the investing public, therefore, a type of investment which may be compared to that offered in Great Britain by trust companies, and their success points to a more optimistic conclusion than would follow from a cursory examination of the figures quoted above. Capitalists are not bound to remain faithful to investments selected in 1924; if, cutting old losses, they had begun anew in 1935 they would not have fared so badly. True, the general index rose only from 35.3 to 48.8, and is well below past levels; but after a fall of 64.7 per cent. between 1924 and 1935, a recovery of 38.2 per cent. between 1935 and 1938 is welcome.

An Indo-German Trade Treaty?

[FROM AN INDIAN CORRESPONDENT]

THE announcement that Dr Schacht, ex-President of the Reichsbank, is to visit India at the end of this month synchronises with the decision of the Federation of Indian Chambers of Commerce to press the Government of India to examine the question of negotiating a barter agreement with Germany on the basis of the exchange of German machinery for Indian cotton. Advantage is almost certain to be taken of Dr Schacht's presence here to explore the possible directions in which Indo-German trade can be enlarged. The Federation of Indian Chambers represents purely indigenous interests and includes within its membership the largest and most influential Indian business houses. It stands for economic as well as political *swaraj*; and, for political rather than for economic reasons, it would like to see Indian overseas trade increasing in non-Empire countries.

The fact that Great Britain is India's best customer is not entirely palatable politically. Indian Nationalist thought is looking for opportunities, not so much to curtail the total volume of Indo-British trade, as to minimise its preponder-

The Business Outlook in Canada

[FROM OUR OTTAWA CORRESPONDENT]

It is still not possible to forecast with any confidence the revival in business which has been expected for some time. Many signs of improved trading conditions can be discerned, but the prospect of their taking shape in the form of a genuine recovery remains uncertain. A week ago there seemed to be renewed confidence about the outlook for the coming months, but optimism has now been considerably chilled by Germany's sudden move against Czecho-Slovakia and the return of acute tension in Europe. Hopes for general appeasement, which might lead to the revival of international trade and produce the expanded market Canada's natural products urgently need, have been nipped.

It is encouraging, however, that the general index of business activity of the Bureau of Statistics showed an upward tendency in March. The index has lately moved as follows:

Week ended	Car-loadings	Wholesale Prices	Bank Clearings	General Index
March 12, 1938	77.15	83.2	95.8	109.6
February 25, 1939 ...	68.5	73.3	88.3	105.8
March 4, 1939	68.5	73.2	98.0	107.6
March 11, 1939	69.5	73.2	96.2	108.3

Stocks in the hands of merchants are reported to be low, and the recent increase in railway carloadings devoted to merchandise and miscellaneous freight is an indication of heavier buying of goods by retailers.

The revival of business confidence in the United States, which is being promoted by the recent change in the attitude of the Roosevelt administration to business, is also counted of good augury for Canada. In February there was a substantial increase in Canadian exports to the United States. They were valued at \$23,790,572, compared with \$17,303,798 in February, 1938. It is true that the figures for February this year include shipments of gold bullion to the value of \$3,601,290; but, even apart from these, the increase in exports was approximately three million dollars.

Conditions in the prairie provinces, except in a few limited areas, are much better than they were a year ago, and no serious reduction in wheat acreage is expected. The building industry, too, has started the year well, and the value of new contracts placed in February was \$11,322,900, compared with \$7,260,800 in January and \$6,551,700 in February, 1938.

The activity of the mining industry is still high and in February, which was a short month, exports of copper, nickel and zinc amounted to 395,111 cwts., 187,867 cwts., and 240,757 cwts., respectively, compared with 354,467 cwts., 193,109 cwts. and 281,288 cwts. in January and 327,727 cwts., 193,022 cwts. and 277,298 cwts. in February, 1938. The total production of gold was 370,725 fine ozs., compared with 438,699 fine ozs. in January and 333,315 fine ozs. in February, 1938. The newsprint industry is just about holding its own, and its output for February was 200,631 tons, compared with 208,382 tons in January and 202,601 tons for February, 1938. The export demand for lumber is well maintained and in February exports of planks and boards amounted to 124,056,000 board feet compared with 117,734,000 feet in February, 1938. The trade outlook is at least not discouraging.

Indeed, it is the slackness of manufacturing that is mainly responsible for the unsatisfactory employment figures in the last bulletin of the Bureau of Statistics covering up to February 1st. Instead of the increase in employment, which for the last 18 years has been usual in January, there was a fall of 15,623 in the number of workers on the payrolls of reporting firms. There has also been an ominous increase in the number of recipients of public relief. In January, according to a statement made to the House of Commons by the Minister of Labour, these numbered 978,000—which, however, was still less than in January, 1938.

★ ★ ★

Government Revenue.—The collections of Federal revenue in February totalled \$29,393,530, compared with \$30,672,295 in February, 1938. The aggregate expenditure for the month was \$29,639,330, compared with \$25,584,574. For the first eleven months of the current fiscal year the total yield of Federal revenue has been \$457,454,955, compared with \$468,701,159 in the previous parallel period, and in the same period expenditure has totalled \$445,694,284, compared with \$439,051,037. Accordingly, with the returns for one month still to come, the Budget position is nearly 18 million dollars worse than it was at the same date in 1938.

ance over other and less important foreign trade connections. The project of exchanging German machinery for Indian cotton was brought to India in the autumn of last year by the representative in Germany of the Federation of Indian Chambers of Commerce. Last November it was announced that a plan was under consideration whereby the German Government would buy 100,000 bales of cotton in excess of her present purchases at an approximate value of Rs. 2 crores, payment to be made in machinery. German manufacturers have made quite substantial sales of sugar, cement and printing machinery in this country in the last four or five years. Low initial costs have been made even more attractive by the granting of long-term credits.

A formal barter agreement would, of course, give a considerable fillip to German enterprise in India. In his latest report, published only a few weeks ago, the Indian Trade Commissioner at Hamburg pointed out that India was the only important country besides the United States of America with which Germany had no trade agreement of any kind. The only reason that India's trade with Germany has not suffered in any serious manner so far is perhaps the fact that the commodities which India exports to Germany are the commodities of which Germany most stands in need.

Germany's Trade with India

There has always been some dispute between the authorities of the two countries as to the size and nature of the trade balance between them. The Germans contend that, as a substantial proportion of her purchases from India find their way to Germany via the United Kingdom, she is not given proper credit for them in the Indian official statistics. Recently the German Government, through its Trade Commissioner in India, commenced issuing periodical summaries of the trade position, the latest of which, published only a few days ago, declares that India's trade balance with Germany, which was in favour of India by about Rs. 21 millions in 1937, moved further in the same direction in 1938.

Imports from India into Germany in 1938, according to these figures, amounted to Rs. 141,955,000 and exports from Germany to India to Rs. 106,588,000. This left India with an export surplus of Rs. 35,367,000 in trade with the old German territory. If the former Austrian and Sudeten territories are included, the figures are Rs. 151,200,000 and Rs. 114,300,000, respectively, for German imports and exports, leaving a favourable balance for India of about Rs. 37 millions.

Up to and including 1937 the German trade figures included Burma in the British Indian figures and for 1935, 1936 and 1937 they were as follows:—

	German Imports from India Rm.	German Exports to India Rm.
1935	121,328,000	111,335,000
1936	142,061,000	121,638,000
1937	168,585,000	147,591,000

The figures for Burma's trade with Germany (including the new territories) for 1938 are: German imports from Burma, Rs. 21,100,000; and German exports to Burma, Rs. 3,400,000.

The Indian official figures are not so up to date, but they show that Germany's trade with India during 1937 registered an appreciable increase. Imports from India increased by 18.6 per cent., while exports to India rose by the slightly higher percentage of 20 per cent. As might have been expected, during the first quarter of the year 1938-39 both exports and imports declined, compared with the corresponding quarter of 1937. Imports from India fell from 44 million Reichsmarks to 41.6 millions, though, as the latter figure excludes imports from Burma, the actual decline is possibly not more than a million Reichsmarks. Exports, on the other hand, show a much more pronounced decline, falling from 34 millions in the first quarter of 1937 to 28 millions in the first quarter of 1938, or to 29 millions, if exports to Burma are included. Imports of cotton, groundnuts and manganese are the commodities in which the decline is most marked.

The barter project is, as yet, only in an embryonic stage but it is symptomatic of the energy with which Germany is prosecuting her export programme and symptomatic, too, of a significant modification of Indian economic thought. Two important factors are likely to affect the situation which Dr Schacht will study upon his arrival here. The first is the imminence of a new Indo-British trade agreement. The second is the suspension of the negotiations between the British and German Governments for a trade agreement which would clearly have had considerable bearing upon the terms of Germany's trade with the countries of the Commonwealth.

Books and Publications

The Eastern Policy

ANYONE who was in the Chamber of the House of Commons last Friday and heard the united approval which greeted Mr Chamberlain's announcement of a guarantee to Poland, and yet remembered another day some six months before, when the arrival of a message from Germany was met with a chorus of relief disheartening to those who believed in the martial qualities of the British people, must be deeply impressed by the change. They may, indeed, echo the question of an onlooker on Friday, who said, "If a guarantee is right to-day, why was it wrong six months ago?"

This is the most important question in the present international scene. And there is no simple answer to it. The change may in part be due to the influence of tradition; and this is the girding of our loins against a new Napoleon, a more terrible Armada. Without doubt it is partly due to the existence of a material preparedness absent in the autumn. It certainly marks a new *morale*. Yet if Hitler's invasion of dismembered Czecho-Slovakia was the last straw, the steady piling of the camel's back has been going on for long enough. Readers of the 1937 volumes of the *Survey of International Affairs*,* which Professor Toynbee and his collaborators have written with their perennial excellence, will realise to what extent 1937 and the years before it were years of preparation, and how, in contrast, 1938 was indeed a year of fulfilment. Those who perceive how intimately the Powers' interest in Spain is bound up with their general policy will feel especially grateful for the second volume of the survey for 1937, which gives not only an account of the war up to the end of that year, but also an incisive picture of the Spanish background and an appraisal of the issues involved.

The revolutionary quality of the change of policy involved in the British guarantee to Poland comes home with particular force after reading the valuable reviews, hammering fact on fact upon the face of history, written by Mr Hamilton Fish Armstrong† and Professor Seton-Watson‡, whose credentials need not be repeated. It is a sorry tale that they reveal, of betrayal that was everything but illegal, of unscrupulous (and yet shame-faced) undermining of the Czecho-Slovak Government's position, of facile and insincere excuse for German brutality, of things said and written which any Englishman or Frenchman might blush to hear and read. With Mr Chamberlain's reversal of policy the many who did blush have now some reason to be consoled. The special number of the *Bulletin of International Affairs*§, which has just come out, recording the final destruction of Czecho-Slovakia and the events that followed, is as justly inclusive in its record as was the special number which appeared after Munich; and for that reason it makes less harsh reading. The facts, indeed, are not in dispute. These studies and records of contemporary history agree in condemnation of an irresolute and short-sighted British foreign policy, whether the agreement be implicit in Professor Toynbee's rounded phrases or in the explicit tones of Mr Armstrong and Professor Seton-Watson. If anything can warn and discourage those who still believe that Munich was a victory for peace instead of a mere postponement of a more or less imposed settlement—imposed on Germany or on the Western Powers—these books can do it.

Mr Chamberlain has called the guarantee to Poland a departure from traditional ideas which "will have a chapter to itself when the history books come to be written." Hardy League enthusiasts are already emerging from their depression of the last few years eager to start anew with "zones

of interest" and "regional commitments," some in wrathful declamation, others mildly pleased at this new form of collective security. But for the moment we shall do well to pitch our aspirations less high than the reconstruction of Geneva. We must bind ourselves to be severely practical; and although M. van Zeeland is unquestionably right in saying that the "important thing is not to establish responsibilities, but to solve a practical problem as it presents itself to us to-day," there is no room for the vague generalities, however admirable the frame of mind which they express, of the type propounded in this Cambridge lecture||. In material terms, the Eastern Policy means the preservation of a balance of military power essential to our safety until Germany abates her tone: on the moral side we have a good case and therefore need not stress it. But even if we do not mean to set ourselves up as universal policemen, we can perhaps agree with Samuel Butler that though the world will always be governed by self-interest, we are not trying to alter this, we are merely trying "to make the self-interest of the cads a little more coincident with that of decent people."

Books Received

Why We are Losing the Peace. By K. Zilliacus. (London) Gollancz. 192 pages. 3s. 6d. net.

Provincial Brokers Stock Exchange Year Book, 1939. Edited by the Chairman. (Hull) Parliament Chambers. 185 pages. 2s. 6d. post free.

B.B.C. Handbook, 1939. Published by the British Broadcasting Corporation. 176 pages. 2s. net.

The B.B.C. Handbook for 1939 is as usual admirably presented. Particularly interesting is the section on listener research, the B.B.C.'s technique for finding out what listeners think.

Agricultural Policy Past, Present and Future. The Empire Economic Union. (London) Abbey House, Victoria Street, S.W.1. 63 pages. 6d. net.

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* "Survey of International Affairs, 1937." By Arnold J. Toynbee and V. M. Boulter. Two vols. Oxford University Press. 25s. and 18s.

† "When There is No Peace." By Hamilton Fish Armstrong. Macmillan. 6s.

‡ "Munich—and the Dictators." By R. W. Seton-Watson. Methuen. 5s.

§ Published by The Royal Institute of International Affairs, London. 1s.

|| "Economics or Politics?" By Paul van Zeeland. Cambridge University Press. 2s. 6d.

THE BUSINESS WORLD

Chinese Loan Problems

THE "China Incident" is nearing the end of its second year. Japan is now master of the Chinese coast line; she has seized most of China's railways; and she has imposed her economic and political will, though with equivocal success, in the occupied areas. Traders quickly learned what the "Open Door" means in China to-day. Now it is the investor's turn to face the same problems. During the past two weeks, two defaults have occurred on Chinese obligations: the March coupon on the 5 per cent. ("Crisp") gold loan of 1912 has not been met, and the April coupon on the Tientsin-Pukow Railway loan of 1908 (on which the resumption of interest payments was agreed only last August) has also been passed.

Investors, however, can hardly have counted on the transfer of funds for these junior securities in view of the position of the Customs loans, on which the Chinese Ministry of Finance announced, in the middle of January, the deferment of payment. The official statement from Chungking recorded that China desired to pay all her Customs obligations, and was prepared to consider any fair arrangement to meet them. But the spokesman proceeded to emphasise two conditions—first, that the due share of pledged revenues must be received from areas in Japanese control; secondly, that interference with the Chinese currency must cease. If China's senior obligations were thus in jeopardy, it was clear that the Salt and railway loans could not hope for more favourable treatment. That view was confirmed a fortnight ago, when the Chinese Government declared that negotiations had been initiated with a view to making some arrangement for the service of the Customs and Salt loans. The Chinese Government does not contemplate default; it is prepared to make due provision according to its means. But it is no longer able to make up from its own strained resources the substantial diversion of Customs revenues into the Japanese pocket.

Granted China's economic difficulties, few bondholders would quarrel with her attitude towards the debt. In recent years, China has done much to strengthen her credit by offering reasonable terms for resumed service on the railway loans, and her senior obligations have enjoyed an unblemished record. Chinese resurgence, unlike so many national movements, was not accompanied by the desire to rob foreign creditors. Indeed, last year, which was the blackest in China's modern history, the Treasury, unable to obtain the release of pledged revenues from the Japanese collectors in the occupied Treaty Ports, made good the deficit for the Customs obligations from unattached resources. Reference to the Customs collections in 1938 gives no guide to the true position. Superficially, the fall in collections was not extreme, under conditions of war. Indeed, if the Chinese Government had received the full sums (\$254,570,000 against \$342,900,000 in 1937) the pledged revenues would have covered total Customs obligations with a comfortable margin. But approximately four-fifths of last year's Customs revenue was collected in ports under Japanese control. As a result of the fall of Hankow and Canton six months ago, the residual interest of the Chinese Government in the Maritime Customs is nearer one-sixth than one-fifth of its former total. As an example, revenue collected in Japanese controlled ports last October amounted to 68 per cent. of the total. In the following month, the proportion reached 84 per cent. The final insult is provided by apparently well-authenticated accounts which suggest that considerable smuggling of Formosan sugar into Shanghai has recently occurred, at a loss to the Maritime Customs of

"several million dollars." The fact that the Shanghai Customs collections are at present impounded by the Japanese does not make this revelation more palatable to those investors who recall that the strength of the Chinese Customs loans was founded on the integrity of the Maritime Customs service.

Clearly, then, it is not China's willingness, but her ability, to pay which is affected. The immediate question, therefore, is: what form should an interim settlement take pending the conclusion of hostilities? The first stage towards the answer is to discover the interest and sinking fund obligations on Chinese Customs loans for the current year, and to relate them to the prospective revenue. The detailed figures for the service of the Customs loans due this year are set out below:—

CUSTOMS LOANS SERVICE DUE 1939

	Interest	Sinking Fund
4½ per cent. Gold Loan, 1898	£149,919	£670,225
5 per cent. Dollar bonds, 1925-47.....	\$1,176,404	\$2,782,850
6 per cent. 1928 (Belgian)	\$43,377	\$424,700
6 per cent. 1934.....	£60,300	£134,000
5 per cent. Reorganisation 1913	£971,808	£511,440

These loans are arranged in order of precedence. The 4½ per cent. loan of 1898 is within four years of complete repayment, for the last sinking fund operates on March 1, 1943. The next two loans represent the balance of converted Boxer Indemnities, while the British Indemnity loan of 1934 is secured on the British portion of the Boxer Indemnity. The indemnities as a whole rank after the 4½ per cent. loan. Finally, the service of the 1913 Reorganisation loan is provided from the Customs revenue, subject to prior rights. Taking the U.S. dollar at current rates, the total sterling obligation for the Customs issues this year (disregarding certain other Boxer annuities) is very approximately £3,450,000, of which £1,450,000 represents interest and £2,000,000 sinking funds. The provision of such a sum would cost China far more to-day than it did fifteen months ago. At the beginning of 1938, the Chinese dollar was worth 1s. 2½d. By the end of the year it had fallen to 8d., and at to-day's rate interest alone would involve the collection of 42½ million Chinese dollars. On the assumption that the Government is receiving no more than 16 per cent. of the Customs receipts—say 40 million dollars on the basis of last year's collections—there is obviously no margin.

The coincidence of the two figures may suggest that the maintenance of full interest and the temporary cessation of sinking fund operations represents the best adjustment which can be made. Closer examination, however, raises several doubts on this point. If full interest were taken as the criterion, it would affect the three groups in the Customs loans very unevenly. Analysis of the current service on the senior 4½ per cent. loan shows that little more than 18 per cent. of the total service is required for interest. The Boxer group (items two to four in the table) as a whole show that interest obligations this year represent approximately 28 per cent. of the full service. The junior security of the list, the 5 per cent. Reorganisation Loan of 1913, however, would obtain practically two-thirds of its full service if interest alone were maintained. These proportions, moving in exact converse to the order of precedence of individual issues, do not suggest that full interest payments would provide an equitable temporary solution of the problem. If China's Customs resources were sufficient to meet full interest charges they would surely be more equitably distributed by providing full service on the 4½ per cent. loan, including

sinking funds, full interest on the Boxer group, and approximately one-third of full interest on the Reorganisation loan. Full interest payments have a superficial simplicity which is fortified by the argument that the period of difficulty may be short. But even if it is short in fact, that is no reason for working inequity upon the holders of the 4½ per cent. loan. And it cannot be regarded as certain, at this stage, that arrangement would prove strictly temporary.

As for the Salt loans, the problem is neither so large, nor so complicated. Ruling out the issue of 5 per cent. gold bonds last May, and also the yen obligations which have received no payment since 1925, total payments due in the current year amount to approximately £690,000, of which almost £300,000 represents interest and the balance sinking funds. Of this balance as much as £250,000 is represented by the Anglo-French loan, while the remainder is attributable to the "Crisp" loan of 1912, on which sinking fund instalments have been outstanding (though the bonds have been drawn for repayment) since September, 1935. Interest on the latter would involve £179,800, but, as we have seen, the March

instalment has gone unpaid. While there would be fewer difficulties in reaching a composition among the Salt creditors, it is far more difficult to attempt any estimate of the actual level of Salt revenues in China to-day. In 1937, collections amounted to 213 million dollars. Doubtless, there is some opportunity for collecting Salt revenues in the western areas, where a new political and economic order is being built up by the Chinese Government. Formerly obscure towns in the interior now enjoy banking facilities, and in the unoccupied area, at least, China's domestic trade is relatively active. No better illustration of the natural resilience of the Chinese people could be found. But, unfortunately, China's own budgetary need remains great and her ability to transfer even greatly reduced debt payments has been acutely affected by the damming of her commercial outlets. One thing, however, is certain. Provided that the service on Chinese loans is equitably adjusted, bondholders will assent with willingness to a temporary measure of relief to China, for her past behaviour merits a display of accommodation which would rightly be denied to several more affluent, but less honourable, debtors.

Defence Borrowing

THE new financial year will impose very heavy burdens both on the taxpayer and on the capital market. The taxpayer's probable fate is discussed in an article on page 76. But the capital market is at least equally anxious to know in what precise ways it is to be called upon to play its part. The general magnitude of the task is known: the Chancellor of the Exchequer revealed a month ago that the sum of £350 millions was to be borrowed for defence. Indeed, the ultimate figure may well be even larger, since the latest turn in international politics has already required a still greater intensification of our re-armament effort. But the unknown dimensions of these additional expenditures cannot yet be taken into consideration; we can deal at present only with the figures we know or can closely estimate. Total expenditure, excluding any additions, will be from £1,265 to £1,280 millions. After deducting the £350 millions to be borrowed, revenue will presumably be adjusted to bring in from £915 to £930 millions.

It is possible to make an approximate estimate of the distribution of revenue and expenditure, and hence of the deficit, over the four quarters of the year. It is common knowledge that the bulk of the revenue is collected in the last quarter of the financial year, but it is less well known that expenditure also tends to be concentrated in the last quarter. This fact, which is very relevant to the proper timing of borrowing, is brought to light in the following table. In preparing this table the assumption has been made that the proportionate distribution between the four quarters of the revenue and expenditure will be the same as the average of the last three years (revenue is taken at £928 and expenditure at £1,278 millions):—

ESTIMATED REVENUE AND EXPENDITURE, 1939-40 (£ millions)					
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue.....	140 (15%)	181 (19%)	182 (20%)	425 (46%)	928
Expenditure.....	110 (19%)	128 (22%)	151 (26%)	191 (33%)	580
Defence.....	82 (34%)	36 (15%)	82 (34%)	42 (17%)	242
Cons. and.....	91 (20%)	114 (25%)	110 (24%)	141 (31%)	456
Civil.....	283 (22%)	278 (22%)	343 (27%)	374 (29%)	1,278
Total.....	— 143	— 97	— 161	+ 51	— 350

The last line in the table shows the Government's borrowing needs, quarter by quarter. They drop from £143 millions in the first quarter to £97 millions in the second quarter and then rise to £161 millions in the third quarter. For the last quarter of the year a net surplus of £51 millions is forecast.

The two methods of borrowing are, of course, by public issue of Defence Loan stock and by increasing the floating

debt. As has been emphasised in *The Economist* and elsewhere, an increase in the floating debt should form an essential part of the borrowing programme. On March 31st the tender issue of Treasury bills was £136 millions below the figure on March 31, 1938. Moreover, as recently as March 4th, the decline in the issue, as compared with the previous year, was as high as £176 millions. This figure is so nearly half that of the prospective total borrowing that the obvious suggestion is to raise half the £350 millions in Treasury bills and half in Defence Loan. This solution would not merely reduce the size of the public issues to be made; by providing the banks with a plentiful supply of liquid assets (which they now lack) the creation of a firm gilt-edged market would be assisted. Moreover, it is essential that the borrowing by Treasury bills should be done *before* substantial money is raised by loan. Each of the two previous Defence Loans has been made in the spring. But if such a course were followed again this year, and if the full sum involved were quickly called, the net effect would be to reduce the liquid assets available for the money market considerably below even their present uncomfortably low figure. It may be suggested, therefore, that the proper course would be to allow the floating debt to increase by about £175 millions before heavy calls were made on a Defence Loan.

A programme of this character can be followed out quarter by quarter, as follows:—

	(£ millions)	Govt's Needs	Floating Debt	Defence Loans
First Quarter.....	143	143	...	...
Second Quarter.....	97	47	50	...
Third Quarter.....	161	36	125	...
Fourth Quarter.....	— 51*	— 51*	...	...
Complete Year.....	350	175	175	...

* i.e. Debt repaid and floating debt reduced.

With this time-table the whole of the Government's needs of £143 millions for the first quarter of the year would fall on the floating debt. The borrowing by public issue would appear during the second and third quarters of the year; and meanwhile the floating debt would have risen by £226 millions between March 31st and December 31, 1939. The fourth quarter would witness a revenue surplus of £51 millions over both ordinary and Defence Loan expenditure. The floating debt would be reduced by this amount and no Defence Loan would be issued.

The best dates for the appearance of specific Defence Loans depend upon a variety of considerations, including August holidays, the dates of large Government dividend disbursements, and also the state of the market. The last is necessarily incalculable, but it may be pointed out that

dividends are disbursed at the beginning of every month. The December 1st War Loan dividend is the biggest payment in the second half of the year, and the early October payments rank next in magnitude.

One way in which the programme would work out (to give a *pro forma* example) would be for a Defence Loan of £100 millions to be issued in the middle of July, with subsequent calls in early August, September and October, the last call, falling within the third quarter, amounting to £48 millions. A second loan of £75 millions could then come towards the end of October, with calls in early November and December. In this way the receipt of the proceeds of these loans would be spread over the second and third quarters of the financial year, in the proportion suggested in the last table. This, it should be emphasised, is nothing more than an illustrative time-table. A similar

effect could be achieved by spreading the calls on any Defence Loan issued before July 1st to fit the same incidence of financial need.

The precise figures given in this article are certain to be invalidated, if by nothing else, by the additional expenditure not yet estimated. But the main point will stand except in the event of unparalleled expenditure in the immediate future. That main point is that, in the interests of banking liquidity (on which the success of the whole programme largely depends), there should be no precipitate raising of large sums by Defence Loan before July 1st. There is no reason why the authorities should fail to take advantage of favourable market conditions, provided that early calls are strictly limited in amount. But damage might be done to the gilt-edged market by undue haste to collect the full amounts required.

Finance and Banking

Over One Per Cent.—Last week's Treasury bill tender fully confirmed the hardening trend of discount rates apparent over the previous week. The average rate at which the Treasury bills were allotted jumped from 14s. 7.4d. per cent. to 25s. 6.7d. per cent. Some increase in the rate had been anticipated if only because the bills tendered for last Friday were the unpopular early July bills as against the June 30th maturities on which the previous tender had been concentrated. Even so, the jump of over ½ per cent. took most outside tenderers by surprise, and the market syndicate, which tendered for the bills at £99 13s. 7d., was able to obtain its bills at a rate of 25s. 8d. per cent., and at this figure was given the generous allotment of 71 per cent. of its applications. One factor only appeared to be militating against the continued hardening of the discount rate; that was the accumulation of funds in Public departments owing to the recent operations of the Exchange Equalisation Account in the exchange and bullion markets and the consequent possibility of the Treasury bills being under-allotted. This, in fact, occurred, only £42,000,000 being allotted out of the £45,000,000 of bills on offer. But this factor was wholly offset in its influence on the result by the atmosphere prevailing on the morning of the tender. The growing German-Polish tension, and the uncertainty regarding the statement which the Prime Minister was to make on the afternoon of Friday in the House, made inevitably for a mood of exceptional caution which tended to keep outside interests out of the tender, and which the market itself translated into higher rates. Following the "cut" in the allotment last Friday, the amount offered this week has been reduced to £35,000,000. This fact need not be regarded as a particularly potent factor making for an immediate sagging of the discount rate since the current maturities of Treasury bills are now running at a very low ebb. None the less, the general opinion in the market is that the top of this particular rise in the Treasury bill rate has been seen, and that a moderate downward reaction is about due.

Czecho-Slovak Obligations.—The Czecho-Slovakia (Restrictions on Banking Accounts, etc.) Act is now in force, and further attempts are being made to clear up outstanding financial matters between the two countries. With this end in view, the Bank of England is seeking, on behalf of the Treasury, details of certain financial obligations due from Czecho-Slovakia to British holders (including persons ordinarily resident or conducting business in the United Kingdom) and held by them on March 14, 1939. The classes of obligations referred to are loans issued by the Czecho-Slovak Government or by any public authority or any company incorporated before March 15, 1939, under Czecho-Slovak law; shares or participations in any such company; balances with Czech banks as on March 14, 1939; or miscellaneous financial obligations such as interest-bearing or revenue-producing

claims on persons or institutions in Czecho-Slovakia. Commercial debts or any debts other than those described above are excluded from the inquiry, and so too are obligations due from Sudetenland. Banks and financial institutions which have already reported these claims should not report them again. No reason has been given for this new inquiry, but there is an obvious danger that such obligations may be blocked by Germany in reply to our blocking of Czech balances in London. The sterling bonds of the Czech Government and the City of Prague are an obvious case in point, while the Czech guarantee to the Austrian 4½ per cent. sterling guaranteed loan raises a new and more complicated problem. The first step is for the British authorities to find out the total amount involved, and this is almost certainly the object of this new inquiry.

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South African Exchange.—Late last week the South African Reserve Bank announced that as from April 1st its selling rate for sterling would be raised from £SA100 17s. 6d. to £SA101 2s. 6d. per £stg100. The South African banks at once made the necessary alteration in their own rates, their buying rates for T.T. on South Africa having been adjusted from £SA100 17s. 6d. to £SA101 2s. 6d. per £stg100 and other rates in proportion. The official explanation of this 5s. increase is that it is designed to cover the recent increase in the war risk insurance rate on gold shipments. Normally, one way in which the Reserve Bank maintains its stock of sterling is by means of gold shipments to London, where the gold is sold for sterling to the British authorities. Obviously, quite apart from the state of the market in South African exchange, the rise in insurance rates has increased the cost to the Reserve Bank of replenishing its sterling balance, and so apparently justifies this increase in the price which the bank is prepared to accept for sterling. The basic assumption behind this argument is that gold shipments from current Rand production form the main way in which the Reserve Bank obtains sterling. This is true under normal conditions, for gold is South Africa's chief export. But since the September crisis gold exports have been practically suspended, the gold being sold to the British Exchange Equalisation Account and earmarked in its favour in South Africa. One effect of this arrangement is that the British Exchange Account may have to give gold in London to cover South African payments to countries outside the sterling area, and in course of time indeed the British authorities might find that they were holding an ever-increasing proportion of their gold in South Africa. An obvious remedy would be direct gold shipments from South Africa to, say, the United States, but recent American returns reveal little signs of any such movement. This increase in the South African exchange rate and the explanation given for it therefore suggest that gold shipments to London may be resumed. In view of the international situation and its reaction on insurance rates, it is arguable that direct shipments to New York, either of South African gold or gold held in South Africa under British earmark, would be the better course.

* * *

National Bank of Egypt.—At the general meeting of the National Bank of Egypt, held in Cairo on March 23rd, Sir Edward Cook discussed the bank's relations with the Egyptian Government. During recent years the National Bank has assumed several of the chief functions of a

central bank. Thus it manages the Egyptian currency and acts as the Egyptian Government's banker. The bank, however, has no assured position equal to that of a modern central bank, and its charter is due to expire in 1948. Both the Government and the bank feel that the position needs regularising, and Sir Edward Cook informed the shareholders that the Government had recently put forward conditions for the granting of a new charter, and that these were under examination by the bank. Obviously, Sir Edward Cook could do no more than discuss these developments in general terms, but he said that the shareholders needed some assurance as to the security of their capital, while the bank must be able to preserve the efficiency of its *personnel* and also its freedom from political influence. This implied that State regulation, so far as it was necessary, must be by law or by the bank's statutes, and not by any power of interference in the bank's day-to-day administration. He had reason to believe that the Government appreciated these vital points. Clearly much further negotiation must take place before the bank's new charter takes its final form, but in principle the proper relations between a Government and its central bank have by now been so well explored, that there should be little serious difficulty in arriving at an agreement. The fundamental points are that Egypt needs a properly constituted central bank, and the National Bank is in every way fit to occupy that position without sacrificing either the interests of the shareholders or the wisdom and experience of those responsible for its management.

* * *

Bank of Scotland.—In common with several other Scottish banks the Bank of Scotland has suffered small falls in deposits and profits in its latest financial year. The latter are down from £313,253 to £305,634, which may be attributed to heavier taxes and higher management expenses, but the dividend is maintained at 12 per cent. Deposits show a drop of nearly £1½ millions at £37,851,691, but as the cash items show an increase from £5,627,456 to £5,908,151, the bank has preserved a very liquid position. The total of cash, money at call and short notice, bills and investments amounts to 79 per cent. of its liabilities to the public. Advances are down by £140,890 to £9,727,397; but acceptances at £4,448,119 show a rise of £735,534 and are now at the highest figure in the bank's history, thus providing evidence of extended business connections. The bank has had, therefore, as the chairman pointed out at the annual general meeting, a satisfactory year, and is in a position to make a substantial increase in advances to credit-worthy borrowers with any improvement in industrial and agricultural conditions.

MONEY MARKET NOTES

Foreign Exchanges

THE foreign exchange market has again been under the influence of international politics, but movements in rates have not been wide and the various Controls have had no difficulty in resisting the selling pressure. Last Friday, Mr Chamberlain's statement caused a slightly firmer tendency for sterling to be apparent in the later dealings; but the demand for forward dollars increased, and the premium for three months widened slightly to 2½c. and again on Saturday to 2½c. Some reassurance was evidently derived by the market from Hitler's speech, for there was a general buying of European currencies on Monday; and although the best rates were not maintained, the Exchange Funds must have regained some of the foreign exchange lost in the previous weeks. The pound rose from 4.68½ to close at 4.68½ after being as high as 4.68½, while the three months' forward premium contracted to 2c. On

Tuesday, however, there was a relapse, on a less favourable view being taken of Anglo-German relations, and although selling was comparatively light, the Exchange Account allowed the rate to fall to 4.68½, the three months' forward premium again widening to 2½c. On Wednesday, there was a further decline in the spot rate to 4.68½ and a further increase in the three months' forward premium to 2½c. Swiss francs also recovered on Monday to 20.85½, but relapsed again on Tuesday to 20.87½ and on Wednesday afternoon were quoted at 20.87½. Belgas have benefited from the results of the elections and were down to 27.79 on Monday, although in common with other European currencies they lost some of the improvement on Tuesday and Wednesday. The discount on the three months' forward belga, after being as wide as 90c. last Friday, has come back to 51c. The Icelandic krona is to be devalued by 20 per cent. to compensate for lost export markets.

The Money Market

THE discount market also remains under the shadow of political events. The sharp rise in the rate of allotment at last Friday's Treasury Bill tender to a rate which beat that recorded in the crisis of last September is discussed

	Apr. 7, 1938	Mar. 30, 1939	Apr. 5, 1939
Bank Rate	2½	2½	2½
London Deposit Rate ..	1½	1½	1½
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	1½-1*	1½-1*	1½-1*
Discount Rates:			
Treasury bills	1½	1½	1½
Three months' bank bills	17½-18½	17½-18½	17½-18½

* Viz. 12 per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. 14 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 a Finance Note. Discount rates have been well maintained in consequence, although on Monday the more cheerful view taken of the international outlook,

which was reflected in the foreign exchange market, may have been responsible for the very slight relapse in rates which occurred. The banks, which at the end of last week had withdrawn from the market, resumed their purchases. These, however, were still on a modest scale and were on the comparatively high basis of ¾-¾ per cent. for June bills and 1½ per cent. for Mays, while July bills could only be placed outside the clearing banks. On Tuesday, when the market had to take up a large part of the bills allotted at the Treasury tender, some special buying of early June bills at ¾ per cent. was reported to relieve the position, for the clearing banks were again accepting only very limited quantities. The rates for commercial paper rose sharply last Friday in accordance with the result of the Treasury Bill tender. The three months' bank draft, which on the previous day had been quoted at ¾-1½ per cent., rose to 1½ per cent. and has since been maintained at about this level, while the six months' draft is quoted at about 1½-¾ per cent. There has been a keen demand for credit this week, and borrowers against bonds have on occasion been

forced to go to the clearing banks and pay 1 per cent. The latter, too, are obviously feeling the drain of Easter currency withdrawals, which, together with the accumulation of funds in public deposits as a result of Exchange Account operations, must have reduced their deposits at the Bank to a point which readily explains their unwillingness to lend, having regard to their strong desire for liquidity under existing political conditions.

*

The Bullion Market

IN a Finance Note it is suggested that the South African Reserve Bank's increase in its selling rate for sterling might herald the resumption of Transvaal gold shipments. It is, therefore, interesting to note that the "Capetown Castle" has on board £64,982 of refined gold in addition to the usual consignment of unrefined Rhodesian gold. The amount, however, is so small that it would be premature to conclude that it represents the beginning of the resumption of official shipments from South Africa. It may be gold which had

INSURANCE NOTES

representing about 7½ per cent. of Stock Exchange book values at the end of 1938 took place during that year. There is a small investment reserve fund amounting to £100,000, while the undistributed surplus carried forward from the 1937 valuation was £333,000. It is probable that the society's subsidiary companies are taken in the balance sheet at values considerably smaller than their real worth. On referring last year to the depreciation suffered in 1937, which probably amounted to about £1,000,000, the chairman rightly pointed out "... market values are comparatively unimportant in the long run, provided that the income continues satisfactory and the investments are intrinsically sound ...". The further large depreciation in 1938 combined with the virtual maintenance of the rate of interest earned gives added point to this view.

*

Employers' Liability Assurance.—This company obtains a much greater proportion of its premium income from the U.S.A. than any other British insurance office, but it is concerned only to a minor extent with fire insurance in that country. Last year's combined fire and accident premium income amounted to £755,000 against £727,000, but in the general branch, which includes motor insurance, and workmen's compensation outside the United Kingdom, premiums fell from £6,417,000 to £5,877,000. This is by far the most important branch, and the prosperity of the corporation depends to a unique degree on conditions in the U.S.A. In spite of some further increase in expenses, underwriting profits in this branch were the best since 1932. Following its custom, the corporation has maintained the reserve for unexpired risks in the general branch at 40 per cent. of the main volume of premium income, but no reserve is held for a portion in which the risk had expired at the close of the year. This reserve amounts to 35.5 per cent. of the total premiums. The underwriting results of the last two years are as follows.

been earmarked for private buyers under the facilities provided by the South African banks last December. Moreover, the fact that four large com-

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.
Mar. 31 ...	148 6½	12pm.	594	191½	191½
April 1 ...	148 6	par	308	20	193½
" 3 ...	148 5	par	539	191½	193½
" 4 ...	148 5½	12pm.	813	191½	191½
" 5 ...	148 6	12pm.	347	191½	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.

signments of gold depart for Canada at the end of this week, which are presumably official shipments, suggests that the authorities are still concerned to keep part of the gold reserves overseas.

	1937		1938	
	Amount £	% of Prem.	Amount	% of Prem.
Fire	37,352	9.6	28,117	7.0
Accident	2,531	0.1	2,915	0.8
General	112,590	1.8	304,128	5.2
Gross surplus ...	152,473		335,160	
Profit and loss balance	122,000		264,245	
	30,473		70,915	

Included above in the profit and loss items are £50,000 and £70,000 in 1937 and 1938, respectively, being amounts written off the corporation's investment in the Merchants' Marine. In addition to a largely increased provision for income tax, £32,000 is set aside in 1938 for N.D.C. Total assets are practically unchanged at £11,561,000. Investments in Stock Exchange securities appear at £7,501,000, showing an appreciation of £43,000, or 0.6 per cent., compared with a depreciation of £589,000, or 8.1 per cent., in 1937. Taking into account the surplus of £43,000 and converting other current assets and liabilities at the exchange rate of December 31, 1938, there is a depreciation of £282,000 against the depreciation of £606,000 a year ago. Amongst Stock Exchange securities there is a large increase in U.S.A. and other foreign government securities from £2,931,000 to £4,448,000 (of which only £73,000 relate to "other" government securities), and this figure amounts to 38 per cent. of the total assets. Debenture stocks show a decrease from £2,471,000 to £1,317,000. The balance-sheet value of the corporation's unfortunate investment in the shares of the Merchants' Marine is further reduced from £75,000 to £5,000; the reserve in respect of this company remains unaltered at £400,000 and is held partly in connection with the corporation's guarantee of the Merchants' Marine policies. The book value of the share holding of the Clerical, Medical and General is £487,000, which is greatly below the true value of the investment. The balance of appropriation account, after providing for the final 1938 dividend, is £405,000, while general reserve remains at £2,500,000. The dividend, for the fourth successive year, is 70 per cent.

Investment

Unit Trust Accounts.—It is typical of the prolonged stages of the Prevention of Fraud (Investments) Bill that instead of completing its third reading in the House of Lords on Tuesday, the debate was adjourned. The point at issue was relatively unimportant, but the rules of the House were involved, and the result may well be delay in passing the measure into law. Their Lordships were concerned with unit trust control and accounts, and an amendment was moved to Clause 16 providing, in effect, for the independence of the manager and the trustee. Paragraph 5 in the Schedule of matters for which trust deeds must provide was then considered. This deals with the audit and publication of accounts relating to the trust, including accounts of the manager in relation to the trust and statements of his remuneration in connection therewith. The Lord Chancellor moved to omit "publication" and to insert "the circulation to holders of units." Lord Rankeillour, however, proposed in a further amendment to add the words "who so desire." Technically, however, this manuscript amendment would have required special sanction of the House, which is rarely given. The suggestion that the words might be inserted in the Commons was not taken up, and the debate was accordingly adjourned. The point at issue, of course, is a small one, for Lord Rankeillour's amendment merely seeks to save unit trust managers from expense by limiting the circularisation of accounts to those unit holders who may desire them. The proposal is reminiscent of the practice of the L.M.S., which issues only a summary of its accounts in the first place, but provides the full report on the stockholder's application. It will be hoped that such a small point will not delay the passage of the Bill into law.

Foreign Bond Setback.—The relatively small drop last month of half a point in the index of 106 bond prices computed by Municipal and General Securities Company conceals very considerable changes in an eventful month, as the following table shows:—

AVERAGE JANUARY-JUNE, 1934-1940

End of Month	Europe	Near & Far East	Egypt	South and Central America			Complete Index	Under- faulted Bonds	De- faulted Bonds
				States	Pro- vinces	Total			
1938	(28)	(31)	(4)	(35)	(11)	(46)	(109)	(54)	(55)
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	108	(48)	(80)
September	(26)	88.5	66.2	96.1	57.7	44.4	107	(47)	61.7
November	85.0	65.0	91.7	56.3	40.9	52.1	64.1	72.3	59.0
December	78.1	64.2	87.0	53.7	40.7	50.2	61.3	70.7	56.0
1939	(25)	89.1	66.2	96.1	57.7	44.4	107	(47)	61.7
January ...	69.1	57.7	83.2	56.2	40.2	51.9	58.3	64.7	53.8
February ...	75.1	59.1	82.0	55.8	42.9	52.4	60.1	67.5	54.9
March ...	66.5	60.3	78.8	57.5	45.7	54.4	59.6	66.0	55.1

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

As a result of the Czecho-Slovak crisis, a heavy fall of 8.6 points occurred in the European index, which reached a new "low" of 66.5. Egyptian bonds showed a further decline, but the remaining groups recorded rises. Brazilian issues in particular were assisted by hopes that the agreement with the U.S.A. might be followed by an offer to British holders, and in the Eastern section, Chinese bonds rose moderately.

Industrial Profits in March.—March is one of the peak months for the publication of company reports, and the rate of change in profits disclosed should normally be highly representative. The course of industrial profits over the past two years is shown in the following table:—

INDUSTRIAL PROFITS 1937-39

Year and Month	No. of Cos.	Net Profits*	Inc. on prev. year	Year and Month	No. of Cos.	Net Profits*	Change on prev. year
1937		£	%	1938		£	%
March ...	307	53,554,168	12.52	April ...	225	28,481,318	+17.19
April ...	245	31,712,217	23.36	May ...	320	45,915,238	+11.42
May ...	255	25,053,946	14.09	June ...	260	38,076,415	+11.09
June ...	265	41,924,563	21.19	July ...	181	16,530,811	+3.44
July ...	193	15,260,299	19.62	Aug. ...	81	8,300,386	-1.16
Aug. ...	62	6,042,402	9.41	Sept. ...	112	7,962,024	-10.31
Sept. ...	81	7,269,607	27.80	Oct. ...	163	14,279,785	-1.06
Oct. ...	177	14,884,260	26.97	Nov. ...	231	23,784,389	-6.53
Nov. ...	206	23,579,407	20.25	Dec. ...	171	18,534,750	-4.35
Dec. ...	152	18,101,112	14.69	1939		£	%
Jan. 1938	107	13,832,382	19.90	Jan. ...	152	16,316,851	-9.58
Feb. ...	202	29,792,378	5.52	Feb. ...	211	31,893,884	-5.19
March ...	337	56,721,336	9.19	March ...	293	41,440,326	-11.57

* After debenture interest.

The recorded decline of 11.57 per cent., however, exaggerates the position. Much of this substantial decrease is due to the heavy fall, exceeding £2,000,000, in Courtauld's earnings. If this company's results were eliminated, profits reported last month would amount to £41,088,000 against £44,490,000—a reduction of approximately 7½ per cent., which probably gives a truer indication of the trend of profits. Certain groups, however, record satisfactory improvement in March. Iron, coal and steel net profits are 5½ per cent. higher at £9,363,000, and an even better rate of increase is recorded by electric light and power companies.

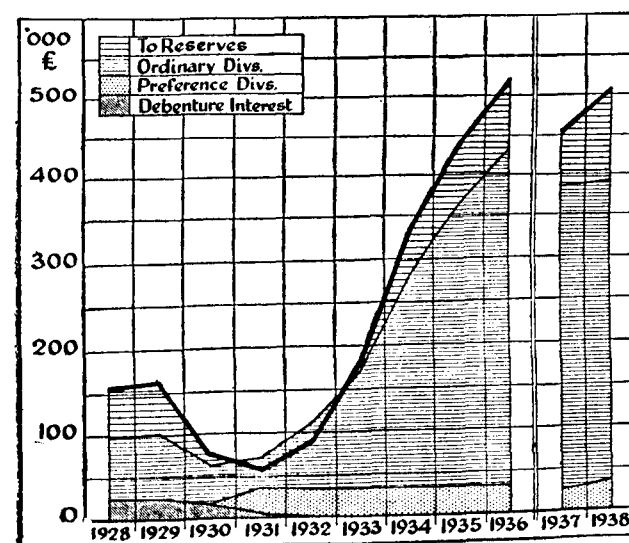
Company Notes

British Oxygen.—The preliminary announcement of British Oxygen a fortnight ago indicated a satisfactory rise in the net profits of the parent company from £455,481 to £508,059. These results are confirmed by the full report issued this week. Since a statement of consolidated profits is available for the first time, and a change has been made in accounting income tax, as a result of which dividends are now shown net, stockholders will probably restrict their comparisons to the past two years. It may be said at once that this comparison is fully satisfactory. The consolidated profits of the undertaking increased from £1,118,996 to £1,162,675 last year, and after providing for depreciation and income tax, net consolidated profits show a moderate increase from £570,693 to £581,064. After deducting the amounts retained by subsidiary companies, the parent company's participation is increased from £455,481 to £508,059. As the following table shows, the 17 per cent. distribution is covered with a larger margin of earnings, and the general reserve provision is increased from £50,000 to £62,160, while special provisions against assets (in addition to depreciation) are increased to £50,000 against £9,901 for 1937:—

	Years ended December 31		
	1936	1937	1938
Consolidated figures:—			
Total profit	1,118,996	1,162,675	
Depreciation	336,294	380,643	
Income tax	212,009	200,968	
Retained by subsidiaries	115,212	73,005	
British Oxygen:—			
Balance available	520,952	455,481	508,059
Preference dividends	32,500†	24,673	36,173
Ordinary stock:—			
Earnings	488,452	430,808	471,886
Paid	401,297†	361,076	356,104
Earnings %	17.4*	20.3	22.5
Paid %	15‡	17	17
General reserve	25,000	50,000	62,160
Special provisions	50,000	9,901	50,000
Carry-forward	34,554	44,385	48,007

† Gross; subsequently net. * On £2,485,674. ‡ And 6½ per cent. capital bonus.

BRITISH OXYGEN PROFITS, 1928-38



The break in the chart above is intended to distinguish the "gross" method of accounting tax payments up to 1936 from the "net" basis adopted in the latest report, for which comparable 1937 figures are provided.

The British Oxygen group is still in process of expansion. The capital was increased in July last year by the issue of £1 million 5 per cent. £1 second preference shares, and it is doubtful whether the additional funds

have yet come in full employment. The proceeds of the issue amounted to £1,125,000, but fixed properties show an increase from £2,189,154 to no more than £2,416,435, while cash is increased from £33,604 to £388,082, and the bank loan, which appeared in the 1937 balance sheet at £200,000, has been repaid. The £1 ordinary stock units at 67s. 6d. provide a yield of £5 4s. per cent., which, in view of their further expansionary possibilities, appears reasonable.

Cable and Wireless Dividend.—The market's pleasure at the maintenance of Cable and Wireless (Holding) ordinary dividend at 4 per cent. in respect of 1938 was measured by a rise of three points in the ordinary stock to 46½ and 3½ points in the preference stock to 84 on Tuesday. A necessarily rough estimate published in *The Economist* of January 28th last suggested that actual earnings applicable to the Holding Company's ordinary stock might possibly not exceed 2 per cent. for the year. In fact, however, the results appear to have been substantially better than this, since the operating company, whose distribution is reduced from 3½ per cent. to 3¼ per cent., has not been compelled to draw on the sum of £300,000 which was placed to reserve in 1937 in anticipation of the introduction of the Empire flat rate scheme. The operating company's dividend costs £975,000 gross, compared with £1,050,000 for 1937. Of this sum, however, the Government share amounts to £84,500, but, as an offset, the termination of the Beam Rental from March 1st last year saved £208,500. On the other hand, the movement in the traffic index numbers last year suggested a fall in gross receipts of the order of £612,000. Hence, so far as the operating company's operating profits are concerned, it was reasonable to look for a reduction of the order of £400,000 last year. On the basis of the 1937 profits and assuming other expense items unchanged, this calculation would have led to an estimated net profits figure some £118,000 lower than the dividend which is actually to be distributed. The Holding Company's gross receipts from Cable and Wireless, assuming they were fully distributed by the old cable companies, would be reduced from £1,050,000 to £890,500, a reduction of £159,500, which, other things being equal, would entail a draft on the Holding Company's balance carried forward of £135,000. But the increase in the Marconi's Wireless Telegraph distribution from 9 per cent. to 12 per cent., plus a 3 per cent. tax-free bonus, would provide up to £145,000 more for the Holding Company. The full explanation, however, of this surprisingly satisfactory result must await the publication of the full reports early next month.

Vickers' Dividend Prospects.—The inference drawn from the reports of the Vickers' group in these columns was broadly confirmed by Mr A. A. Jamieson in his speech last Monday. Almost every department of the undertaking is working at full pressure. Mercantile shipbuilding, of



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Previous Forecasts

FORECASTS OF FALLS

Reparations, Trade, and Foreign Exchange (Forecasting the collapse in the German mark)	Date	Subsequent Decline
Coming Collapse in Rubber	Feb. 1921	99%
Coming Collapse in Gold (Including alternative forecast of further boom if America revalued ...)	Jan. 1926	80%
Slump Ahead in Bonds (U.S.A.)	Nov. 1933	
	Feb. 1937	10%

FORECASTS OF RISES

Coming Rise in Gold Shares ...	Date	Subsequent Advance
Coming (English) Boom ...	Feb. 1931	150%
Stock Market Tactics (Forecasting the Bond Boom, etc., in England)	Sept. 1931	100%
Coming Rise in Wall Street ...	Jan. 1932	28%
Coming American Boom ...	Apr. 1933	180%
The (American) Boom Begins ...	July 1934	100%
The Coming Rescue-Inflation (and Scramble for Stocks) U.S.A. ...	Apr. 1935	65%
	Apr. 1938	45%

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course, is much reduced, and orders are not being received in sufficient volume by Taylor Brothers to maintain the existing level of production. But the level of activity elsewhere suggests that a cautious accounting policy was followed in 1938. And the emphasis which the chairman placed on the desirability of a "substantial increase" in cash assets beyond the present sum of £6,111,618 suggests that conservatism is to be retained. The reference to the possibility of a maiden ordinary dividend from Vickers-Armstrongs may, however, have some relevance for Vickers' stockholders. Last year arrears on the "B" preference capital of Vickers-Armstrongs were paid off for a period of five years and two months. If the dividend is brought up to date at the end of the current year the payment would cover five years and three months—representing an increase of £12,700 net to be received by Vickers. If, in addition, an ordinary dividend were also declared, the ordinary stockholders of the parent company would share to the extent of 1.28 per cent. for every 1 per cent. declared by Vickers-Armstrongs—assuming, of course, that no part of the increase was absorbed by higher charges or provisions. In view of the board's policy last year, however, it might be wise not to over-rate such possibilities.

Dunlop Rubber Outlook.—The decision of the Dunlop Rubber Company—which provides more information to its shareholders than any other British company—to discontinue the issue of half-yearly statements is readily to be understood after the experience of the second half of 1938. Stockholders may regret that, instead, the Board has not chosen to make quarterly announcements, though they will agree that sudden changes in business conditions may render even the best intended half-yearly statement ultimately misleading. On the manufacturing side, the group is still enjoying the benefits of the recovery which set in with such dramatic suddenness in the last quarter of 1938. The new Fort tyre "with teeth" has established itself, and the range is being extended. Replacement business was satisfactory, and original tyre equipment orders, after the recovery in motor sales late last year, improved considerably. Sir George Beharrell pointed out, in this connection, that the company has fully maintained its contractual position—a matter of some importance in view of the keen competition in the motor accessories field. Moreover, the group is interested at several points in defence work, for it produces aircraft components, road vehicle equipment, and balloons for the aircraft barrage. Progress is also recorded in the numerous overseas branches of the company, while export trade remains quite profitable and its volume is being maintained. Although the chairman again emphasised the need for a cautious financial policy, the current yield of £6 18s. 6d. per cent. on the ordinary stock at 26s., on the basis of last year's 9 per cent. distribution, appears satisfactory for present business conditions.

Rubber Company Results.—A specialised trust such as Rubber Plantations Investment Trust is likely to be vulnerable to the changing fortunes of the commodity markets. No trace, however, of lower rubber profits are to be found in the Trust's report for 1938. Instead, it shows a moderate rise in earnings. Much of this stability is, of course, due to the operation of the time-lag, for in 1938 the Trust would be receiving some dividends, at least, from the high rubber profits of 1937. Moreover, the Trust has large interests in tea, which is subject to less

violent fluctuations both in price and output than many other commodities. But, when these points are allowed for, the Trust's report is most satisfactory. One of the best features of the accounts is that market values of the securities were still above book values at the end of 1938. The 1938 experience of rubber plantation companies, however, is a different story. In the following table, recently reported particulars of the output and profits of some important producers are shown:—

Company (years to December 31)	Crop	Price per lb.	Profit	Earned for Ord.		Div.	Current	
				Amt.	Rate		Price	Yield
	Lbs. 000's	d.*	£000's	£000's	%	%		%
Rubber Plan. Inv.:								
1936.....	...	...	180.5	101.5	6.0	7½	26 1½	8.02
1937.....	...	...	265.9	189.8	10.4	10		
1938.....	...	...	274.7	188.0	10.4	10		
Anglo-Malay Rub.:								
1936.....	1,185	8.33	18.5	17.9	4.7	3½	8½	5.26
1937.....	1,680	9.10	28.1	24.1	6.5	4		
1938.....	1,128	8.66	13.4	12.1	3.3	2		
Jula-Kalumpang:								
1936.....	2,931	...	53.1	48.7	7.7	6¼	18.9	5.63
1937.....	4,050	...	91.1	78.4	15.0	8		
1938.....	3,421	...	46.5	40.2	6.4	5		
Lanadron:								
1936.....	1,114	8.12	15.9	12.8	4.8	5	11.3	5.64
1937.....	1,832	10.00	37.7	26.0	9.6	9		
1938.....	1,376	8.17	13.9	8.3	3.2	3		
Mendaris:								
1936.....	1,507	8.40	27.8	21.2	4.9	5	11.3	5.34
1937.....	2,095	9.39	43.0	29.3	7.4	5		
1938.....	1,581	8.83	30.9	14.1	3.4	3		
Pataling Rub.:								
1936.....	2,851	8.34	42.8	31.0	10.2	10	28.1½	5.51
1937.....	4,139	9.16	73.7	63.7	22.9	15		
1938.....	2,851	8.74	36.4	27.4	9.5	7½		

* After estate and general expenses (where shown). † £1 shares.
* London landed equivalent.

Net profits, in general, have been at least halved—a result for which lower quotas and prices seem equally to blame, while costs, no doubt as a result of reduced output, have fallen by a smaller ratio than output. The more stable price conditions of the latter part of 1938, however, have clearly provided a welcome check to a decline in profits which, a year ago, threatened to be even more severe than it proved in fact. Broadly speaking, realised prices (London landed equivalent) are not more than about ½d. lower. Profits of Lanadron, whose average realised price was reduced by as much as 1.83d., are significantly only one-third of the 1937 level. Present market conditions are undeniably stagnant, and though the price outlook is steady, prospects of a large rise in American consumption and hence of higher releases (the present quota is no higher than 50 per cent.) are not bright.

Mining Reports

Robinson Deep.—The 1938 report of Robinson Deep again continues the record of gradual progress. Working profit at £970,195 shows an increase of £23,134, chiefly attributable to the increase of 2s. in the average net price for gold to 142s. 6d. per fine ounce. Ore milled was actually 69,500 tons higher at 1,419,500 tons, but this increase was offset by a slight reduction in the yield to 4.662 dwt. per ton and an increase of 1.8d. per ton in the working costs. The dividend on the "A" shares (absorbing £37,500) and the two dividends of 2s. 6d. each on the "B" shares (absorbing £500,000) left a small surplus of £4,366 to add to unappropriated profits, while in addition some £57,000 was provided from revenue for capital expenditure. As the "A" shares will presumably be extinguished by repayment on January 1, 1941, and capital expenditure is likely to be on a diminishing scale, there is a fairly definite prospect of relief to the revenue account to the extent of 1s. per "B" share in the next two years. A moderate further increase in the tonnage milled may be expected, as the increase in the nominal capacity to 125,000 tons per month only became fully effective in the second half of the year. Owing to labour shortage, development accomplished during the year was only 25,022 feet, as

compared with 39,260 feet for 1937. The amount sampled totalled 14,335 feet, of which 6,455 feet, or 45 per cent., proved payable, and showed an average value of 5.7 dwt. over 53 inches. Ore reserves at the end of the year were 394,000 tons higher at 7,001,000 tons, the average value being 0.2 dwt. lower at 4.6 dwt. and the stoping width 0.2 inches higher at 55.8 inches. Highly encouraging results continue to be obtained in the lower levels of the south section. An improvement in hoisting efficiency is expected as a result of the electrification of the steam hoists at the Chris shaft, which should shortly be in commission. The mine is very deep, and the question of providing still further ventilation facilities is necessarily coming under renewed consideration. Nevertheless, the technical position is sound and, while the limits of further attainment are now fairly clearly defined, there is a long prospective life on the basis of the present scale of operations. The present price of the "B" shares is 63s. 1½d., offering a yield of £7 18s. 6d. per cent.

Simmer and Jack.—With the completion of the south deep vertical shaft last March Simmer and Jack entered on a new expansion phase. During 1938 ore milled at 1,356,500 tons showed an increase of 147,000 tons. The nominal milling capacity of the plant was then raised to 118,000 tons per month. In September the progressive technical situation led to the decision to take full advantage of the improved hoisting facilities by embarking on a major expansion scheme. This provides for an increase in the nominal milling capacity to 180,000 tons per month in two stages. Milling at a higher rate will be commenced early in 1940, and every effort will be made to build up tonnage before the capacity of the plant as rapidly as possible. The rising trend of profits is, therefore, likely to continue for some time to come. In 1938 working profit increased by £127,531 to £664,725, representing the combined result of increased tonnage, an improvement of 0.046 dwt. per ton in the recovery, a reduction in working costs by 2.2d. to 20s. 10.4d. and an improvement of 1s. 11d. in the average price obtained for gold to 142s. 6d. Ore reserves at the end of the year, at 2,956,000 tons, showed an increase of 582,000 tons, the average value being 0.2 dwt. lower at 4.7 dwt. This, however, still shows a surplus over the grade of ore sent to the mill. The decline in the average value reflects large tonnages of partly developed ore in the upper areas of the mine, previously classed as unpayable, which have been brought within the range of payability as a result of the higher gold price, and within the range of working by the completion of the south shaft and the 53rd level haulage. In order to open up the mine at depth, two incline shafts, the Central tertiary and Eastern tertiary, are being advanced to the 53rd level. Development accomplished during the year again showed an increase at 68,441 feet, of which 47,330 feet were sampled and 21,330 feet (or 45.1 per cent.) proved payable. The average value was 10.6 dwt. over 27.6 inches. Dividend policy is still subordinated to the requirements of the capital expenditure programme, and will be for some time to come. While the cost of dividend No. 18 of 5d. and No. 19 of 6d. per share was £293,750, some £134,987 was provided out of revenue for capital expenditure, and the unappropriated balance at December 31st was £45,426 higher at £114,853. A further 750,000 2s. 6d. shares were issued to shareholders at 12s. 6d., and the balance of working capital in hand at the end of the year amounted to £455,807. While the revenue account is not likely to be relieved entirely in the immediate future, a progressive increase in future distributions may be hoped for. The shares at the present price of 18s. 1½d. offer a yield of £5 1s. 3d. per cent.

South African Land.—This promising mine reached the production stage last year, and is still working towards the full nominal capacity of the present plant. In the last six months of 1938 tonnage milled was 266,600. In March this year the figure was 69,700, and in a few months' time it should be approaching 100,000 tons per

month. While this process is proceeding, working costs are falling. Costs averaged 28s. 5.7d. last year, but the latest figure is 24s. 8.93d., and there is considerable scope for further reduction. Working profit amounted to £114,353, and after providing £61,875 for dividend No. 1 of 6d. per share and £26,927 new issue expenses, the unappropriated balance at the end of the year was £41,736. Development work showed a sharp drop from 51,567 feet to 31,967 feet, since efforts were primarily directed last year to preparations for stoping and completing underground transport and ore handling arrangements. This fact invalidates criticisms of the smallness of the increase in the ore reserve, which is 287,080 tons higher at 3,030,690 tons, having a value of 6.02 dwt. over a stoping width of 46.49 inches. Capital expenditure absorbed £740,211, but this year it is expected not to exceed £35,000, which is covered by the balance of the capital fund still in hand. The capital, as now increased, amounts to 2,475,000 shares of 3s. 6d. each fully paid. Dividends more in line with the present price of the shares of 68s. 9d. should be seen this year.

East Daggafontein.—Satisfactory progress with the erection of the reduction plant is reported by East Daggafontein, and it is anticipated that crushing operations will commence about the middle of the year. At the end of 1938 creditors showed a surplus over cash assets of £323,081, but the new issue brought in £900,000 earlier this year and left a net balance of £574,669 available for further expenditure, which should suffice until the production stage is reached. When the issue was made it was stated that the recalculation of the ore reserve was expected to show an increase of 400,000 tons as the result of development during 1938. The actual improvement disclosed in the report is greater and, including 135,275 tons of Kimberley Reef, the total at the end of the year amounted to 1,601,578 tons, an increase of 590,639 tons, the average value being 6.18 dwt. over a stoping width of 37.97 inches. This increase is due to the excellent development results achieved during the year. On the Main Reef leader the footage accomplished was 29,577 feet, an increase of 10,080 feet over the 1937 figure. Of this footage 22,970 feet was sampled and 8,950 (39 per cent.) proved payable, showing an average value of 25.13 dwt. over a width of 11.48 inches. On the Kimberley Reef horizon development accomplished was 3,352 feet, of which 2,005 feet, or 89.3 per cent., was payable, showing an average value of 23.34 dwt. over a width of 17.09 inches. The No. 1 shaft was sunk a further 143 feet and reached its final depth of 3,743 feet. It is possible that some small maiden distribution might be made at the end of the current year, but the first distribution bearing any relation to normal earning capacity cannot be expected before June, 1940. The present price of the 10s. shares is 20s., and on this basis the property is capitalised at the moderate figure of £2,700,000.

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

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East Rand Proprietary.—The condition of this large property presents several interesting features. Attention will be first directed to the technical situation, in view of last year's flurry in the shares on the poor figures revealed by the June quarterly report. It may be said at once that the misgivings then expressed show no sign of being justified. During the whole year, development footage accomplished was 3,985 less than in the previous year at 107,636, but the percentage of payability rose from 35 per cent. to 39 per cent. Available ore reserves rose by 457,980 tons to 10,739,300 tons. On the other hand, development included footage payable owing to the higher gold price, and the overall value of the ore reserves is again 0.1 dwt. lower at 5.2 dwt. Moreover, the report states that in the comparatively low-grade western area footage and tonnage developed were lower than in 1937; hence the analysis of the development statistics usually given in the chairman's speech must be awaited before the extent to which the central portion of the mine (where satisfactory values and a high percentage of payability are recorded) has contributed to the development results of the year can be assessed. In 1937, over 40 per cent. of payable tonnage developed came from the western section, but the average value per ton was only 3.8 dwt. The decision to sink a circular shaft from the 34th level near the south-west vertical shaft, to facilitate development of the far-western area, is interesting in this context. In considering dividend prospects, it is necessary to take into account, on the one hand, the surplus—equal to about 1s. per share—of profits over the present dividend rate of 3s. 6d., and, on the other, continuing requirements for capital expenditure. In 1938, expenditure on capital account amounted to £259,991, of which £171,224 was provided out of the year's income, the balance being found from the carry-forward. Capital expenditure during the current year is expected to be heavy—presumably heavier than last year—largely on account of the equipment of the central vertical shaft, which has now reached its final depth of 5,981 feet, and the sinking of the circular shaft, together with underground winding equipment. Though current profits are running at a higher level, therefore, the immediate dividend prospect is limited by these considerations. At the present price of 49s. 4½d. the shares yield £7 2s. per cent. on the 3s. 6d. dividend rate.

THE STOCK EXCHANGES

London

SETTLING DAYS	
TICKET	ACCOUNT
APRIL 11	APRIL 13

WEDNESDAY saw the end of an Account which few operators will be sorry to forget. The first three days of this week provided no significant alteration to the market's waiting mood, although there was a small increase in buying on Monday which was duly enlarged in terms of prices. Improvement even on Monday was not satisfactorily maintained and on Tuesday, when business was even lower in volume and the noise from Europe rather higher in volume, the industrial markets lost more or less what they had gained on Monday. Wall Street's acute depression caused erratic movements in the international group, and although some industrial shares were slightly firmer on Wednesday the tone of the market was very dull.

In the *gilt-edged market* undated stocks made the best progress in Monday's moderate recovery; War Loan closing ½ higher at 95½ with comparable rises in other undated stocks. The short dated list, however, continued to be depressed by the rising tendency of money rates and by Budget uncertainties. On Tuesday, the gilt-edged market, in common with the rest of the "House," turned dull and losses of up

to ½, led by War Loan, were common both in the undated and dated groups. India and home corporation stocks were quiet and rather dull and it was difficult to place small lines of colonial stocks.

The *foreign bond market* showed some improvement at first under the lead of Roumanian bonds. The Stabilisation 7 per cent. issue jumped 5½ to 24½ and the 4 per cent. External 4 to 23 on Monday, and these rises were accompanied by a general recovery in the European group. They were not, however, fully maintained on Tuesday, when losses of up to 1½ points in Roumanian loans occurred. A demand was reported for Brazilian bonds at the opening but selling was resumed on Tuesday. Little reaction to the Chinese defaults (discussed in a leading article on page 89) was noticeable.

Home rail stocks were affected at the beginning of the week by a possibility of direct action on the 50s. minimum wage demand, and were carried downwards by the mid-week trend, despite the increase of £128,000 in the traffics for the four lines. Business in Argentine rails remained small but San Paulo jumped on the unexpectedly favourable dividend announcement.

After a moderate technical recovery on Monday, prices of *industrial shares* resumed their sagging trend. Political uncertainties and the approach of the

The Week's Company Profits.—Our usual analysis of profit and loss accounts on page 120 covers 46 industrial companies for which comparable figures are available. The net profits of these 46 companies amount to £4,310,000, compared with £4,460,000, a decline of 3½ per cent. Aggregate net profits of 703 companies reporting in 1939 to date are £93,732,000, a decrease of 8½ per cent. from £102,111,000 earned by the same companies a year ago. The week's results are discussed in preceding Notes and on page 99 under the heading "Shorter Comments."

Company Meetings of the Week.—In this issue reports of company meetings begin on page 104. Lord Henry Scott's survey of the *Bank of Scotland's* position is referred to in a Note on page 92, and Sir Edward Cook's address at the *National Bank of Egypt* meeting in Cairo is discussed on the same page. An increase in business activity during 1938 is reported by *Hungarian General Creditbank*, owing partly to the absorption of the Hungarian General Savingsbank. At the *Wesleyan and General Assurance Society* meeting, Mr John B. Field referred with satisfaction to the increase in total premium income of £80,770 to £2,319,362. Mr A. A. Jamieson's remarks at the *Vickers'* meeting and the review of Sir George Beharrell at the *Dunlop Rubber* meeting are discussed on pages 95 and 96. The equipment of theatres for television was discussed by Mr Mark Ostrer in his address to *Provincial Cinematograph Theatres* members. Important development work at certain properties was reported by the chairman at the *Coalmines of Salgó-Tarján (Hungary)* meeting. Mr Arthur E. Hadley explained to the *Rhodesia Railways* members that £200,000 out of the £321,567 increase in gross revenue was due to general goods traffic. Sir Alexander Roger informed *Anglo-Portuguese Telephone* shareholders that the year's increase in the number of stations was the largest in the company's history. Surveying conditions in the current year, Mr G. H. Champion informed *Jasin (Malacca) Rubber Estates* shareholders that greater restriction was partly offset by a higher standard production. At the *Equity and Law Life Assurance Society* meeting, Sir Dennis Herbert pointed out that in the short space of six years to the end of 1938 total funds had risen from £10 millions to £30 millions.

Easter holiday between them left the market in an inactive mood. Iron and steel shares began well, but became irregular later. There were, however, a number of gains, with some support in particular for Stanton, Vickers and Beardmore. Coal shares were quiet but firm, while little interest was shown in engineering issues. There was little business passing in electrical equipment companies. Motor shares followed the general trend and became uncertain after a good opening. Aircraft share prices were well maintained, though turnover was small. Textiles became dull after a fair opening session. Breweries followed other sections of the market, while tobacco shares showed some resistance after Tuesday's weakness. Great Universal were a firm spot in the stores group. Provision and catering issues were dull, though prices were steady. Many of the miscellaneous leaders went ahead on Monday on bear-covering, and though prices were inclined to sag later, movements were never very large. Cable and Wireless stocks rose sharply before and after the announcement of the maintained distribution (discussed on page 95).

Oil shares were typical of the rest of the market, and after a relatively bright start, prices gave way. Selling from the Continent was an important factor in the mid-week weakness. Rubber shares were a little firmer on Monday, and

though subsequent losses were only fractional, the steady tendency was not maintained.

Turnover in *Kaffirs* remained on a small scale. An improved trend on Monday was not kept up, and though losses were confined to small amounts, the market's mood became more uncertain. So little business passed on local account that moderate operations from Paris and the Cape influenced prices unduly. Rhodesian copper issues followed the general trend, for satisfaction with the maintenance of the Roan Antelope interim was not enough to offset the market's listlessness. Among other base metals, Trepsa were supported from Paris.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains†	Corres. Day 1938	Security Indices	
			30 ord. shares*	20 fixed int.†
Mar. 31	5,295	7,205	80.6	118.0
April 3	6,840	7,395	81.8	118.1
April 4	5,645	6,300	80.9	117.9
April 5	5,585	6,770	81.1	117.9
1939 High...	...	...	88.0	123.5
Low...	...	...	Mar. 10 73.7	Jan. 3 117.9
			Jan. 27	Apr. 4

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

New York Prices

Close Latest			Close Latest		
Mar. April			Mar. April		
30, 5,			30, 5,		
1939 1939			1939 1939		
1. Rails and Transport			4. Manufacturing		
Atchafalaya	32½	28½	Briggs	24½	20½
Balt. & Ohio	6	5½	Chrysler	73½	65½
B.M.T.	97	83	Elec. Autolite	33½	28½
Can. Pacific	4¼	4¼	Gen. Motors	46½	41½
Ches. & Ohio	35	32	Hudson Mtr.	6½	5½
G.N. Ry. P.	24½	20½	Nash Kelvtr.	7½	6½
Illinois Cent.	14½	12½	Packard Mtr.	3¾	3½
N.Y. Central	17½	14½	Bendix Avtn.	23½	20½
Norfolk Pac.	10½	8½	Boeing Airplan ..	25½	21½
Pennsylv. R.	20½	18½	Douglas Air.	66½	60½
Southern Pac.	15½	13½	United Aircraft ..	38½	35
Southern Ry.	17½	14½	Air Reduction	51½	47
Union Pac.	99	92½	Allied Chem.	172	160½
Greyhound	18½	17½	Col. Carbon	87½	81
2. Utilities and Communications			Dupont	149½	137½
Am. W. Works	11½	9½	Un. Carbide	78½	72½
C. with. & S.	1½	1½	U.S. Ind. Alc.	17½	15½
Con. Edison	31½	29½	Allis Chalmers ..	38½	34½
Col. Gas & El.	6½	6	Gen. Electric	38½	34½
El Bond & Sh.	9¼	8½	West. Elec.	101½	101
Nat. Pwr & Lt.	8	7½	American Can	89½	85
N. American	22½	20½	Addressograph ..	24	20½
Pac. Gas & El.	32½	29½	Caterpillar	44½	42½
Pac. Lighting	45½	42½	Cont. Can.	39	35½
Pub Serv N.J.	35½	33	Ingersoll Rnd	101½	87½
Stan Gas & E.	21½	21	Int. Harvester	58	54
United Corp.	2½	2½	Johns Manville	78	72
Un. Gas Imp.	12½	11½	Am. Radiator	137½	11½
Un. Gas Imp.	159¼	155	Corn Prods.	64	59½
Amer. Tel. For.	8½	7½	J.I. Case & Co.	81½	76½
Inter. Tel.	20½	18½	Glidden	18½	16½
West. Union	81½	78½	G. M. Trans	51½	45½
Radio	67½	61	Allied Stores	9	7½
" B. Pref.	63¼	57¼	Celanese of A.	19½	16½
3. Extractive and Metal			Ind. Rayon	23½	19½
Am. Rol. Mill	16¼	14	Colgate Palm.	15½	13½
Beth. Steel	66¼	59½	Eastm'n Kdk.	168	149½
Beth. Steel P.	112	107	Gillette	65¼	61¼
Republic Ste.	18½	16	Loews	43½	39½
U.S. Steel	55½	49½	20th Cen. Fox	21½	19¼
U.S. Steel P.	116¼	111¼	5. Retail Trade, etc.		
Alaska J'neau	9¼	8½	Mont. Ward	48½	46
Am. Metal	32½	29½	L. C. Penney	81	77½
Am. Smelting	41½	38½	Sears Roebuck	71½	66½
Anaconda	27½	23½	Walgreen	18½	17½
Bohr. Alum	22½	19½	Borden	18½	18½
Cerro de Pas.	39½	39	Nat. Distillers	27½	25
Int. Nickel	49½	46½	Schenley Dis.	15	13½
Kennecott	35½	31½	6. Finance		
Patino Mines	10½	9½	Comcl. Credit	51¼	47½
Tex. Glt. Sul.	29	28½	Atlas Corp.	7½	7¼
U.S. Smelt.	56	53½	Com. Inv. Tr.	54¼	47½
Vanadium	23½	20	Atlantic Ref.	38½	34½
Atlantic Ref.	38½	34½	Lorillard	22½	21½
Phillips Petr.	38¼	34¼	Reyn. Tob. B.	38½	38
Shell Union	12½	11½	Nat. Dairy	15	14
Shell Un. P.	105¼	105¼	Am. Tob. B.	85½	81½
Socony Vac.	12½	11½	Lorillard	22½	21½
Stan. Oil Cal.	27½	26½	Nat. Distillers	27½	25
Stan. Oil N.J.	47½	46	Schenley Dis.	15	13½
Texas	41¼	38½	6. Finance		
			Comcl. Credit	51¼	47½
			Atlas Corp.	7½	7¼
			Com. Inv. Tr.	54¼	47½

* ad

† ex rights

New York

ON Wall Street, last week closed with some recovery from the bad break on Friday, March 31st, on unfavourable European news. This week opened with a further rally, but it proved very short-lived and since then the trend has on the whole been downward. Trading volume, moreover, was distinctly large, and heavy selling contrasted with the stagnant conditions in most of the last week of March. This weakness was partly in sympathy with foreign markets—Wall Street reacts more violently to European political news than Europe herself—and partly because operators are taking a more bearish view of the industrial position at home. A decline in estimated steel output for the current week from 56.1 to 54.7 per cent. did not help matters, and the fall of the Dow industrial average to a level just under the Munich "low" induced sales by the chart-readers.

TOTAL DEALINGS IN NEW YORK

1939	Stock Exchange		Curb Shares
	Shares 000's	Bonds 000's	
Mar. 30	980	6,370	190
" 31	2,890	10,300	399
Apr. 1	1,560	5,490	343
" 3	1,470	6,320	226
" 4	1,530	7,080	254

* Two-Hour Session.

Capital Issues

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital versions	Conversions	New Money
April 8	£90,000	...	£90,000
To the Public	Nil	...	Nil
To Shareholders	700,000	...	706,250
By S. E. Intro.	6,333	...	16,471
By Perm. to Debt	...	...	...
Sav. Certs. 6 days to March 31	Dr150,000	...	Dr150,000
Including Conversions			
Year to date	£34,528,649	£33,297,584	£1,231,065
1939 (New Basis)	34,528,649	33,297,584	1,231,065
1938 (New Basis)	57,897,049	44,591,542	13,305,507
1939 (Old Basis)	19,401,010	19,184,945	216,065
1938 (Old Basis)	38,864,074	26,808,672	12,055,402
Excluding Conversions			
Year to date	£24,842,103	£8,255,481	£16,586,622
1939 (New Basis)	24,842,103	8,255,481	16,586,622
1938 (New Basis)	35,281,352	6,880,961	28,400,391
1939 (Old Basis)	15,497,589	3,487,356	12,010,233
1938 (Old Basis)	20,234,449	4,175,099	16,059,350

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1939 (New Basis)	16,280,169	2,161,296	14,856,119
1938 (New Basis)	19,448,099	3,897,613	21,245,830
1939 (Old Basis)	13,007,435	867,697	5,309,813
1938 (Old Basis)	14,780,122	2,260,722	9,767,828

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

Warner's Holiday Camps, Ltd.—Issue at par of £60,000 6 per cent. first mortgage debenture stock and 300,000 2s. ordinary shares. Issued to acquire two holiday camp companies. Properties and equipment valued at £91,856; purchase price £87,856, in £32,856 cash and 550,000 2s. ordinary shares. Combined profits: 1935–36, £9,308; 1936–37, £10,079; 1937–38, £16,193. Lists closed 9.5 a.m. April 4th. The shares were oversubscribed and the debenture stock fully subscribed.

BY STOCK EXCHANGE INTRODUCTION

Sheffield and District Gas Company.—Issue of £500,000 4 per cent. debenture stock, redeemable July, 1964, or from 1959 on three months' notice. Proceeds to repay mortgages. Issue taken by Messrs G. S. Herbert and Sons at 100½ net.

BONUS SHARES

R. W. Crabtree and Sons.—It is proposed to distribute a bonus, in the proportion of four new shares for each ordinary share held by capitalising £120,000 of general reserve. This will make total capital £150,000 in 1s. shares. It is proposed to consolidate these into 600,000 5s. shares.

SHORTER COMMENTS

Company Results of the Week.—Revenue of the RIVER PLATE TRUST LOAN AND AGENCY COMPANY has fallen by £34,000 to £340,741, but owing to a smaller exchange loss the decline in net profit is less than £10,000, and dividends are maintained. GENERAL AIRCRAFT, by increasing turnover in 1938 by 112 per cent. (partly through a new acquisition), have converted a trading loss of £15,110 into a trading profit (after contingencies) of £60,678. HOULDER BROS. record a satisfactory advance in total profits, from £61,661 to £72,959. Though the decline in investment trusts revenues has not left ALLIANCE TRUST unscathed, the depreciation on quoted investments is no more than 3.83 per cent. UNITED GLASS BOTTLE total profits have fallen from £436,118 to £397,046, though the report offers no comment on these results. VAN DEN BERGHS AND JURGENS record a satisfactory 7 per cent. rise in total profits to £1,257,668. One of the best reports of the week is that of ALLEN WEST AND COMPANY, makers of electrical control equipment. Net profits are £126,001 against £82,923, and the dividend is raised from 7½ to 10 per cent. Although investments in subsidiaries again yielded satisfactory results, net profits of BRITISH UNITED SHOE MACHINERY have fallen from £594,981 to £542,877. The balance sheet is now presented in an improved form, and gives fuller details of the fixed assets, together with the year's changes. The decreased numbers of overseas visitors and last autumn's crisis severely affected SAVOY HOTEL, whose net profits amount to £39,666 against £69,408. Units sold in 1938 by subsidiaries of SOUTHERN AREAS ELECTRIC rose by 14 per cent., but coal costs rose and there were certain tariff reductions. Net profits of the Corporation amount to £31,985 against £37,953, but the 5 per cent. dividend is maintained.

BANKS

Eastern Bank, Ltd.—Net profit for 1938, £111,601, or £15,572 less than 1937. Ordinary dividend again 7 per cent. Contingency allocation reduced from £50,000 to £40,000. Carry-forward raised from £81,191 to £82,972.

Chase National Bank of the City of New York.—Deposits, March 31, 1939, \$2,594,437,000, against \$2,234,333,000 on December 31, 1938. Total resources, March 31, 1939, \$2,888,271,000 (\$2,523,167,000 December 31, 1938). Cash \$1,229,178,000 (\$861,439,000). Investments in U.S. Government securities \$650,330,000 (\$639,878,000). Loans \$608,609,000 (\$638,734,000). Undivided profits \$33,266,000 (\$35,247,000).

Guaranty Trust Company of New York.—Deposits, March 29, 1939, \$1,670,216,227 compared with \$1,446,430,628 on March 31, 1938. Total resources have risen from \$1,770,408,085 to \$1,988,747,869 in the period. Capital funds amount to \$272,956,690.

(Continued on page 111)

Industry and Trade

Further Increase in Employment.—The latest employment and unemployment returns lend further support to the widespread belief that recovery was on the way when Herr Hitler once more dealt a severe blow to business confidence. The estimated number of insured persons aged sixteen to sixty-four in employment in Great Britain, exclusive of agriculture, rose by 167,000 to 11,586,000 between February 13th and March 13th, while the total number of registered unemployed showed a fall of 170,000 to 1,727,000. As in February, the improvement last month cannot be attributed entirely to seasonal influences. Indeed, in March *The Economist's* index of employment, adjusted for seasonal variations, reached its highest level since November, 1937, while our index of unemployment for March is lower than for any month since February, 1938. The estimated number of insured persons on March 13th, exclusive of agriculture, showed an increase

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				
1938	'000	1935 = 100	'000	%	'000	1935 = 100
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	87.9	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	109½
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	14.0	11,284	110
Feb. 13	1,897	87.9	1,538	13.1	11,419	111
Mar. 13	1,727	84.6	1,429	...	11,586	111½

of no less than 196,000 over the figures for the corresponding month last year, while the total number of registered unemployed was 22,000 lower than a year ago. The improvement, moreover, was well spread, both geographically and as between different industries. With the exception of shipbuilding and ship-repairing, all the important industries registered a decline in unemployment between February and March. Compared with March, 1938, the reduction in unemployment was most marked in the principal textile trades and in the motor vehicles, cycles and aircraft industry; on the other hand, the number of persons out of work in the building, engineering, shipbuilding and distributive trades was still higher last month than a year ago. It must be remembered, however, that the unemployment count took place just before Germany's annexation of Bohemia and Moravia and that the figures, therefore, do not yet reflect any effect of the deterioration in international relations during the past three weeks.

Revival in Shipbuilding.—Mr Oliver Stanley's announcement of the Government's proposals to assist the shipping and shipbuilding industries, outlined on page 10 of *The Economist* of April 1st, has produced a rush of new orders for merchant vessels. The statistics given in the following table (based on the *Shipping World's* returns) show that these orders have come none too soon. The number of ocean-going ships under construction at the end of last month was only 52, against 144 a year

MERCHANT VESSELS UNDER CONSTRUCTION
(In thousands of gross tons)

District	Liners		Cargo Vessels		Tankers	
	Mar., 1938	Mar., 1939	Mar., 1938	Mar., 1939	Mar., 1938	Mar., 1939
Clyde	250	173	52	...	127	52
Scottish outports	31	22	35	10	...	7
North-east Coast	125	40	168	43	152	68
Rest of England	55	34	...	...	16	8
Belfast	108	59	...	...	8	...
Total	570	328	256	53	303	135
Of which launched	65	200	65	16	30	49
Of which on stocks or order	505	128	190	37	273	86

ago, and the tonnage of vessels on hand had fallen from 1,128,729 gross to 516,331 gross. But many vessels still under construction at the end of last month had already been launched, and the tonnage on the stocks or on order was only 251,400 gross, compared with 968,900 gross a year ago. In the absence of new orders the industry would therefore soon have been without any commercial work. But the rate at which orders have been placed suggests that the shipbuilding industry has at last turned the corner.

Yarn Price Agreement Renewed.—At the end of last week there was considerable uneasiness in various sections of the Lancashire cotton trade when it became known that difficulties were being experienced in securing a renewal of the price agreement for the range of counts known as 42's American weft. This agreement in the past has comprised 52 firms, owning about 4,000,000 spindles, and is one of the most important sections of the industry. At a meeting of the members it was announced that, with the exception of two mills, all the firms had signed forms agreeing to an extension of the pact for three months. On Friday last strong representations were made to these two firms, and ultimately they agreed to fall into line, and the price scheme will be continued until the end of June. If the pact had broken down there would have been severe price-cutting, especially in view of the fact that many mills hold rather heavy yarn stocks. It is understood that immediately after the Easter holidays all spinning companies in the American section will receive proposals for a comprehensive agreement covering yarn prices, which has been drafted with a view to being ready when the Cotton Industry (Reorganisation) Bill has been passed by Parliament.

Coal Production by Districts.—During the first two months of this year the total output of coal was slightly below production in the corresponding period last year. But, as the following table shows, the changes in production since last year were far from uniform:—

PRODUCTION OF COAL
(In thousands of tons)

District	January-February		Percentage change from 1938
	1938	1939	
Northumberland	2,296.9	2,267.3	- 1.3
Durham	5,493.8	5,174.0	- 5.8
Yorkshire	7,892.2	7,719.3	- 2.2
Lancs, Cheshire and North Wales	2,924.5	2,947.9	+ 0.8
Derby, Notts and Leicester	6,316.8	6,199.2	- 1.9
Staffs, Wores, Salop and Warwick	3,513.3	3,565.3	+ 1.4
South Wales and Monmouth	6,447.4	5,694.9	- 11.7
Other English districts*	955.7	907.3	- 5.1
Scotland	5,090.5	5,055.4	- 0.7
Total	40,931.1	39,530.6	- 3.4

* Including Cumberland, Gloucester, Somerset, and Kent.

While total production showed a reduction of 3.7 per cent. between the first two months of 1938 and 1939, the output of two coalfields (Lancashire, Cheshire and North Wales, and Staffordshire, Worcestershire, Salop and Warwickshire) was actually slightly higher than a year ago. On the other hand, South Wales has suffered a severe recession, largely owing to the reduced intake of France. As our Cardiff correspondent points out on page 102, representations are now being made to the Mines Department to secure the more effective application of the agreement concluded last December.

Fall in Shipping Freight Rates.—After a slight improvement in February, *The Economist's* index of shipping freight rates declined in March to the lowest level registered since September, 1936.

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

	Average, 1913	Feb., 1938	Mar., 1938	Dec., 1938	Jan., 1939	Feb., 1939	Mar., 1939
European waters...	110.0	117.6	109.3	109.1	107.4	105.8	106.4
North America	113.1	109.3	110.6	110.3	111.6	110.7	111.3
South America	123.4	122.4	129.6	113.2	110.4	117.1	104.7
India	106.3	130.3	120.0	106.4	108.6	108.2	109.6
Far East and Pacific	117.4	120.4	111.8	97.0	97.8	98.7	94.6
Australia	127.9	113.4	111.6	111.3	111.3	110.0	108.3
Total	116.3	118.9	115.5	107.9	107.9	108.4	105.8
1913 = 100	100.0	102.1	99.2	92.8	92.8	93.1	91.0

As the next table shows, the decline in the index last month was due mainly to the sharp fall in homeward freight rates from South America.

	Index No.	Inc. or Dec. Points		Index No.	Inc. or Dec. Points
Home trade	99.4	+ 0.6	South America:—	76.3	- 3.9
Bay—outwards	115.6	+ 5.6	Outwards	133.0	- 19.0
Bay—homewards	125.9	...	Homewards	89.2	- 2.0
Mediterranean:—			India—outwards	130.0	+ 4.8
Outwards	77.4	...	India—homewards	94.6	- 4.1
Homewards	120.8	- 3.2	Far East, etc.	108.3	- 1.7
North America	111.3	+ 0.6	Australia	...	...

In view of the low level to which tramp freight rates have now fallen without a corresponding reduction in costs, the Government's proposals to assist the industry have come none too soon.

INDUSTRIAL REPORTS

THERE are no signs, as yet, of a check to the expansion in industrial activity. The textile trades have not booked many new orders, but activity has been maintained on orders received before the deterioration in European political relations. The cotton industry has increased its sales to India, a consequence of the new commercial agreement. The coal trade remains active, except in South Wales, and total production is now almost as high as a year ago. The demand for iron and steel remains on the up-grade, a reflection of the expansion of activity in the steel-consuming industries. Shipbuilders have already secured substantial orders since Mr Oliver Stanley's announcement of the Government's proposals to assist the shipping and shipbuilding industries.

Coal

Sheffield.—Demand for industrial fuels shows some further improvement, and steam coal generally is in better request. Prices are steady for South Yorkshire and Derbyshire hards at 18s.-19s. per ton at pits. Small coal is moving more freely to coke works, and there are more inquiries for rough

slacks and coke breeze for electricity undertakings. Gas coal is taken up less readily, and household coal has gone rather quiet. Fuller production of pig iron is helping the coke industry.

Export demand is poor, and prospects are not encouraging, prices being regarded as too high compared with quotations from Scottish and north-east coast pits.

Newcastle-on-Tyne.—Demand for Durham coking coal continues to be the feature of the north-east coal market. Export inquiry for this class of fuel is brisk and in addition local industrial requirements are showing a gradual improvement. Bunker trade remains quiet. Northumberland steam collieries continue to experience difficulty in clearing smalls, which forces a curtailment in large coal production. Patent oven coke has a steady outlet abroad, whilst in the home trade there is evidence of greater activity.

Glasgow.—The Scottish coal market remains steady in tone. In the home market the household trade is showing the seasonal slackening, but this is

Rhodesian Copper Expansion.—At the annual meeting of Rand Selection Corporation, the report of which was published early this week, the chairman pointed out that Rhokana Corporation, the largest Rhodesian copper producer, has now completed its expansion programme. As a result the company was able to raise its output to a peak level of 13,000 tons per month during the brief period of unrestricted production late in 1938. In other words, it appears that Rhokana's annual capacity is now in the vicinity of 150,000 tons, which is 30,000 tons more than was commonly expected. Roan Antelope, the second of the Rhodesian producers, is able to supply 120,000 tons, while Mafikeng, the third of the companies now producing copper in Northern Rhodesia, has a capacity of 90,000 tons which, however, will be raised further by development work now in progress. Altogether the three Rhodesian producing mines have at present a capacity of 360,000 tons. In addition to these three companies the N'Changa Consolidated Copper Mines, Ltd., a subsidiary of Rhokana, decided to recommence its development work at the time of high copper prices in the first quarter of 1937. Operations may start with the pilot plant this summer, and although it will take some years for the development work to be completed, this mine may ultimately produce as much copper as Rhokana. Consequently it appears practically certain that Northern Rhodesia will be able to produce within a few years about 500,000 tons of copper per annum at very low costs of production, which average now less than £25 per long ton. Consequently the developments in Northern Rhodesia are of outstanding significance for the international copper market, as they tend to support a policy of reasonable copper prices.

Higher Aluminium Prices.—On July 21, 1938, the export price of aluminium was reduced from £100 per metric ton, at which level it had stood since 1932, to £90 per ton. Last week it was raised again to £95 per ton. Since the aluminium cartel has in the past been anxious to avoid price changes in either direction, it is presumed that consumption in the first quarter of 1939 has shown a marked increase. Between 1933 and 1937 the stocks accumulated by the cartel were absorbed by the rising consumption, which outstripped the steady increase in production. Productive capacity in many countries,

(Continued overleaf)

meantime offset by the busier conditions now ruling in the industrial market, where demand from the heavy trades in particular has broadened out considerably owing to the pressure of work in connection with the re-armament programme.

The shipping trade is also being well maintained on the whole, and with the Baltic season due to open soon the prospects in this department are viewed with a fair degree of confidence, although the international developments are naturally having an unsettling effect in various directions. Prices generally remain steady, and the majority of the collieries in all districts are having regular employment.

Cardiff.—In view of the approach of the Easter holidays shipments are a little more active at the South Wales docks. Last week they totalled 372,700 tons, compared with 345,200 tons the previous week and 394,395 tons in the corresponding week last year, and a favourable stemming position is reported for the whole of the current week.

There has been no appreciable expan-

including the United Kingdom, is again being expanded, but re-armament demands, coupled with the growing use of aluminium in other industries, is likely to absorb the higher level of supplies.

* * *

The Indian Sugar Industry.—In March, 1931, the Indian Government imposed duties ranging from 1 to 8 rupees per cwt. on imported sugars, with the object of stimulating the home industry. In this, the duties have undoubtedly been successful. Indian production of white sugar increased from 355,000 metric tons in 1930-31 to 1,275,000 metric tons in 1936-37, while imports have fallen in the same period from 825,000 tons to 40,000 tons. But this very rapid growth in the home industry has now been checked by the appearance of over-production in the domestic market. The record crop of 1936-37 brought a severe fall in sugar prices, which not only threatened the existence of many of the smaller and less efficient factories but also caused a fall in the prices paid to the ryots for their cane. Consequently, the Governments of the two States mainly concerned, Bihar and the

United Provinces, passed in 1937 Sugar Control Acts which provided for the organisation of the factories in a Sugar Syndicate, which has powers to fix minimum selling prices and to regulate factory output by means of quotas. Prices paid to the growers for their cane sugar are now fixed by the two Governments, after consultation with the Sugar Syndicate. The main result of these Acts is reflected in a rise in the price of Indian sugar (first crystals, ex-Kantapur) from Rs. 8.4 in March, 1938, to Rs. 11.4 at the present time. The United Provinces Government has, however, recently ordered a further increase in sugar cane prices, while the Sugar Syndicate is unwilling to raise further the wholesale price of sugar, which is already so high that competition at ports from duty-paid Java sugar is increasing. Costs of production in India are very much higher than in Java, partly because the sugar cane is grown mainly outside the tropics, and so has a low sugar content, partly because standards of cultivation are low, and partly because of the inefficient working of many of the smaller factories erected in the post-tariff boom. Consumption of sugar in India is still extremely low, and the present level of prices, which has undoubtedly benefited the cane-growers in Northern India, is more likely to restrict than to increase the level of consumption.

sion, however, in the volume of new business. Small orders have been placed by the Palestine Railways and the Swedish Navy, but recent political events in Continental Europe are not stimulating any exceptional demand for steam coals, and this week representations are being made to the Mines Department with a view to the more effective application of the terms of the agreement between the French and the British Governments of December last.

There has been a slackening in the inland demand for household coals, but the improvement in the demand for industrial qualities is being maintained. Steam smalls are quiet, but for other small grades there is a better tone, and particularly for coking qualities. Prices are nominally unchanged.

Iron and Steel

Sheffield.—The iron market shows up poorly by comparison with the activity in the steel market. There is a slight improvement in the demand for foundry pig iron, but forge requirements are very slight. Basic pig iron, on the other hand, is in steady request, and business in hematite is showing signs of revival. Finished iron continues stagnant, although there are some transactions in marked bars.

Basic steel billets are being bought much more freely, and forward business is on a better scale than for some time. Acid billets are in steady request, as are wire rods and strip. Better delivery specifications for structural steel are being made, and new business shows distinct improvement.

With full supplies not too easy to obtain, there is much activity in the iron and steel scrap market. There are plenty of buyers of heavy basic steel for melting at 59s. per ton, and good business is being done in high-speed steel at £55 per ton. Heavy foundry cast iron is readily taken up at 75s., and heavy wrought shearing iron is a good market at 72s. 6d. per ton.

Steel output is being expanded, largely to meet Government requirements, but ordinary commercial demand is also increasing. The heavy branches of industry in this district are booked up, and at some establishments day and night working is necessary.

Middlesbrough.—Activity in this area is concentrated on the production

of basic steel, the demand for which is increasing. In addition to the requirements of Government departments, further orders are being received from commercial users, and orders placed for new steamers on the Tyne and Wear are bringing inquiries and orders for steel from the shipyards.

Shipments of manufactured steel from the Tees during March amounted to 32,000 tons, of which 20,000 tons went abroad; shipments of pig iron amounted to 2,924 tons, of which 1,734 tons went to foreign destinations.

The demand for Cleveland foundry pig iron is unchanged, but the foundry owners who have been using iron scrap are now finding this difficult to obtain. East Coast hematite deliveries are increasing, and stocks in makers' hands are being reduced. Only odd parcels of special quality are sold to the Continent. The increased output of basic iron will, it is expected, necessitate increased imports of foreign ore.

Imports of ore during March amounted to 104,000 tons, which is approximately 7,000 tons more than in the previous month. Heavy steel melting scrap is scarce, merchants having no difficulty in disposing of any quantities which come on to the market.

Glasgow.—Steel production in the west of Scotland is at a very high level and this notwithstanding that orders for shipbuilding material are exceedingly moderate. Improvement in this direction is looked for at an early date, as a result of the Government's plans to assist shipbuilding. Even now works are operating practically at capacity and output is being rapidly absorbed. Sheet re-rollers and sheet galvanisers are also working to capacity and are finding it impossible to meet the full demands of users. Makers of tanks and all classes of containers, sheet metal workers, engineers, machinery makers and most other branches of the iron and steel industry in the west of Scotland are exceedingly busy and, provided supplies of raw material are readily obtainable, there is every prospect of the improvement being sustained for many months.

Cardiff.—In the week ended March 25, the production of tinplates declined slightly compared with that

in the previous week, but inquiries generally are more active and unexecuted orders for the current year have been increased during the week from about 4 million boxes to over 4.4 millions. Exports were disappointing last week, but home deliveries were expanding. Prices are nominally unchanged. The home demand for sheets is exceptionally strong, and the heavier departments of the iron and steel industry are operating well up to capacity.

News from Abroad.—Recent reports on the activity of European steel producers have been more cheerful. Although this is due not so much to a revival of international trade as to increased armament orders, it is possible that sooner or later this improvement will have favourable repercussions on international trade. Up to now, the scarcity of export orders has had a depressing effect on prices and the political uneasiness has further aggravated matters, although the Cartel only recently reaffirmed the official price level. But it is symptomatic that certain French steel exporters who hitherto sold below official prices have lately discontinued this practice owing to the enlarged French armament programme. Similarly, Polish competition on several markets, which was mentioned a few weeks ago, has perceptibly diminished. It is very likely that the anxiety of steel producers to book export orders will decrease further, thus removing the pressure under which international steel markets have hitherto suffered.

British purchases of semi-products, particularly in Belgium, have remained on a large scale, but the arrears under the Cartel agreement are still formidable. In Holland, American competition is particularly keen in plates, and Scandinavia is purchasing only medium tonnages. Trade with the Far East has been quieter.

The Comptoirs of the Steel Cartel met in Paris on March 29 and 30 and discussed, in addition to routine matters, the price policy towards competition from outsiders. Rumours according to which the Comptoirs have given instructions to their members to accept any price quoted by outsiders, are reported to be based on a misunderstanding. Actually, it is left to the Comptoirs to decide whether an outside quotation

should be accepted, although this is being done in many cases, especially when large orders are involved. A final solution of this problem has not yet been found.

Textiles

Cotton (Manchester).—Traders have been harassed by uncertainties relating to politics and raw cotton prices. On the whole, however, rather more business has been done than might have been expected, the undercurrent of demand being encouraging. Raw cotton prices varied with rumours concerning the future policy of the United States Government. There is some doubt as to whether the export subsidy plan will be put into operation. It has been stated that the Government has offered to trade direct with important Lancashire spinning organisations. Some local cotton merchants have been concerned at the course of events and representations have been made to Washington that any action taken should be through the usual commercial channels.

The yarn market has been unsettled, business being disorganised by the many ups and downs in raw material prices. Fair weights, however, have been booked in coarse American counts. Some difficulties arose in connection with the renewal of the price agreement for medium American wefts, which is discussed on page 100. Orders in Egyptian yarns have been given out rather unevenly.

Manufacturers of piece-goods have not been short of inquiry, but actual business has been irregular. Most of the contracts secured have been in descriptions suitable for the home trade, and quite a number of Government contracts have been placed in fine and heavy materials, and also in bandage cloths. Buying for India has increased, and a considerable turnover has taken place in well-known styles. Further orders have been obtained in fancies for Java and the Straits Settlements. Irregular buying has taken place in poplins and limbrics for South America.

Jute (Dundee).—It is now becoming very evident that there is to be a squeeze for raw jute before the new crop becomes available. Sellers are most reserved and never has there been such a scarcity of offers made by shippers at this period of the season for both old and new crop. The reports of the weather affecting the latter have been unfavourable recently, continued lack of rain holding up ploughing and sowings. This is a critical period for the new crop and if rain does not come soon, the expected increase in the area this season may not take place. Imports of old crop into Calcutta for the first nine months of this season to March 31st were 8,375,000 bales, compared with 8,600,000 bales last season, while the Indian jute mills have bought in the same period 5,400,000 bales and 5,200,000 bales, respectively. If the mills do not wish to deplete their stocks further this year, they have yet to purchase approximately 600,000 bales to meet their requirements, estimated at 6,000,000 bales, compared with their actual consumption last season of 7,038,000 bales, when there was unrestricted production. With the exception of a few small establishments working 72 hours, all mills are now running only 45 hours per week.

In spite of the reduction in working hours in India and the fact that the British Government placed orders for 200 million sand-bags with the Calcutta mills, stocks of hessians at that centre continued to increase until they are approximately 500 million yards. Business here has continued quiet and there has been little doing apart from sand-bags for the Government, deliveries of which are maintained at 4,000,000 bags per week, and also for private firms. Prices are very firm all round, as both spinners and manufacturers are busy.

THE COMMODITY MARKETS

THE general movement of the prices of sensitive primary products was downwards, due to the uncertain political situation and to the growing belief that recovery in the United States may be delayed. Many consumers, consequently, are again securing only their immediate requirements. Moody's index of the prices of sensitive commodities in the United States (December 31, 1931 = 100) declined from 136.1 to 135.1 during the week ended last Tuesday.

Among individual commodities, wheat prices are scarcely changed on the week, but raw sugar prices continued their upward trend, due, largely, to the poor European crop. Raw cotton prices varied with rumours concerning the American Government's future policy, and jute rose in price on renewed fears of a shortage of supplies. The market in rubber was dull, but prices showed little change. Copper, lead, spelter and tin were all marked down a little.

Metals

Copper.—The event of the week was the reduction of the United States domestic price from 11.25 cents to 10.75 cents per lb. on Monday last. So far the cut was only made by the American Smelting and Refining Company, the largest United States producer, but it is most likely that the other big concerns will follow suit. After displaying great resistance to the adverse outside influences, the standard cash price of copper in London fell considerably on Tuesday in sympathy with the American price reduction, and closed on Wednesday at £42 16s. 3d. per ton, a net loss of 6s. 3d. on the week. The demand was slightly larger than in the previous week, but still well below normal.

Tin.—The demand for tin was very small and prices fluctuated considerably to close on Tuesday £1 down at £215 per ton. Moreover, the March statistics were not too good. According to A. Strauss and Company, Ltd., London, the total visible supply of tin declined from 33,652 tons at the end of February to 32,872 tons at the end of March. The reduction was solely due to the sharp drop in the Straits carry-over. New supplies amounted to 9,063 tons in March, a decline of 102 tons on the month, while world deliveries, at 8,187 tons, were up by 1,856 tons. Even at the higher level, however, they remained well below normal.

Lead and Spelter.—Quotations for lead declined by 10s. to close on Tuesday at £14 3s. 9d. per ton, while the cash price of spelter fell by 12s. 6d., thus closing at £13 1s. 3d. per ton. The demand for the two metals continues to be restricted by the uncertain political outlook which may influence the amount of new building, while international supplies are plentiful. Stocks of spelter in official warehouses totalled 24,321 tons on March 31st, against 25,771 tons a month before, while lead stocks fell from 13,976 tons to 13,536 tons. In both cases the stocks at the end of March were comparatively low, although the figures do not impress the market. It is learned that the question of the British spelter duty may be settled before the end of April and this would, of course, remove one of the chief uncertainties of the zinc market.

Grains

CHANGES in political sentiment have influenced the grain markets more than purely commercial considerations. After a rise in prices at the end of last week, the wheat market again declined and Canadian wheat was cheaper on Tuesday than a week ago. Australia continues to sell cargoes of flour to the East and consequently there is little pressure of Australian wheat in London. The maize market remains steady, but little business has been transacted in feeding barley.

Other Foods

Provisions.—Bacon prices were sharply reduced at the end of last week, except for Danish. With smaller imports from Continental countries, egg prices were firmer than in previous weeks.

Colonial Produce.—The futures market for raw sugar was firm early in the week; demand for refined was also good and prices were advanced 1½d. per cwt. for all types at the end of last week. Business was brisk at the London tea auctions until the last auction before the holidays, when the tone was quieter.

Fruit and Vegetables.—Until larger supplies came on to the London markets early this week, wholesale prices of English potatoes showed steady advances. The approach of Easter brightened trade in vegetables and fruits and all forms of salad have been in brisk demand.

Miscellaneous Commodities

Oils and Oilseeds.—These markets are generally steady, with the exception of that for Egyptian cotton seed, the price of which has eased further to £5 10s. per ton for March loading to Hull. English crushers have ample supplies of oilcakes on hand and the international markets are supported mainly by the steady level of American buying.

Rubber.—The volume of business has been small, but prices have remained steady, with only minor fluctuations caused by changes in political feeling. The price of standard ribbed sheet on the spot closed on Tuesday unchanged at 8d. per lb.

COMPANY MEETINGS

BANK OF SCOTLAND

SATISFACTORY RESULTS OF YEAR'S OPERATIONS

STRONG LIQUID POSITION

POSITION OF SCOTTISH INDUSTRIES

LORD HENRY SCOTT'S REVIEW

The annual general meeting of the proprietors of the Bank of Scotland was held within the Head Office, Edinburgh, on the 4th instant. In the absence abroad of the Right Honourable Lord Elphinstone, K.T., Governor of the Bank, the Lord Henry Scott, Deputy Governor, presided.

In submitting the directors' report the chairman said:—
Ladies and gentlemen, I assume that, as usual, we may hold as read the report by the court of directors of the affairs of the Bank as at February 28th last, a copy of which you have all no doubt received.

The directors regret the loss by death during the year of Mackintosh of Mackintosh, who had been an extraordinary director since 1927.

TRADE AND INDUSTRY

The year has been an anxious one, and political unrest throughout the world has made conditions of trade and industry difficult and uncertain in this country as elsewhere. It is greatly to be hoped that means may be found to remove the suspicion and fear with which the nations of the world have come to regard each other, and it is to this end that the efforts of all men of goodwill should be turned, efforts which might be signally aided by restraint and moderation of statement and criticism in public and private speech, in the Press, and by radio. Until the removal of this mistrust is brought about there can be no real improvement of trade conditions between the countries, which all of them so greatly need for their mutual advantage and prosperity.

In our own country the condition of normal trade and industry has been adversely affected by those world conditions. It is true that, as countering this result in some measure, the Government programme of re-arming and protection has brought about increased activity and employment in various directions, such as, for example, in the case of coal, iron and steel, and jute, in shipbuilding for the Admiralty, as well as in work for the Air Ministry. In shipbuilding, however, if we except the companies which undertake Admiralty orders and are consequently full of work, there has been a marked decline in the construction of mercantile tonnage. Among the contributory causes of this are the subsidies and aids granted by foreign Governments to their national shipping and shipbuilding industries. It is essential that the position of our merchant shipping should be strengthened on both the owning and building sides of the industry if we are to maintain the volume of shipping necessary for our vital needs in peace and in war, and the scheme just announced by the Government is a welcome contribution to this end.

The weakness so often pointed out in Scottish industry that it is too dependent on the heavy trades to achieve uniform prosperity is being progressively removed by a gradual extension of the lighter industries, and this has been increasingly evidenced during the year at Hillington at well as in other areas. Agriculture, owing principally to extremely unfavourable weather conditions at harvest time and to heavy falls in the prices of cereals, sheep and wool, has had a most disheartening year, and there must be few farmers who have not suffered loss. Any plans which the State may devise in an effort to give new life to this staple industry will be worthy of sympathetic support from the people of the country. In the fishing industry definite progress has been absent. The recently appointed Herring Industry Board, however, announced a few weeks ago a scheme providing for grants to herring fishermen for new motor boats, and this, combined with other plans being formed for improving markets for the product, will, it is hoped, result in some progress during the ensuing year.

THE BANK'S BALANCE SHEET

If you will now turn to the balance sheet you will, I think, agree that the results of the operations of the past year are satisfactory. The deposits at £37,851,691 show a decrease of £1,446,759, but this is due to the course of ordinary business fluctuations. Our

connections generally, both throughout Scotland and in London, continue to be maintained.

The note circulation at £3,414,725 shows an increase of £50,958. The average circulation for the year is again substantially in excess of the corresponding figure for the previous twelve months.

The item drafts issued calls for no special comment.

The increase shown in acceptances is due to extended connection and increased business.

STRONG LIQUID POSITION

On the assets side, cash, bank balances, documents *in transitu* and money at call and short notice amount to £9,929,151, i.e. 22 per cent. of our liabilities to the public. Bills discounted (including £450,000 of Treasury bills) and our investments amount to £26,259,729, or 57 per cent., giving a total of £36,188,880, or 79 per cent., of our liabilities to the public in liquid assets.

ADVANCES

Our advances at £9,727,397 show a small decrease of £140,890. We would be glad to welcome a substantial increase in the demand for loans from borrowers worthy of credit, and, needless to say, we are in a position to meet all the reasonable demands of our customers and connections for legitimate banking accommodation.

INVESTMENTS

Our investments at £25,676,799 show a decrease of £434,995. With the exception of £938,709, they are all in British Government securities. The surplus in the market value over the value appearing in our books, while lower than a year ago, is very substantial.

BANK PREMISES AND HERITABLE PROPERTY

During the year a new branch has been opened at Bishopbriggs. The reconstruction and renovation of the premises at several of our branches has been completed, including our Princes Street, Edinburgh, branch. In addition, various properties have been acquired as premises and as houses for agents. At present some internal reconstruction is being carried out at our head office to provide accommodation for an increased staff. Notwithstanding all the expenditure involved, the Bank's premises and let property stand at the same figure in the balance sheet as formerly, viz., £465,000. It will be readily understood that in our property account we have a large surplus.

RESULTS FOR THE YEAR

It is noticeable that although our capital employed is now large the net profits at £305,634 are £7,619 under those of last year. The lower net profits are due to higher taxation and the considerably increased charges for staff remuneration.

I need not assure you that before our net profits are arrived at every known bad and doubtful debt has been fully provided for.

The net profits are	£305,634
Add: The balance from last year	150,084
	<u>455,718</u>

Deduct:	
Applied to reserve fund	£50,000
Transferred to trustees for officers' pension fund	30,000
Transferred to heritable property accounts	15,000
Dividend at 12 per cent. per annum, less income tax	208,800
	<u>303,800</u>

Leaving to be carried forward	£151,918
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THE TREASURERSHIP

As you will see from the report, Mr A. W. M. Beveridge, who has been treasurer of the Bank since May, 1934, expressed the wish to retire at October 31st last. I need hardly say with what sincere regret the board accepted his resignation, but we felt that after forty-eight years' service in the Bank Mr Beveridge was entitled to what we all hope will be a long period of well-earned leisure.

We have placed on record in our minutes our high appreciation of the valuable services rendered by him during his tenure of office, of the ability and success which characterised his management, and of the manner in which he maintained the best traditions of the office.

It gives me great pleasure to mention here that the staff of the Bank have combined to show their regard and esteem for Mr Beveridge by presenting to the Bank his portrait, painted by Mr James Gunn. They also presented Mrs Beveridge with her husband's portrait executed by the same artist. These spontaneous acts on the part of the staff give the directors much gratification as confirming their own high appreciation of Mr Beveridge. I am sure the proprietors will join with the board and the staff in their good wishes to him on his retirement.

As a successor to Mr Beveridge the board appointed as treasurer Mr J. W. Macfarlane, the secretary of the Bank, and Mr J. B. Crawford, formerly manager at Glasgow, as secretary in succession to Mr Macfarlane.

BANK STAFF

I wish once again on behalf of the court of directors to express our appreciation of the excellent services rendered by the executive, managers, agents and staff generally throughout the year. In this connection I would again refer to the very useful work performed by the staff joint council, which includes five elected representatives of the staff.

Mr James Brown, assistant secretary and accountant of the Bank, some time ago expressed the desire to retire as at April 30th after

WESLEYAN AND GENERAL ASSURANCE SOCIETY

SATISFACTORY PROGRESS

MR JOHN B. FIELD'S REVIEW

THE SOCIETY'S ACTIVITIES

Let me again call your attention to the fact that, with the exception of marine risks, the Society transacts every description of insurance business. In particular, I desire to point out a most attractive form of life assurance contract which should specially appeal to young married men, and which is known as the "Triple Benefit" policy. As an example of this, a man aged 30 next birthday can for a monthly premium of £2 3s. assure the payment of £1,000 at age 65 or at previous death, and, in addition, should he die within 20 years from the date of the contract, his widow will receive £150 a year for the balance of the twenty-year period. Thus, while the policy owner cannot pay more than £903 in premiums (not to mention the benefit of income tax rebate) and may pay a great deal less, the maximum benefit under such a policy is £4,000 and the minimum £1,000.

The facilities for house purchase offered by the Society are most comprehensive and should be more widely known. In this connection it should always be remembered that, in the event of the borrower's untimely death, the advance is automatically repaid and the house freed from mortgage.

The Society grants annuities at attractive rates, and amongst its other activities are the issue of contracts providing pensions for life, the insurance of groups of employees upon special terms, and the transaction of fire, accident, motor vehicle, employers' liability and similar types of insurance.

It should also be borne in mind that every member of this Society who holds a life or endowment policy for £500 or over has the privilege of being medically examined, if he so desires, once in every two years at the Society's expense.

TRIBUTE TO THE STAFF

I am pleased to say that the members of the staffs have continued to show their loyalty by honest hard work, and have made it abundantly clear that they realise that their united efforts as a team will help the Society to further achievements which will enable both policyholders and employees to enjoy even better benefits in the future than in the past.

The report and accounts were unanimously adopted.

The rate of reversionary bonus allotted to ordinary department with-profit policies is £1 18s. per cent. of the original sum assured. The directors are gratified that it has been possible to maintain this good rate, which is the same as that allotted for 1937.

In the industrial department a profit-sharing scheme was instituted in the year 1927. Under this scheme the sum of over £720,000 has been allocated to industrial policy owners, although, under the conditions of their policies, they have no claim to any such allocation. This year £64,935 has been allotted to them to provide the continuation, until March 31, 1941, of the same scale of mortuary bonus as was previously granted.

BONUSES

PREMIUM INCOME, INTEREST AND ASSETS

The total premium income amounted to £2,319,362. This is £80,770 greater than the corresponding figure for 1937, and may be taken as a measure of the Society's progress.

The net rate of interest earned on the funds, at £4 3s. 1d. per cent., was only 1s. 6d. less than in the previous year, notwithstanding the higher rate of income tax and provision for National Defence Contribution.

The expense ratios of both the ordinary and industrial departments have been further reduced.

The assets now amount to nearly £16½ millions, and are over £800,000 greater than a year ago.

NATIONAL BANK OF EGYPT

POSITION AS CENTRAL INSTITUTION

SIR EDWARD COOK'S ADDRESS

The thirty-ninth annual general meeting of the National Bank of Egypt was held, on March 23rd, at the head office of the bank, Cairo, Sir Edward Cook, C.S.I., C.I.E. (the Governor), presiding.

BALANCE SHEET, DECEMBER 31, 1938

LIABILITIES				
	L.E.	MM.	£st.	s. d.
Share capital—				
300,000 fully paid shares of £10 each	2,925,000	000	3,000,000	0 0
Statutory reserve fund	1,462,500	000	1,500,000	0 0
Special reserve	1,462,500	000	1,500,000	0 0
Current, deposit and other accounts	17,204,810	289	17,645,959	5 5
Egyptian Government	2,234,971	805	2,292,278	15 6
Sudan Government	1,035,043	361	1,061,582	18 8
Mixed Tribunals	1,565,917	364	1,606,069	1 10
Bankers' accounts	608,425	491	624,026	2 11
Cheques and bills payable	182,539	672	187,220	3 7
Rebate of discount on bills not yet due	4,512	450	4,628	3 1
Dividends Unclaimed	27,399	743	28,102	6 0
Acceptances, etc.	1,475,377	968	1,513,208	3 5
Provision for payment of final dividend at the rate of 11 per cent. per annum	321,750	000	330,000	0 0
Profit and loss account balance	257,483	283	264,085	8 4
	30,768,231	426	31,557,160	8 9

ASSETS				
	L.E.	MM.	£st.	s. d.
Government securities and securities guaranteed by the Egyptian Government	11,037,308	821	11,320,316	14 10
Sundry securities	3,440,989	023	3,529,219	10 3
Advances on merchandise	3,490,980	746	3,580,493	1 6
Advances on securities	2,822,949	691	2,895,333	0 4
Advances otherwise secured	1,022,274	735	1,048,486	18 2
Sundry other advances	922,626	691	946,283	15 8
Bills of exchange	1,741,900	367	1,786,564	9 7
Local bills discounted	161,524	387	165,666	0 9
Buildings, furniture, etc.	211,063	881	216,475	15 6
Money at call and at short notice	1,467,375	000	1,505,000	0 0
Bankers' accounts	524,338	721	537,783	6 1
Clients' liability for acceptances, etc., as per contra	1,475,377	968	1,513,208	3 5
Cash:—				
Notes..... L.E.1,794,304 : 250				
Gold and silver coin, etc.655,217 : 145	2,449,521	395	2,512,329	12 8
	30,768,231	426	31,557,160	8 9

CHERIF SABRY,
E. MINOST,
Directors.

E. M. COOK,
Governor.

PROFIT AND LOSS ACCOUNT

Dr.				
	L.E.	MM.	£st.	s. d.
Directors' remuneration	16,553	672	16,978	2 6
Current expenses	448,610	963	460,113	16 2
Interim dividend at the rate of 4 per cent. per annum	117,000	000	120,000	0 0
Provision for payment of final dividend at the rate of 11 per cent. per annum	321,750	000	330,000	0 0
Balance carried forward	257,483	283	264,085	8 4
	1,161,397	918	1,191,177	7 0
Cr.				
	L.E.	M.M.	£st.	s. d.
Gross profit for the year ending December 31, 1938, after providing for depreciation on buildings and furniture, for rebate of discount, and for doubtful debts	927,939	242	951,732	11 1
Balance brought forward from last year	233,458	676	239,444	15 11
	1,161,397	918	1,191,177	7 0

ISSUE DEPARTMENT

Notes issued		L.E.	MM.	L.E.	MM.
				22,200,000	000
				22,200,000	000
Gold		6,240,583	308		
*British Treasury Bills and Treasury Bonds		4,859,416	692		
				11,100,000	000
Securities:—					
Egyptian Government Securities and securities guaranteed by the Egyptian Government		1,500,000	000		
British Treasury Bills and British War Loan		9,600,000	000	11,100,000	000
				22,200,000	000

* By authority of the Egyptian Government these Treasury Bills and Treasury Bonds are deposited in lieu of Gold.

GOVERNOR'S SPEECH

The Governor said: A year ago I spoke to you of record crops and of greatly increased purchasing power. Since then there has been a setback, the cotton cultivation having been doubly hit. The low level of prices to which cotton fell two years ago was largely compensated by the size and quality of the crop. Last year prices remained as low, while throughout most of Egypt the producer obtained a very poor yield per acre, owing to floods and pests. It is mainly cotton that pays rents and taxes, and there is no doubt that many cultivators have recently been going through a difficult period.

Similarly, it is principally on the export of cotton that Egypt depends for the funds wherewith to purchase the goods she needs and for her other foreign payments. Exports of cotton have recently improved, but are still substantially behind those of last year. This reduction, combined with lower prices, has had its effect on the balance of trade. During the previous five years this had, on an average, been favourable to the extent of nearly £E.3 millions a year. In 1938 there was an adverse balance of nearly £E.7 millions. Fortunately, the mechanism for maintaining the stability of the piastre-sterling exchange is fully adequate to meet all such trade variations.

Past experience has shown any attempt to bolster up cotton prices must in the long run do more harm than good. There can be no question that in the long run Egypt stands to gain by following her traditional policy of growing as much cotton of the finest quality as she can and selling each crop at the best price she can obtain, without waiting for something better to turn up or expecting her Government to attempt the impossible.

At a time when things may seem not so bright, it is well to remember the old saw "Count your blessings." I have often reminded you of the many advantages which Egypt possesses—her fertile soil and hard-working peasantry, finances that have been carefully nursed, a public debt which is probably unique in being lower than before the Great War, and a currency which is sound. Past experience has shown that she has a marked resiliency and recuperative power.

THE BANK'S YEAR

There has been a general fall in all Gilt-edged values during the past twelve months, but our securities have been so conservatively valued in our books that it has not been necessary for any charge on account of depreciation to fall on the profit and loss account.

There was a somewhat greater demand for loans during the year, owing to the larger stocks of cotton carried by the export firms, our advances of all sorts on December 31st being £8.5 millions, as compared with £6.6 millions at the end of the preceding year. Our net profits, after providing for bad and doubtful debts, have thus risen from £459,575 to £474,641. We ask you to approve the payment of the same dividend as in the previous year, absorbing £450,000, and leaving £24,641 to be added to the carry-forward, which will then stand at £264,085.

PROBLEM OF BANK'S FUTURE

There are many who would go so far as to say that, in the National Bank, Egypt already possesses a bank which, if not a central bank of the classic type, is, for all practical purposes, as

HUNGARIAN GENERAL CREDITBANK

SATISFACTORY RESULTS

The board of directors of the Hungarian General Creditbank at their meeting, on the 20th ultimo, approved the balance sheet for the business year 1938. This balance sheet shows for the first time the assets and liabilities of the Hungarian General Savingsbank, Limited, merged into the Creditbank in March, 1938. After writing off 1,576,051.72 pengő, and including the surplus of 3,233,662.15 pengő from 1937, there was a net profit of 5,498,300.15 pengő, as against 5,033,662.15 pengő for the previous year, resulting after writing off 674,447.80 pengő and including the surplus of 2,479,959.83 pengő from 1936.

The board of directors decided to propose to the general meeting convened for March 30, 1939, that out of the available net profit the following appropriations be made: payment of a dividend of 1.50 pengő per share, 1,242,000 pengő; transfer to ordinary reserve fund, 500,000 pengő; to depreciation reserve fund, 200,000 pengő; to employees' pension fund, 1,200,000 pengő; for a Baron John Harkányi relief fund to be created in memory of the late chairman of the bank, 100,000 pengő; leaving 2,256,300.15 pengő to be carried forward.

The business activity of the bank showed a material increase during 1938, partly owing to the absorption of the Hungarian General Savingsbank, Limited, with its extensive network of branch offices, and partly owing to the expansion of current business. There may be noted in particular the development of deposits, which can be termed quite satisfactory, considering the difficult conditions prevailing during last year, and the further important decline in the foreign liabilities of the bank. The investment contribution (capital levy) assessed under Act XX of 1938, amounts to 9,444,822 pengő; according to the proposal of the board of directors this capital levy would be covered, as provided by the Act referred to, out of the capital reserve, and the amount remaining after payment of the sums falling due would be shown on a capital levy suspense account. Capital reserve would thereby be reduced to 10,958,410 pengő, as against 20,403,232 pengő shown at December 31, 1937.

The cash turnover rose from 3.2 milliard pengő in the previous year to 4.4 milliard pengő, while the turnover on current accounts increased from 9.1 milliard pengő in 1937 to 12.8 milliard pengő, there being also a considerable advance in the number of customers.

The aggregate amount of deposits held by the Creditbank and the Hungarian General Savingsbank amounted to 298.6 million pengő at the end of last year; of this total, savings deposits amounted to 88.9 million pengő and current account deposits to 209.7 million pengő. Deposits held by both banks, as shown separately for the last time before their merger, amounted in the aggregate to 288.5 million pengő, whereof 111.4 million pengő were savings deposits and 177.1 million pengő current account deposits. The net increase of 10 million pengő thus resulted from a decline of 22.5 million pengő in savings deposits and an increase of 32.6 million pengő in the amount of current account deposits.

The sum of 7.3 million pengő shown in the balance sheet as liabilities towards inland creditors under the head of "Sundry Creditors" represents transitory items. Foreign liabilities, figuring under the head of "Sundry Creditors" declined from 24.7 million pengő to 18.8 million pengő and were thus 5.9 million pengő less than in the previous year, notwithstanding that this item includes also the foreign creditors of the Hungarian General Savingsbank, Limited.

Cash in hand, clearing account deposits and accounts with banks and bankers show an advance totalling 7 million pengő as compared with last year.

Securities and participations are shown up in the combined balance sheet for 1938 at 71.7 million pengő, including 6.9 million National Investment Loan bonds, subscribed by the bank.

Guarantees have increased by 5.7 million pengő, notwithstanding a considerable decline in foreign liabilities of this kind, which has been, however, outweighed by the extension of guarantees due to the further development of banking business done within the country and especially to the investments programme of the government.

The results achieved by inland and foreign branches of the bank were satisfactory also in the past year.

As to the various items of the profit and loss account, earnings from interest and commission expanded owing to the increase, due to the merger, in claims outstanding. Profits on transactions in stocks and foreign exchange show a slight decline. The increase in expenditure was mainly due to the merger and in part to new appointments on the staff, as well as to extraordinary donations for public purposes.

"central" as is possible in Egypt's present stage of development.

This may be true, yet the present position is not entirely satisfactory, either to the Government or to the bank. The fact is that our position *quid* Central Bank, our privileges as well as our responsibilities, rest on no assured or statutory basis. We may be to a large extent a central bank in fact, but we are not so in form. The Government feels that it has no guarantee that the bank will always continue to act in the same spirit as at present or that its ownership may not pass into hands where it may be undesirable in the national interests that the ultimate power over the management should lie. Further, it considers that the framework and powers of an institution, designed to meet the conditions of 1898, are in some respects not suited to the needs of modern Egypt. The bank on its side feels that it has no guarantee as to its own future, and is therefore unable to take the long views necessary if it is to continue to build on the foundations already laid.

A patient study of the whole position has shown both parties that there may be no need to adopt a course which would be as intensely disagreeable to ourselves as it would be harmful to the best interests of the country. We have recently been informed by the Government of the conditions upon which they are prepared to advise His Majesty to grant the bank a new charter. These are now under our examination, and if we feel able to recommend their acceptance we shall summon you to an extraordinary general meeting in order that you may consider any amendments to our present statutes that the proposals may involve.

Before agreeing to retain their capital in the bank for a further period, the shareholders have a right to require some assurance that on the financial side any new arrangements will not be likely in themselves to impair the security of the money they have so invested. Further, the success of the bank during the forty years of its existence and the services that it has been able to render to Egypt, have been due mainly to two things. First, the efficiency of its personnel who, entering the bank's service as young men, have been trained in the technique and in the best traditions of their profession. Second, the bank's freedom from political influences. We have reason to believe that the Government do not regard the safeguarding of these vital points as incompatible with those national interests which it is their duty to protect.

The report was adopted.

RHODESIA RAILWAYS, LIMITED

LARGER REVENUE

The annual general meeting of the Rhodesia Railways, Limited, was held, on the 5th instant, in London.

Mr Arthur E. Hadley, C.B.E., the chairman, said that the gross revenue of the company had amounted to £5,030,636—an increase of £321,567, or 6.8 per cent. General trade in Southern and Northern Rhodesia had been well maintained, and general goods traffic had accounted for £220,000 of the increase. Receipts from passenger traffic had increased by £20,000, the balance of £82,000 being mainly accounted for by additional receipts from mineral traffics. Copper from the mines in Northern Rhodesia and the Belgian Congo had been well maintained at 287,028 tons; there had been a decline of 11,848 tons in the output of zinc from the Broken Hill Mine, while the railage of chrome ore had fallen by 24,088 tons, due to the reduced demands in the United States; asbestos at 56,220 tons was less by 4,782 tons. Coal and coke traffic, due to increases in the local requirements of the general public and the copper mines, had risen by 42,597 tons to the substantial figure for the year of 950,359 tons. Operating expenditure, including provision for depreciation and renewals of £518,161, showed an increase of £333,956 at £3,110,363.

As a result of the year's operations, there was a surplus of gross revenue over working expenditure of £1,920,273, or only £12,389 less than the previous year—the best in the history of the company. The available profit was £827,860, comparing with £916,772, and, in accordance with the terms of the Railway Legislation in force in the territories of Southern Rhodesia, Northern Rhodesia and Bechuanaland Protectorate, £100,486 of the profit had been placed to the credit of the rates stabilisation account, £100,000 had been transferred to the dividend account and £627,373 had been credited to the statutory reserve account. From the dividend account, which now amounted to £100,226, the directors now recommended that £100,000, less tax, should be distributed to the members. As regarded the current year, the fall in gross revenue was partly due to reductions in the rates for the copper mining companies, but the trade position in the territories served by the railways continued to be satisfactory.

The report was unanimously adopted.

DUNLOP RUBBER COMPANY, LIMITED

SATISFACTORY RESULTS DESPITE YEAR'S DIFFICULTIES

SIR GEORGE BEHARRELL'S ADDRESS

The fortieth ordinary general meeting of the Dunlop Rubber Company, Ltd., was held, on the 4th instant, at the Edward VII Rooms, Northumberland Avenue, W.C.

Sir J. George Beharrell, D.S.O., the chairman of the company, in the course of his speech, said:—

The report which your board has been able to make on the results of the year 1938 has, no doubt, been an agreeable surprise to you.

You will remember that when I addressed you last year, I felt it necessary, in spite of the good showing of the year 1937, to sound a serious note of caution. I pointed out that though each month of the year had shown an improvement over the corresponding month of 1936 the rate of improvement had tended to decline, and that there had been quite a sharp fall in the last quarter. This tendency was reflected in a slowing down of our own business during the latter part of the year, and was accompanied by a general fall in commodity prices, including rubber, which, on December 31, 1937, had fallen to 7d. You will remember that I warned you that if the price continued at that level the accounts of the Plantations Company would present an appearance very different from that shown in the report for 1937.

DECLINE OF PRICES

These tendencies were continued during the first half of 1938. The price of rubber fell steadily till June, the average price for May being under 6d. All through the first half of the year the index figures for wholesale prices, imports, exports and industrial production steadily declined. Indeed, the rate of the decline in national production was of unprecedented severity.

Most serious of all from your company's point of view was the very heavy reduction in the output of motor vehicles, both here and overseas, which necessarily involved a heavy decline in the demand for tyres as original equipment.

These conditions were before your board when they came to consider at the end of September the results of the company's trading during the first six months of the year. The general results showed a serious falling off when compared with the corresponding period of 1937. Nor was there much encouragement to be derived from a study of either the economic or political horizon, since the meeting of the board took place on the very day of the Munich Conference.

In these circumstances the board, when considering the terms of their usual half-yearly statement to the Press, felt bound to strike a note of warning, and you will recall that the statement which they issued referred to the fact that there had been a material reduction in the company's trading results and mentioned as the main causes the extremely unsettled conditions prevailing throughout the world, together with the restriction of the Plantations output and the heavy fall in the price of the crop.

As you will have seen from the directors' report, in the second half and especially in the last quarter of the year, a general and rapid improvement in the company's results took place. Whereas the results of the first seven months showed a heavy decline from those of the same period in 1937, the total net profit for the whole year as you will have seen from the report, was very little below the figure for 1937, which was, as you will remember, a year of excellent trade both for your company and for the country as a whole.

The net profit of the Dunlop Rubber Company for 1938 is £1,501,000 and, adding the balance of £591,000 brought forward from last year, the total available for appropriation amounts to £2,092,000.

The total of surplus and reserves has risen from £4,347,000 at December 31, 1933, to £5,706,000 at December 31, 1938, representing an increase in the five years of £1,359,000.

The result of this ploughing back of the profits is reflected in the surplus of current assets over current liabilities of the main company. This surplus has risen from £3,193,000 at December 31, 1933, to £4,603,000 at December 31, 1938, representing an increase in the five years of £1,410,000.

SURPLUS OF CURRENT ASSETS

In this same period, the surplus of current assets over current liabilities of the whole Dunlop group of companies has risen from £8,067,000 at December 31, 1933, to £10,200,000 at December 31, 1938, an increase of £2,133,000.

In view of your company's world-wide interests and the uncertainty of the outlook, it is indeed fortunate that it has been possible

to strengthen so greatly its financial position. This should enable your company to weather any economic storms that there may be ahead. When, on the other hand, the political and economic conditions of the world once more become normal and international trade revives, your company is in a position immediately to take full advantage of such an improvement in world affairs.

I turn now, in accordance with our usual custom, to a survey of the Dunlop group's activities during the year under review, dealing first with the Plantations Company.

DUNLOP PLANTATIONS

Chiefly owing to the lower average selling price of rubber during the year, the results of the plantations showed a substantial decline: the decrease in net profit for the year being £320,000. As a result, the dividend on the preference shares had to be paid by the Dunlop Rubber Company under its guarantee.

During the year about 4,600 acres of budded rubber were brought into tapping and practically the whole of the remaining area (about 16,000 acres) will come into tapping during the current year. The yields of the budded areas are quite up to expectation, and on full maturity a further increase of potential yield will be obtained. The physical condition of the trees has been greatly improved by manuring with a consequent increase in yields. Further improvements in potential output will be realised within the next few years.

You will have seen from announcements in the Press that the board of the Plantations Company, after very full consideration, has decided that the interests of the company will be best served by transferring the administration and control of the estates to Malaya, where the properties are situated. A new company has, therefore, been registered in Malaya with the name of Dunlop Malayan Estates, Ltd., to which Dunlop Plantations, Ltd., is transferring its undertaking in return for ordinary shares in the company.

The guarantee by the Dunlop Rubber Company of the dividends and capital of the preference shares of Dunlop Plantations, Ltd., remains unaffected.

Your board are satisfied that the new arrangement will improve the position of this company which, of course, continues to hold all the ordinary shares of Dunlop Plantations, which, in turn, will own those of the new Malayan Company.

The greater part of the crop of the plantations company continues to be sold in the form of latex, and the future of the business depends entirely on the price of the commodity and the permitted output.

I come now to a review of our home companies and divisions.

The Dunlop cotton mills suffered a considerable drop in production during the first part of the year, but the position improved later, and the twelve months' profits showed a small increase on those for 1937. Another important development in the construction of cord for tyres has now been introduced, and this has resulted in a marked improvement in tyre performance. We are now also producing rayon cord in considerable quantities. This is being used in commercial vehicle tyres which are exposed to exceptionally heavy service and is yielding excellent results. We were pioneers in this development.

TYRE DEVELOPMENTS

Turning to our tyre division. In replacement business the year proved a satisfactory one, and the faith in our new Fort tyre, "The Tyre with Teeth," which I expressed to you last April, has been fully justified. Indeed, the unique principle embodied in this tyre has proved so successful that we are extending its use.

Our continued success in the replacement field is due both to the energy and ability of our sales force and to the great attention which we give to quality and technical advance. Each year produces improvements both in design and construction, and in 1939 this policy will be maintained.

Our original equipment business, both for passenger and commercial vehicles, was, as I have indicated, unfavourably affected during the first half of 1938, but with the recovery in motor vehicle manufacturing during the latter months of the year our sales to manufacturers naturally improved. We have fully maintained our contractual position and are, therefore, well placed to profit by the improved situation of the motor industry which, I am glad to say, continues.

There was a marked falling off in the manufacture both of cycles and motor-cycles during the year, and this adversely affected our

sales of tyres to manufacturers. However, the business showed signs of recovery at the end of the year, and increased bicycle production is anticipated for 1939, though the record figures of 1937 may not be reached.

AEROPLANE EQUIPMENT

The expansion of the rearmament programme resulted in increased demands for our aeroplane equipment, and these will, no doubt, continue. We are making considerable developments in the use of rubber components, not only for road vehicles, but also for aircraft.

Our sales of rubber wings for motor vehicles, which are, you will remember, a comparatively recent development, continue to increase, and there is every indication that our success in the passenger bus field will be repeated in the goods vehicle market. The wing is flexible, weatherproof, and cannot corrode, so that it substantially reduces maintenance costs.

Sales of Dunlopillo upholstery were well maintained and we are encouraged by the increased usage of the material in motor-car manufacture. In bedding and furnishing upholstery its position is firmly established and we are developing new uses. Our faith in the future of this Dunlop invention is as firm as ever.

Our rim and wheel companies had a successful year and their prospects are good. A heavy amount of research work has been necessary to enable us to meet the requirements of the Government's re-armament programme.

WORLD SPEED RECORDS

Before passing to our rubber products group I would like to remind you that the land speed record was in 1938 broken three times in three weeks on Dunlop tyres and wheels. First by Captain Eyston with a speed of 345.49 miles an hour. Then by Mr John Cobb with 350.21 miles, and then again by Captain Eyston with 357.5 miles. This was surely a worthy achievement for the company in its Jubilee Year, and the figures are astonishing when it is remembered that the 1937 record, also made on Dunlop equipment, was 312 miles.

Another remarkable feat performed during the year was that of Major A. G. T. Gardner, who, on a German motor road, drove an 1,100 c.c. M.G. car (approximately an ordinary 12 h.p. engine with a special body) at an average speed of more than 186 miles per hour over a measured mile and kilometer both ways, actually achieving a speed of 194½ miles one way. This record was also made on Dunlop tyres and wheels. For this Major Gardner was awarded the Segrave Trophy, which is given for the most meritorious performance of the year.

RUBBER PRODUCTS GROUP

The rubber products group again made a satisfactory showing in 1938, though the results of its different divisions varied in accordance with weather and other conditions. The general rubber goods division was assisted by orders for the re-armament and A.R.P. programmes, and it will interest you to know that a large proportion of the balloons for the barrage are made by Dunlop.

The footwear division again experienced severe competition from Hong Kong with its very low labour cost. The Government being unable, owing to the Ottawa Agreements, to protect the home industry, suggested that a representative of it should visit the colony to negotiate an agreement with the local manufacturers. As a result, it is hoped that an arrangement can be arrived at which will have the effect of protecting the profits of home manufacturers.

SPORTS DIVISION

The sports division maintains its position. We have brought out a new 65 golf ball which has the length and feel that made the original 65 ball famous, and in addition, a tougher cover which gives the ball longer life, while, by a new process, the pattern is made more permanent, which helps the control of flight accuracy. We have been highly successful in golf tournaments. In 110 tournaments at home and abroad, the Dunlop ball was successful, and taking all competitions of any prominence, the winners in only five played other than Dunlop, and those five were not of the first importance.

We also had a very successful season with our tennis balls and rackets. No less than 99 players at Wimbledon used Dunlop rackets, a large figure when you remember the number of foreign competitors. Both the men's and women's all-England badminton championships have just been won with Dunlop rackets.

In all these divisions which form the rubber products group, no effort is spared to perfect the goods we produce. Plant, processes and design are continually being revised and quality and appearance improved. As a result, the Dunlop brand is now pre-eminent in the various fields in which it is applied.

The results now being obtained justify fully the policy of the board

in seeking to broaden the basis of the products manufactured by the company.

OVERSEAS INTERESTS

The French Dunlop Company was able to make a small advance on its 1937 results. With the advent to power of M. Daladier in April, 1938, a determined effort was made to deal with the rising costs and falling production which were demoralising the French market. As a result, conditions improved steadily during the latter part of the year.

In America business conditions during the first half of the year were very difficult and, in common with the industry, trading results of the American Dunlop Company were adversely affected. In the second half of the year, however, conditions rapidly improved, and the American company made a profit in this latter period, which was nearly sufficient to absorb the loss incurred in the first six months. Subject to the continuance of the improved conditions in America, the outlook for 1939 is more promising than it has been for many years.

In Canada business generally declined, but the net sales of the Canadian Dunlop Company were well maintained and the final net profit slightly better. The company's status in the market is definitely improving, and since the financial reorganisation last year it is in a much stronger position.

Our Japanese company has naturally been adversely affected by the unsettled conditions in the Far East. However, we have been able to obtain payment of a substantial dividend in respect of 1937.

Our associated company, the Dunlop Perdreau Rubber Company of Australia, almost exactly repeated the good results of the previous year. The Rt. Hon. W. A. Watt, the distinguished chairman of that company, visited this country last summer, and inspected our various factories and operations. His visit further cemented the cordial and mutually helpful relations between our two companies.

In Ireland trade was poor during the early months of the year, but improved after the signing of the Anglo-Irish Agreement. The results for the whole year were, however, satisfactory, and we remain confident of the prospects of the company.

The productive capacity of the South African factory continues to expand in line with steadily increasing sales, and results for 1938 show a substantial advance on 1937. Further progress is confidently anticipated during 1939 and prospects can be regarded as satisfactory.

In India, in spite of the repercussions of disturbed conditions in the Far East, the strong position of the Indian Dunlop Company has been well maintained and I am glad to report an increase in net profits. The prospects of the company for the present year are undoubtedly good, the quality of its products being excellent.

In the export sales markets conditions on the whole deteriorated in 1938 compared with 1937. Very little (if any) relaxation was noticeable in foreign import quotas and financial restrictions. Added to this, the events connected with the September crisis increased the lack of confidence of the buying public all over the world.

PROSPECTS

You will now wish me to say a few words about prospects. If we look at the economic conditions alone, there is no doubt that trade in this country improved in the third and fourth quarters of last year, although the general improvement was not so marked as that which took place in your company's business. These better conditions have continued up to the present time.

We must not, however, overlook the fact that the improvement is not altogether a normal and healthy one, but is to some extent due to armament expenditure.

In passing, I might say that the total turnover of your company on re-armament work has only amounted to a very small proportion of our business, so that it will be realised that the closing of the re-armament programme would have a very slight effect on our results directly, but I am concerned about the possible effect on industry generally, which would, of course, react on our business.

This re-armament expenditure must cease some time or other, although it is impossible at present to foresee the conditions under which it will cease. On the other hand, the uncertainties arising out of the political situation of Europe, which make the re-armament programme necessary, are undoubtedly acting as a serious check to normal private enterprise. Quite apart from the possibility of war, therefore, it seems to me that we are confronted with a situation which makes great caution necessary. In all the circumstances, notwithstanding the good results of 1938 and the stability which the conservative policy of your board has been able to give to your company's finances during recent years, your board feels, and I am sure you will agree, that we must maintain that conservative policy.

The report and accounts were unanimously adopted, and a dividend of 8 per cent., less tax, plus a bonus of 1 per cent., less tax, were approved.

EQUITY AND LAW LIFE ASSURANCE SOCIETY

FUNDS EXCEED £30,000,000

The annual general meeting of Equity and Law Life Assurance Society was held, on the 4th instant, in London.

The Right Hon. Sir Dennis Herbert, K.B.E., M.P. (the chairman), in the course of his speech, said: In all the six completed years in which I have been chairman, prior to the year now under review, the new business of the society has shown a substantial increase; in 1938 the new business has shown a decrease; every year I have warned you that we could not expect those yearly increases to go on indefinitely, and I do not think we need be unduly depressed by last year's results.

RATE OF INTEREST

Our total funds increased last year by £2,719,159—from £28,117,742 to £30,836,901. Claims by death were well within the expectation, and resulted in a substantial profit, as did all claims arising by maturity. Our rate of interest was £4 8s. per cent. net; this is lower than last year because that was the last year of a valuation period, which for special reasons always gives a figure above the average; but it is about 2d. higher than the average for the last two valuation periods (eight years), notwithstanding the increased rate of income tax and N.D.C.

In the short period from 1932 to the end of 1938 our total funds (in round figures) have increased from £10,000,000 to £30,000,000; this increase is large; our comparatively small and unimportant business has grown in seven years to one of substantial size and importance; the profits of an assurance business arise mainly from the excess of income earned over the interest assumed for calculation of liabilities; our average rate of income earned in those years has been more than 1 per cent. above the assumed rate, but, taking an excess of 1 per cent. only, we can look for an annual business profit from this source alone in this and subsequent years of at least £300,000 per annum, without taking into account other sources of profit, such as profit on reversions falling in, profit on favourable mortality experience and other items.

NEW BUSINESS AND PROFITS

The large increase of new business necessarily involves an additional burden on the fund during the period of increase: out of the first premiums there have to be provided, firstly, the expenses of obtaining the new business, including all commission, procurement fees, stamp duties, and so on; next comes the heavy charge of the initial reserves, which are at once set up in respect of every new risk accepted. It will be seen, therefore, that the benefit and profit of new business does not mature immediately, but rather that new business causes a temporary reduction, or at least postponement of profits.

Our abnormal increase of new business has involved the application of large sums to actuarial reserves set up against the risks or liabilities which form the normal business of assurance; these actuarial reserves do not appear in the published accounts or balance sheets, but, resulting as they do from the sound and cautious methods traditional in British assurance business, they inevitably produce in course of years a surplus beyond the liabilities to be met as the risks mature. Thus they are at first an obstacle in the way of accumulating general reserves of the kind disclosed as such in published accounts; but as such new business grows in age the profits therefrom materialise.

In recent years investment business has admittedly been exceptionally difficult. British Government securities and Bank of England stock have been slightly increased. Ordinary stocks and shares are very slightly lower, while debentures, preference and guaranteed stocks are very slightly higher. Foreign Government and foreign municipal securities (a comparatively small amount) have been reduced by rather over £100,000, or about 25 per cent.

As I have told you in previous years, it has been the deliberate policy of the board to invest a substantial portion of our funds in carefully selected ordinary stocks and shares; we believed, and still believe, that this is a sound policy, in view of probable gradual inflationary tendencies; at the same time, this has to some extent contributed to what we hope is only a temporary depreciation resulting from market conditions at the end of 1938.

We may therefore well hope that before our next valuation date (December 31, 1940) this depreciation will have been wiped off; a great part of it had been wiped off by rise in market values since December 31st last until the fall a few weeks ago on recent political developments in Europe.

The report was unanimously adopted.

VICKERS LIMITED

MR A. A. JAMIESON'S ADDRESS TO THE STOCKHOLDERS

The seventy-second annual general meeting of Vickers Limited was held, on the 3rd instant, in London.

Mr A. A. Jamieson (the chairman), in the course of his address to the stockholders, said: In the balance sheet of Vickers Limited I wish to call your attention to the substantial increase in the holding of cash and British Government securities.

It is necessary to remember that this company provides finance as and when required by the operating companies, and, since the scale on which they operate is large, it is necessary for their success that the parent company should be plentifully supplied with cash. The total of cash and British Government securities is £6,000,000, and from my knowledge of the possible financial requirements of this group, I confess that I should like to see a substantial increase in this figure, large as it may seem at first glance. I would remind you that our possible commitments may also be on a large scale.

The profit has increased by £47,797, and, after an allocation of £100,000 to contingencies and a transfer of £350,000 to reserve, the carry-forward is increased by £84,226.

The trading profits of Vickers-Armstrongs show an increase of £789,130, and of that increase £361,000 was distributed in dividends, the balance being required for higher taxation and increased depreciation. That company, eleven years after incorporation, is still in arrears in the payment of dividend on its "B" cumulative preference shares.

The interim dividend declared in October is the first interim dividend that has been paid by this company for 19 years, and this fact indicates the difficulties involved in declaring interim dividends in a business such as ours. It is, however, the intention of the directors to pay interim dividends so long as practicable.

After reviewing the position of the company's various interests, the chairman concluded: Under present conditions armament manufacture must absorb the largest share of our energies, and it follows that commercial work must receive less attention. We can, however, assure you that we are not unmindful of the time when we shall have to rely in greater measure on commercial work.

The report was unanimously adopted and the final dividend of 6 per cent. approved.

PROVINCIAL CINEMATOGRAF THEATRES, LIMITED

GAUMONT-BRITISH SUBSIDIARY'S STRONG POSITION

The twenty-ninth annual ordinary general meeting of Provincial Cinematograph Theatres, Limited, was held on the 31st ultimo in London.

Mr Mark Ostrer (the chairman) said that the net profit for the year, including income from investments and transfer fees, was £516,350. He thought it would be agreed that there was every cause for satisfaction, especially in view of the general recession in trade and the international crisis during 1938. The directors recommended the payment of the following dividends:—A dividend of 15 per cent. on the ordinary shares; a further dividend of 1½ per cent. (making a total of 9½ per cent. for the year) on the cumulative participating preferred ordinary shares; and a further dividend of 7½ per cent. on the ordinary shares (making a total of 22½ per cent. for the year).

Last year he drew attention to television, since when great progress had been made. The day was not far distant when the majority of homes would be equipped with television sets. The Baird Company had perfected the big screen for showing television in cinemas. Many of the shareholders would remember the recent transmission of the Boon-Danahar fight, witnessed by large audiences at the Gaumont-British theatre at Marble Arch and the Tatlers, which proved that such events were eminently suitable for television.

To meet the competition which would undoubtedly arise, as a result of the entertainment which would be available to the users of television in the home, it would become necessary to equip other theatres as soon as possible. Owing to the foresight of the Gaumont-British Corporation in associating themselves with Baird Television, they were in the fortunate position of being able to obtain early deliveries of the big screen apparatus manufactured by that company.

As to the current year's outlook, he felt sure that, given reasonable conditions and a restoration of confidence, the company would continue to show satisfactory results.

The report and accounts were unanimously adopted.

THE ANGLO-PORTUGUESE TELEPHONE COMPANY, LIMITED

A SATISFACTORY YEAR

The annual general meeting of The Anglo-Portuguese Telephone Company, Limited, was held, on the 5th instant, in London.

Sir Alexander Roger, the chairman referred first to the great loss sustained in the death of their late vice-chairman, Mr Frederick Kerr.

Continuing, he said that there was a net profit of £78,967, compared with £78,013. The dividend of 8 per cent., less tax, for the year on the ordinary stock and the "A" ordinary shares had absorbed £75,364, leaving a carry-forward of £32,371, as against £27,069 brought in.

Twelve months ago they had anticipated that the reduction in net profit for 1937 as against 1936 would be overhauled during 1938, but anticipations had not yet been realised. Increased political tension throughout the world, indirectly if not directly affecting all countries, and the fact that the Brazilian exchange regulations had reduced the income of many Portuguese nationals, had contributed to unsettled commercial conditions in Portugal, which in turn had militated against the natural growth of their revenue. There was little doubt also that the war in Spain, now happily terminated, had had an adverse effect on conditions in Portugal. The year's development in terms of stations represented a net gain of 3,672—equivalent to 7.7 per cent.—and in point of numbers was the largest annual addition in their history, making a total of 51,098 at the end of the year. It could be assumed from that that Portugal was not yet fully telephoned, although they did not anticipate future development to be maintained at that rapid rate.

An important project of expansion during 1939 would be an extension of 2,000 lines of automatic equipment to the Norte Exchange in Lisbon, which would bring the capacity of that exchange to 13,200 lines.

PORTUGAL'S PROGRESS

It was pleasing again to record that under the stable policy continued by the Government the financial position of the country remained sound. It was a remarkable tribute to Dr Salazar's ten years of administration as Finance Minister that during that period there had been successive Budget surpluses, the floating debt had been extinguished, public services had been vastly improved, and unemployment had greatly diminished—a fine record, which was not only appreciated in Portugal but commanded the admiration of her ally, Great Britain, and many other countries.

So far as the Portuguese Post Office was concerned, considerable progress had been made in the plans approved by the Government last year for the modernisation of the State trunk and local systems. Contracts for the cable network to serve the principal new automatic exchanges of the Government were placed by the Post Office early in 1938, and towards the close of the year the Automatic Telephone and Electric Company of Liverpool, with which the company was associated, had had the honour of being awarded an important contract for the supply and installation of the automatic equipment required for those exchanges. That contract, which was for the substantial sum of £650,000, spread over a period of 15 years, was secured in the face of keen foreign competition and would provide employment both here and in Portugal.

Any statement regarding the country would be incomplete without reference to the notable tour of her West African colonies recently carried out by His Excellency the President of the Republic. It was a success from every point of view.

The report was unanimously adopted.

COALMINES OF SALGÓ-TARJÁN (HUNGARY)

SATISFACTORY RESULT OF A DIFFICULT YEAR

The seventy-first ordinary general meeting of the Coalmines of Salgó-Tarján Company, Limited, was held on the 27th ultimo.

Mr Ferenc Chorin, Privy Councillor and member of the Hungarian Upper House, chairman of the company, presided.

The report stated that the new frontiers of Hungary benefited even

(Continued from page 99)
Spillers. — Profit £652,000 against £586,000 before tax, which requires £230,000 against £175,000. Ordinary dividend, 15 per cent. Deferred dividend 15 per cent., both maintained.
Allen West and Company.—Gross profit for 1938, £139,050 (£97,907). Net

profit, £101,050 (£63,736). Ordinary dividend 7½ per cent. plus a bonus of 2½ per cent., against a 7½ per cent. dividend with no bonus. To general reserve £35,000 (£15,000). Carry forward raised from £36,200 to £53,500.
Union Castle.—Profit on voyages, after depreciation, £196,505 against £510,257

the company's special interest, because the mines of Salgó-Tarján and Dorog lay on the former border of Czecho-Slovakia.

The decline in economic activity increased during the past year. Unstable economic conditions and the increase in the burden of taxation disturbed industry. But substantial public investment, an excellent harvest and the one million new consumers gained by the extension of Hungary's frontier counterbalanced the unfavourable conditions to such an extent that the production of the industry was maintained at the level of the previous year.

The coal production increased from 2.39 million tons in the year 1937 to 2.44 million tons in the year 1938. During the year the company undertook important development work in its mines of the County Nograd, Esztergom and Tolna-Baranya.

IMPRESSIVE FIGURES

The improving business of the company during the past year is reflected in impressive figures. According to the accounts submitted, the balance sheet for the year 1938 shows a net profit of 2.6 million pengő. The accounts reflect the increase of taxation and social burdens, but it was possible to make some economies in production costs. The net profit permits an allocation of 150,000 pengő to the ordinary reserve fund, 200,000 pengő to the pensions account, 10,000 pengő to the coalminers' sanatorium, 23,000 pengő for the employees' fund and 50,000 pengő for charities. The dividend of 1.75 pengő per share permits a balance of 290,000 pengő to be carried forward.

There are no important changes in the capital and the reserve. The mines owned by the company are valued at 7.6 million pengő, buildings, factories, etc., at 2.3 million pengő, cash in hand and shares at 32 million pengő, plants, machines, etc., at 97.4 million pengő, all of which remain unchanged, but the last mentioned account has been depreciated to 77.4 million pengő. The valuation of the stocks declined from 8.2 million to 7.4 million pengő, and debtors increased from 36.8 to 38.7 million pengő. On the capital and liabilities side the capital account is 79.3 and creditors 25 million pengő.

The Hungarian Work for Ferro-Alloys, Limited, began its production in February of this year. The quality of the production is as satisfactory as had been expected.

The turnover of the Hungarian Works for Artificial Fertiliser, Acydsulphuric and Chemicals, Limited, exceeded the previous year. The favourable increase of consumption of artificial fertiliser reached 20 per cent. The company's shares are allotted a dividend of 2 pengő, as was the case last year.

The Klotild Chemical Works, Ltd., pays an unchanged dividend of 6 per cent.

The Hungarian Elektriciry Supply Co., Ltd., raised its production by 5 per cent. as a result of the increase of electricity consumption in private households.

Charles de Belitska, Baron Boldizsár Lang and Charles Schmidt were elected as new members of the board of directors of the Salgó-Tarján Coalmines Company.

JASIN (MALACCA) RUBBER ESTATES LIMITED

Presiding at the twenty-ninth annual general meeting of the Jasin (Malacca) Rubber Estates, Limited, held on the 4th instant, in London, Mr G. H. Champion (the chairman) said that the profit had declined from £8,702 to £1,863. With the balance of £5,048 brought forward, the total available was £6,911. The directors recommended the payment of a dividend of 3 per cent., less income tax, compared with 10 per cent. for the previous year.

For the first six months of the current year their exportable allowance was at the rate of 47½ per cent. of standard, compared with an average of 55 per cent. for 1938. The greater degree of restriction was to some extent offset by the increase in their standard production, but unless releases were increased during the second half of the year it seemed that they would not be allowed to export so large a crop as in 1938. On the other hand, present indications were that they might receive a slightly higher average price for their rubber.

As regarded the prospects for the industry generally, the statistical position might be said to be improving satisfactorily.

The report was unanimously adopted.

(after depreciation and taxation). From taxation reserve, £105,685. Revenue from investments, £81,526 against £109,908. After debenture interest, profits are £171,889 against £446,833. After preference dividend, balance carried forward increased by £38,944 to £189,836.

(Continued on page 114)

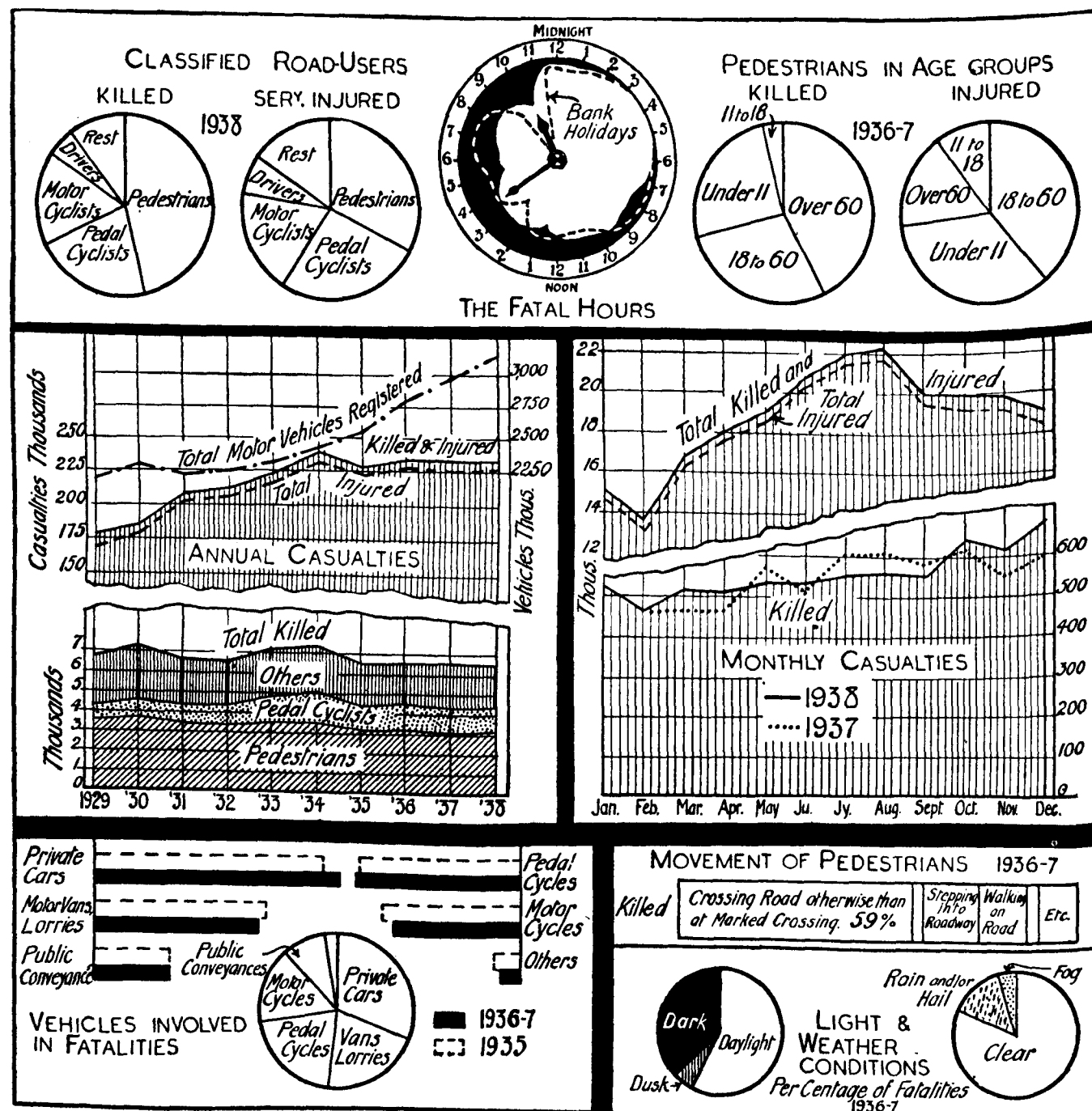
CURRENT STATISTICS

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Road Accidents



Diagrams refer to Great Britain.

Finance

GOVERNMENT RETURNS

For the 6 days ended March 31, 1939, total ordinary revenue was £21,777,000, against ordinary expenditure of £9,670,000. Thus, excluding sinking fund allocations and defence expenditure from loans, the surplus or the financial year 1938-39 is £505,000, against £39,330,000 for 1937-38. Or, when sinking funds are deducted, there is a deficit of £12,714,000, against a surplus of £28,786,000. The Revenue return for the year is printed in full on page 115.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Mar. 31, 1938	April 1, 1938, to Mar. 31, 1939	5 days ended Mar. 31, 1938	6 days ended Mar. 31, 1939
ORDINARY REVENUE					
Income Tax	£341,150	297,986	335,901	5,812	8,168
Corporation Tax	62,000	57,060	62,530	2,170	3,210
Duties, etc.	88,000	88,980	77,430	1,180	1,290
Stamp Duties	24,000	24,170	20,980	470	330
J.D.C. ...	20,000	1,420	21,890	90	590
Other In. Rev. Duties	1,250	1,730	1,550	30	60
Total I. Rev.	536,400	471,346	520,281	9,752	13,648
Customs ...	227,950	221,561	226,326	2,382	3,426
Excise ...	116,150	113,700	114,200	468	800
Total Cust. and Excise	344,100	335,261	340,526	2,850	4,226
Motor duties	36,000	34,608	35,608	208	265
O. (Net Receipts) ...	8,670	10,470	9,500	Dr 1280	Dr 560
O. Fund	2,400	825	1,400	800	1,400
Crown Lands	1,330	1,330	1,330	50	80
Sec. from Sun. Loans	5,250	5,230	5,699	...	...
Disc. Rec.	10,500	13,510	12,941	1,640	2,118
Total Ordinary Revenue	944,650	872,580	927,285	14,040	21,177
SELF-BAL. REVENUE					
Post Office and Broadcasting*	80,492	76,080	78,950	2,060	1,810
Total...	1,025,142	948,660	1,006,235	16,100	22,987

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Mar. 31, 1938	April 1, 1938, to Mar. 31, 1939	5 days ended Mar. 31, 1938	6 days ended Mar. 31, 1939
ORDINARY EXPEND.					
Int. & Man. of Nat. Dr. Payments to N. Ireland	230,000	216,233	216,781	1,806	2,016
Other Cons. Fund Serv.	8,900	8,887	9,459	1,230	892
...	5,239	3,115	4,825	105	69
Total...	244,139	228,235	231,065	3,141	2,977
Supply Serv. ...	707,586	605,015	695,715	3,701	6,693
...	...	668,882	823,765	23,218	30,493
Total Ord. Expend. ...	951,725	833,250	926,780	6,842	9,670
Def. Ln. Iss. (Sinking Fds.)	131,904	64,867	128,050	19,517	23,800
SELF-BAL. O. and B'dcasting	80,492	76,080	78,950	2,060	1,810
Total...	1,032,217	919,874	1,018,949	9,346	13,046

* Revenue required to meet expenditure.
† Excluding Post Office and Broadcasting and £131,904,000 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, revised and increased Civil Estimates (additional to marginal provision). Net increase, £7,327,000, plus £50,000 or broadcasting.
|| Now transferred as charge against revenue.
¶ After adding issues from Defence Loans.

After raising Exchequer balances by £2,552 to £2,499,412, the other operations for 6 days (as shown below, but excluding issues from Defence Loans, and £1,578,000 issued to Sinking Funds) raised the gross

National Debt by £13,910,000 to about £8,301 millions. After excluding "other capital liabilities" and deducting allocations to New Sinking Fund, the estimated net dead weight debt is £8,166 millions. An analysis of the gross debt appears on page 114.

SIX DAYS' CHANGES IN DEBT

NET INCREASES (£ thousands)		NET REPAYMENTS, ETC. (£ thousands)	
Treasury Bills ... 24,165		Public Dept. Adv. 15,500	
P.O. and Teleg. ... 5,450		Nat. Savings Certs. 150	
		National Savings Bds. 30	
		N. Ad. Shipping ... 25	
	29,615		15,703

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts in the financial year ended March 31, 1939, are shown below:—

(£ thousands)		(£ thousands)	
Ordinary Exp. ... 926,780		Ordinary Rev. ... 927,285	
Eire issues ... 10,000		Eire receipts ... 10,000	
Def. Loan iss. ... 128,050		Defence int. recd. 1,946	
Cz. Slovak iss. ... 10,029		Gross bor. 150,942	
Def. int. paid ... 1,946		Less: Sinking Fds. 13,233	
Inc. in balances ... 135		Net borrowing ... 137,709	
	1,076,940		1,076,940

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1938						
Mar. 31	828.7*	13.1	...	841.8	...	...
Dec. 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	1,036.7	543.4	...
1939						
Jan. 7	474.0	524.5	41.0	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	530.2	...
Mar. 4	346.0	503.8	40.2	902.0	450.0	...
" 11	351.0	503.2	45.9	900.2	549.1	...
" 18	356.0	505.7	41.8	903.5	547.5	...
" 25	366.0	502.2	43.4	911.6	545.6	...
" 31	892.4*	27.9	...	920.3	...	...

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

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1938					
Apr. 1	50.0	77.0	50.0	s. d.	71
Dec. 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	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	83.9	40.0	10 0.48	27
" 10	40.0	81.3	40.0	10 1.01	34
" 17	40.0	73.8	40.0	10 1.32	42
" 24	45.0	57.9	45.0	14 7.44	73
" 31	45.0	55.8	42.0	25 6.72	71

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 31st applications at £99 13s. 7d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Saturday of following week were accepted at about 71 per cent. and applications at higher prices in full. £35.0 millions of Treasury bills are being offered on March 31st.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
Eleven weeks to—		
March 19, 1938	7,797,303	5,847,974
March 18, 1939	7,329,580	5,497,185
Week to—		
March 19, 1938	625,278	468,958
March 18, 1939	613,779	460,335
March 11, 1939	641,993	481,495

OVERSEAS BANK RETURNS

NOTE.—A return of the Bank of Spain appeared in The Economist of May 28, 1935. The latest return of the Bank of Portugal appeared in our issue of February 4th; Denmark and International Settlements, of March 11th; Danzig, Hungary, Lithuania, South Africa and Sweden, of March 25th; Australia, Bulgaria, Canada, France, India, Iran, Japan, Java, Yugoslavia, Norway, Poland, Federal Reserve Banks and New York Federal Reserve Bank, of April 1st.

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

Assets	Mar. 23, 1938	Feb. 23, 1939	Mar. 23, 1939	Mar. 23, 1939
Loans, total	8,805	8,190	8,281	8,209
Investments	12,107	13,416	13,541	13,533
Reserve with Federal Reserve banks	5,773	7,289	7,464	7,379
Due from domestic bks.	1,945	2,542	2,659	2,572
LIABILITIES				
Deposits: demand	14,301	16,094	16,143	15,976
Time	5,231	5,189	5,198	5,212
U.S. Government	697	630	633	630
Inter-bank	5,539	6,238	6,657	6,501

REICHSBANK

Million Reichsmarks

Assets	Mar. 15, 1938	Feb. 15, 1939	Mar. 15, 1939	Mar. 15, 1939
Gold	31	28	23	31
Of which deposited abroad	70.8	70.8	70.8	70.8
Res. in foreign currencies	5.2	5.5	6.0	5.8
Bills and cheques	5901.8	7361.5	6992.4	8180.0
Silver and other coin	152.4	177.5	233.9	149.3
Advances	63.3	60.4	37.0	57.6
Secs.: for note cover	392.8	287.6	291.0	291.8
Other assets	1236.0	1532.8	1303.4	1339.8
LIABILITIES				
Notes in circulation	5621.6	7938.8	7463.7	78310.9
Other daily maturing obligations	1323.3	1105.4	1014.2	1249.4
Other liabilities	213.0	447.8	469.4	547.6
Cover of note circulatn.	1.35%	0.96%	1.03%	0.92%

CENTRAL BANK OF ARGENTINA

Million paper pesos

Assets	Mar. 15, 1938	Feb. 15, 1939	Mar. 15, 1939	Mar. 15, 1939
Gold at home	1,331	1,224	1,224	1,224
Other gold & for. exch.	53	71	70	67
Non-int. Govt. bond	119	119	119	119
Treasury bonds	398	397	397	397
Notes	1,158	1,138	1,146	1,133
Deposits: Government	121	127	138	169
Other	348	411	436	365
Certs. of participation in Treasury bonds	283	191	160	138
Gold and for. exch. to note and sight liab.	84.8%	77.1%	75.2%	77.3%

NATIONAL BANK OF BELGIUM

Million belgas

Assets	Mar. 31, 1938	Mar. 23, 1939	Mar. 23, 1939	Mar. 23, 1939
Gold	3,132	3,233	3,057	3,059
Silver and other coin	54	53	58	57
Foreign exchange, etc.	1,089	897	734	678
Bills and securities	590	596	689	716
Advances	54	74	86	149
LIABILITIES				
Notes in circulation	4,419	4,386	4,290	4,324
Deposits: Govt.	37	20	10	23
Other	379	296	233	223

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

	Mar. 23, 1938	Feb. 23, 1939	Mar. 15, 1939	Mar. 23, 1939
ASSETS				
Gold	2,657	2,361	1,896	1,896
Gold against gold liab.	...	336	...	...
Balances abroad and foreign currencies ...	514	1,120	999	992
Discounts and advances	1,953	2,811	3,560	3,635
LIABILITIES				
Bank notes in circulatn.	6,048	6,776	16,028	15,935
Deposits	776	665	608	743

NATIONAL BANK OF EGYPT
Million £

	Feb. 28, 1938	Dec. 31, 1938	Jan. 31, 1939	Feb. 28, 1939
LIABILITIES				
Banking Department	1938	1938	1939	1939
Deposits Govt.	8.78	4.84	4.43	4.45
Other	18.44	17.20	17.04	16.12
Other accounts	3.51	2.88	3.46	3.61
ASSETS				
Cash	3.46	2.45	3.14	2.89
Investments	22.75	14.48	14.76	14.32
Advances	5.20	8.26	7.66	6.73
Bills	1.67	1.90	1.86	1.86
Other accounts	3.48	2.21	3.32	4.22
Note Issue Department:				
LIABILITIES				
Notes issued	21.60	22.20	21.10	20.70
ASSETS				
Gold	6.20	6.24	6.24	6.24
Brit. Treas. bills & bonds	6.14	6.85	5.79	5.39
British War Loan	7.72	7.61	7.57	7.57
Egyptian Govt. secs.	1.50	1.50	1.50	1.50

BANK OF GREECE—Million drachmae

	Mar. 23, 1938	Feb. 23, 1939	Mar. 15, 1939	Mar. 23, 1939
ASSETS				
Gold and gold exchange	3,624	3,859	3,847	3,874
State sec. in for. curr.	13.3	114	113	113
Bills discounted	612	725	780	789
Advances	5,645	7,727	7,684	7,905
State debt	3,823	4,182	4,113	4,113
LIABILITIES				
Notes in circulation	6,509	6,589	6,516	6,680
Dep. and current. accs.	6,760	9,744	9,825	9,844
Foreign exch. liabilities	221	210	249	272

NETHERLANDS BANK
Million florins

	Apr. 6, 1938	Mar. 27, 1939	Apr. 3, 1939
ASSETS			
Gold	1,469.8	1,416.3	1,335.3
Silver	13.3	25.6	24.9
Home bills, etc.	9.1	7.4	9.7
Foreign bills	5.4	3.2	2.7
Loans and advances in current account	298.4	245.0	200.9
LIABILITIES			
Notes in circulation	934.1	988.3	978.4
Deposits: (a) Govt.	71.5	90.6	41.3
(b) Other	804.8	639.4	572.9

BANK OF ESTONIA
Million Estonian kronas

	Mar. 15, 1938	Feb. 15, 1939	Mar. 7, 1939	Mar. 15, 1939
ASSETS				
Gold coin & gold bullion	34.22	34.31	40.94	40.04
Net foreign exchange	17.16	15.38	15.81	16.99
Home bills discounted	10.22	10.96	9.96	10.25
Loans and advances	11.49	11.94	12.52	13.10
LIABILITIES				
Notes in circulation	48.42	49.11	51.05	50.20
Sight dep. and current accounts, of which:	33.31	33.84	35.26	36.95
(a) Government	21.24	18.83	20.93	22.49
(b) Bankers	9.36	12.36	11.46	11.25
Reserve to current liabilities	62.8	60.0	65.8	66.5

BANK OF FINLAND
Million F. marks

	Mar. 23, 1938	Feb. 23, 1939	Mar. 15, 1939	Mar. 23, 1939
ASSETS				
Gold reserve	602.6	1,128.4	1,128.3	1,128.3
Gold abroad net in res.	32.0	22.48	21.88	22.02
Foreign correspondents	63.4	96.5	103.7	98.6
Foreign bills, etc.	141.1	1,171.0	1,185.6	1,213.3
Int. bills and home loans	446.3	518.4	523.0	518.9
Finnish & foreign bonds	221.7	201.1	220.3	218.9
LIABILITIES				
Notes in circulation	454.0	506.7	520.1	517.9
Sight deposits: Govt.	929.6	689.6	727.5	787.5
Other	76.6	94.0	93.2	93.2
Cover to sight liab.	76.6	94.0	93.2	93.2

BANK OF LATVIA
Million lats

	Mar. 28, 1938	Feb. 27, 1939	Mar. 20, 1939	Mar. 28, 1939
ASSETS				
Gold coin and bullion	77.57	92.76	92.78	92.79
Silver coin	13.81	12.67	12.50	12.42
Foreign currency	47.48	42.30	44.03	44.33
Treas. notes and change	7.61	10.02	9.20	8.68
Short-term bills	47.48	45.98	46.30	47.82
Loans against securities	80.67	104.70	109.31	108.76
LIABILITIES				
Notes in circulation	66.71	78.67	80.43	81.60
Deposits & current. accs.	121.24	149.91	150.73	148.34
Government accounts	72.40	68.91	72.65	71.75

RESERVE BANK OF NEW ZEALAND
Million £N.Z.'s

	Mar. 27, 1938	Feb. 27, 1939	Mar. 20, 1939	Mar. 27, 1939
ASSETS				
Gold	2.80	2.80	2.80	2.80
Sterling exchange	16.93	4.84	4.55	4.66
Advances to State	5.11	19.67	19.64	19.43
Investments	2.97	3.65	3.65	3.66
LIABILITIES				
Bank notes	15.55	14.91	14.83	15.33
Demand liab.: State	7.11	4.02	4.85	3.82
Banks and others	5.94	10.25	9.44	10.07
Reserves to sight liab.	74.1	25.8	25.1	25.4

NATIONAL BANK OF ROUMANIA
Million lei

	Jan. 21, 1938	Feb. 18, 1939	Mar. 11, 1939	Mar. 18, 1939
ASSETS				
Gold and gold exchange	18,241	18,306	18,315	18,351
Clearing and other for. exchange	1,381	1,233	1,200	1,216
Commercial bills	10,923	10,573	10,450	10,491
Agric. & urban advanc.	1,758	1,743	1,671	1,646
Treasury bills issued against losses on credits	4,604	4,699	4,734	4,735
State debt and adv. to Treasury	5,589	5,589	5,589	5,589
Secs. and participatns.	2,175	2,175	2,276	1,794
LIABILITIES				
Notes in circulation	34,066	33,982	33,940	34,672
Notes in circulation	13,979	13,705	13,804	13,439
Other sight liabilities	3,738	3,872	3,804	3,942
Long-term liabilities				

SWISS NATIONAL BANK
Million francs

	Mar. 31, 1938	Feb. 28, 1939	Mar. 23, 1939	Mar. 31, 1939
ASSETS				
Gold	2,885	2,281.6	2,273.4	2,644.8
Foreign exchange	486.8	259.3	248.8	260.6
Discounts, etc.	9.3	123.2	114.4	181.2
Advances	22.7	24.9	26.2	27.7
Securities	27.9	91.5	91.3	92.0
LIABILITIES				
Notes in circulation	1518.6	1661.9	1666.0	1765.3
Other sight liabilities	1,496.3	1,619.0	1,563.1	1,420.7
N.B.—Exchange Equalisation Fund and assets are 538,543,653 frs.				

Shell Union Oil Corporation.—Net operating income, 1938, \$11,318,422 (\$20,669,000). Dividend on common shares \$0.70, against \$1.00 for 1937. Combined net income was equal to 72 cents per share on 13,070,625 common shares, against \$1.44 in 1937.

Alliance Trust Company.—Total revenue for year to January 31, 1939, is £676,493, against £707,013. After taxes of £137,090 (£139,663), and other expenses, balance is £509,168 (£535,482). Interest £156,902 (£158,055); preference and ordinary dividends £262,599 (£272,202). Ordinary dividend again 25 per cent. To general contingent fund £100,000 (same). Carry forward £41,337 (£52,170). Total investments stand at £11,657,904; bond and stock investments show a depreciation of 3.83 per cent. on valuation.

Central Mining and Investment Corporation.—Net profit 1938 (after £12,000 for N.D.C.) £444,920, against £708,863 after £35,000 was provided for nine months' N.D.C. Dividend for year reduced from 12½ to 10 per cent. Provision for income tax £45,000 (£100,000).

Van Den Berghs and Jurgens.—Profits for 1938, £1,257,668 (£1,172,644) after management expenses, depreciation, etc. Tax and N.D.C. £116,739 (£84,684). Preference and preferred ordinary dividends absorbed £297,625 and ordinary dividend £676,250, as before. Ordinary dividend rate 12½ per cent. To reserve fund £100,000 (£200,000). To contingencies reserve £50,000 (£50,000). Carry forward raised from £150,325 to £187,525.

Imperial Chemical Industries.—This company, which holds all ordinary shares of Magadi Soda Company (operating in Kenya) offers to purchase all of other classes of shares as follows: 4s. for 6 per cent. first £1 preference; 9d. for 6 per cent. second 5s. preference; 1s. per fully paid 5s. preferred ordinary; partly-paid 5s. preferred ordinary would pay up uncalled capital less 1s. per share. Magadi net profit for 1938 is £18,787 (£2,700 more), but is all required for debenture interest and arrears. Offer closes May 1, 1939. Of first preference holders, 93 per cent. have accepted.

London Merchant Bank.—In connection with an offer to purchase most shares, capital reorganisation is proposed. "A" £1 shares to be sub-divided into 5s. "B" units and arrears (from January, 1931) cancelled; "B" £7 shares (£3 10s. paid) to be sub-divided into 5s. shares (2s. 6d. paid) and uncalled liability per £5 share; "B" holders offered £3 cash and 15s. in new shares per £5 share, and relief from uncalled liability (non-assenting holders to pay liability in cash). Bank will dispose of banking business (Guinness Mahon and Company take over certain current business) and become an investment trust (London Merchant Trust, Ltd.). Makers of offer will sell certain German investments to bank for £382,000 cash, and £300,000 German standstill claims.

(Continued on page 118)

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.

	Quarter from January 1 to March 31, 1939, compared with the corresponding Quarter of the preceding Year				Year ending March 31, 1939, compared with the preceding year			
	Quarter ending March 31, 1938	Quarter ending March 31, 1939	Increase	Decrease	Estimate for the Year 1938-39	Year ending March 31, 1938	Year ending March 31, 1939	Increase
Ordinary Revenue								
Inland Revenue—								
Income Tax	207,951,000	236,177,000	28,226,000	...	341,150,000	297,986,000	335,901,000	37,915,000
Sur-tax	46,280,000	49,960,000	3,680,000	...	62,000,000	57,060,000	62,530,000	5,470,000
Estate, etc., Duties	20,780,000	20,650,000	...	130,000	88,000,000	88,980,000	77,430,000	11,550,000
Stamps	7,930,000	5,650,000	...	2,280,000	24,000,000	24,170,000	20,980,000	3,190,000
National Defence Contribution	1,361,000	8,620,000	7,259,000	...	20,000,000	1,420,000	21,890,000	20,470,000
Other Inland Revenue Duties	1,200,000	770,000	...	430,000	1,250,000	1,730,000	1,550,000	180,000
Total Inland Revenue	285,502,000	321,827,000	39,165,000	2,840,000	536,400,000	471,346,000	520,281,000	63,855,000
Customs and Excise—								
Customs	53,596,000	56,697,000	3,101,000	...	227,950,000	221,561,000	226,326,000	4,765,000
Excise	25,300,000	26,000,000	700,000	...	116,150,000	113,700,000	114,200,000	500,000
Total Customs and Excise	78,896,000	82,697,000	3,801,000	...	344,100,000	335,261,000	340,526,000	5,265,000
Motor Vehicle Duties	23,001,000	24,039,000	1,038,000	...	36,000,000	34,608,000	35,608,000	1,000,000
Post Office (Net receipt)	1,120,000	2,110,000	990,000	...	8,670,000	10,470,000	9,500,000	970,000
Post Office Fund	800,000	1,400,000	600,000	...	2,400,000	824,659	1,400,000	575,341
Crown Lands	300,000	310,000	10,000	...	1,330,000	1,330,000	1,330,000	...
Receipts from Sundry Loans	943,496	907,391	...	36,105	5,250,000	5,230,134	5,698,778	468,644
Miscellaneous Receipts	3,404,861	3,559,077	154,216	...	10,500,000	13,509,922	12,941,256	568,666
Total Ordinary Revenue	393,967,357	436,849,468	45,758,216	2,876,105	944,650,000	872,579,715	927,285,034	71,635,319
Self-Balancing Revenue								
Post Office (Revenue required to meet expenditure on Post Office and Broadcasting)	20,580,000	20,290,000	...	290,000	80,492,000	76,080,000	78,950,000	2,870,000
Total	414,547,357	457,139,468	45,758,216	3,166,105	1,025,142,000	948,659,715	1,006,235,034	16,458,666
			£42,592,111	Net Increase				£57,575,319

* After taking into account concessions made during the passage of the Finance Act estimated to cost £100,000 in the year.

II.—An ACCOUNT showing the RECEIPTS into and ISSUES out of the EXCHEQUER in the Year ending March 31, 1939, as compared with the preceding Year.

RECEIPTS	Estimate for the Year 1938-39	Year ending March 31, 1938	Year ending March 31, 1939	ISSUES	Estimate for the Year 1938-39	Year ending March 31, 1938	Year ending March 31, 1939
Ordinary Revenue, as shown in Account I...	£ 944,650,000	872,579,715	927,285,034	Ordinary Expenditure	£	£	£
Self-Balancing Revenue as shown in Account I	80,492,000	76,080,000	78,950,000	Interest and Management of National Debt	230,000,000	216,233,248	216,780,819
Total Revenue		948,659,715	1,006,235,034	Payments to Northern Ireland Exchequer	8,900,000	8,886,995	9,459,403
Receipts under Section 1 (4) of the Defence Loans Act, 1937	...	...	1,946,010	Other Consolidated Fund Services	5,239,000	3,114,792	4,824,502
Temporary Advances Repaid—			75,000	Total	244,139,000	228,235,035	231,064,724
Bullion	...	...	...	Supply Services—			
Diseases of Animals Account under Section 85 (4) of the Local Government Act, 1929	300,000	...	...	Army, Navy and Air Votes	255,660,000	197,250,000	254,406,000
Money Raised by Creation of Debt—				Civil and Revenue Votes (excluding Post Office and Broadcasting)	451,926,000	407,765,000	441,309,000
(a) For Capital Expenditure Issues—				Total, Supply Services (excluding Post Office and Broadcasting)	707,586,000	605,015,000	695,715,000
Under the Post Office and Telegraph (Money) Acts, 1935 and 1937	16,950,000	22,600,000	...	Total Ordinary Expenditure	951,725,000	833,250,035	926,779,724
(b) For other Issues—	4,112,543,000	5,023,311,000	...	Sinking Funds	...	10,544,252	13,219,181
By Treasury Bills	24,300,000	23,850,000	...	Total (excluding Self-Balancing Expenditure)	951,725,000	843,794,287	939,998,905
By National Savings Certificates	99,660,148	79,595,998	...	Self-Balancing Expenditure	...	...	...
By 2½ per cent. National Defence Bonds, 1944-48	...	...	...	Post Office Vote and Vote for Broadcasting	80,492,000	76,080,000	78,950,000
By 3 per cent. National Defence Loan, 1954-58	...	...	...	Total Expenditure	...	919,874,287	1,018,948,905
(c) Ways and Means Advances	1,711,185,000	2,525,095,000	...	Interest outside the Permanent Debt Charge	...	...	...
Receipts under Section 2 (3) of the Bire (Confirmation of Agreements) Act, 1938	...	...	10,000,000	Issues under Section 1 (5) (b) of the Defence Loans Act, 1937	...	...	1,946,010
Repayments—				Temporary Advances	...	...	25,000
In respect of Suez Canal Drawn Shares	39,630	38,812	...	Bullion	...	...	300,000
In respect of Issues under Land Settlement (Facilities) Acts, 1919 and 1921	144,037	149,652	...	Diseases of Animals Account under Section 85 (4) of the Local Government Act, 1929	...	300,000	...
In respect of Issues under Section 26 of the Tithe Act, 1936	1,512,423	1,934,979	...	Issues to meet Capital Expenditure—			
				Under the Post Office and Telegraph (Money) Acts, 1935 and 1937	16,950,000	22,600,000	...
				Redemption of Debt—			
				Treasury Bills paid off	3,958,495,000	4,959,495,000	...
				Principal of National Savings Certificates paid off	28,600,000	28,200,000	...
				Principal of National Savings Bonds paid off	409,281	333,285	...
				Other Debt under the War Loan Acts, 1914 to 1919	92,500	45,964	...
				Ways and Means Advances Repaid	1,721,625,000	2,510,395,000	...
				Issues under Section 1 (1) of the North Atlantic Shipping Act, 1934	500,000	2,635,053	...
				Issues under Section 26 (1) of the Tithe Act, 1936	3,867,000	1,870,000	...
				Issues under the Exchange Equalisation Account Act, 1937	200,000,000	...	...
				Issues under Section 1 (1) of the Defence Loans Act, 1937 (including £28,785,427 provided from Surplus Revenue 1937-38 under Section 1 (3))	64,867,000	128,050,000	...
				Issues under Section 2 (3) of the Bire (Confirmation of Agreements) Act, 1938	...	...	10,000,000
				Issues under Section 1 of the Anglo-Turkish (Armaments Credit) Agreement Act, 1938	...	...	160,272
				Issues under Section 1 of the Czecho-Slovakia (Financial Assistance) Act, 1939	...	...	10,029,315
				Issues to National Debt Commissioners to Reduce Debt—			
				Suez Canal Drawn Shares Repayments	39,630	38,812	...
				Old Sinking Fund, 1907-08—	...	...	...
				Issues under Section 9 of the Finance Act, 1908	10,600	13,434	...
				March 31, 1938	March 31, 1938	March 31, 1939	...
Balances in Exchequer on April 1	2,016,573	2,039,409	2,063,755	Balances in Exchequer—	2,039,409	2,063,755	...
Bank of England	683,749	324,568	435,657	Bank of England	324,568	435,657	...
Bank of Ireland				Bank of Ireland			...
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BANK CLEARINGS

PROVINCIAL

(£ thousands)

	Month of March			Week ended Saturday		Aggregate from January 1 to	
	1938	1939	Change	Apr. 2 1938	Apr. 1 1939	Apr. 2 1938	Apr. 1 1939
No. of working days:—	27	27	%	6	6	80	79
BIRMINGHAM	10,583	10,631	+ 0.4	3,229	2,738	34,666	33,233
BRADFORD	3,593	3,783	+ 5.2	1,260	973	11,622	11,428
BRISTOL	5,913	5,754	- 2.6	1,511	1,395	17,458	17,403
HULL	3,977	3,605	- 9.3	949	831	12,261	11,111
LEEDS	4,341	4,734	+ 9.0	1,284	1,188	14,768	14,793
LEICESTER	3,309	3,287	- 0.6	1,029	938	10,118	9,845
LIVERPOOL	24,709	22,884	- 7.7	6,338	6,078	75,023	67,368
MANCHESTER	43,958	43,147	- 1.8	12,210	11,146	136,881	128,240
NEWCASTLE	6,865	7,102	+ 3.4	1,867	1,738	22,194	21,261
NOTTINGHAM	2,323	2,216	- 4.6	751	619	6,781	6,781
SHEFFIELD	4,857	4,922	+ 1.3	1,634	924	16,745	14,574
Total: 11 Towns	114,518	112,065	- 2.1	32,062	28,560	359,192	336,038
DUBLIN	...	...	...	5,911	8,931	77,984†	85,711†

† 13 Calendar weeks.

MONEY RATES
LONDON

	Mar. 29, 1939	Mar. 30, 1939	Mar. 31, 1939	Apr. 1, 1939	Apr. 3, 1939	Apr. 4, 1939	Apr. 5, 1939
Bank rate (changed from 2½% June 30, 1932)	%	%	%	%	%	%	%
Market rates of discount	2	2	2	2	2	2	2
60 days' bank drafts	5½-11½	7½-11½	13½-7½	13½-7½	13½-7½	13½-7½	13½-7½
3 months' do.	13½-15½	13½-15½	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½
4 months' do.	13½-15½	13½-15½	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½
6 months' do.	13½-15½	13½-15½	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½
Discount Treasury Bills	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½
2 months' do.	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½
3 months' do.	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½
Loans—Day-to-day	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½
Short	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½
Deposit advances: Bk.	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½
Discount houses at call	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½
At notice	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½

Comparison with previous weeks

	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1939	%	%	%	%	%	%
March 9	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½
" 16	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½
" 23	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½
" 30	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½
April 5	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Apr. 6, 1939	Mar. 8, 1939	Mar. 15, 1939	Mar. 22, 1939	Mar. 29, 1939	Apr. 4, 1939
Call money	%	%	%	%	%	%
Time money (90 days' mixed bill)	11½	11½	11½	11½	11½	11½
Bank acceptances:—						
Member—eligible, 90 days	12	12	12	12	12	12
Non-member—eligible, 90 days	12	12	12	12	12	12
Commercial accept., 90 days	1	1	1	1	1	1

EXCHANGE RATES—cont.

NEW YORK

New York on	Mar. 29, 1939	Mar. 30, 1939	Mar. 31, 1939	Apr. 1, 1939	Apr. 3, 1939	Apr. 4, 1939
London:—						
60 days	467½	467½	467½	467½	467½	467½
Cables	468½	468½	468½	468½	468½	468½
Demand	468	468	468	468	468	468
Paris, Fr.	2-64½	2-64½	2-64½	2-64½	2-64½	2-64½
Brussels, Bel.	16-82½	16-82½	16-82½	16-82½	16-82½	16-82½
Switzerland, Fr.	22-47½	22-47½	22-47½	22-47½	22-47½	22-47½
Italy, Lira	5-26¼	5-26¼	5-26¼	5-26¼	5-26¼	5-26¼
Berlin, Mark	40-12	40-12	40-12	40-12	40-12	40-12
Amsterdam, Guilder	53-09	53-09	53-09	53-09	53-09	53-09
Copenhagen, Kr.	20-90	20-90	20-90	20-90	20-90	20-90
Oslo, Kr.	23-52½	23-52½	23-52½	23-52½	23-52½	23-52½
Stockholm, Kr.	24-13	24-13	24-13	24-13	24-13	24-13
Athens, Dr.	0-86	0-86	0-86	0-86	0-86	0-86
Montreal, Can. \$	99-530	99-530	99-530	99-530	99-530	99-530
Yokohama, Yen	27-32	27-32	27-32	27-32	27-32	27-32
Shanghai, \$	16-18	16-18	16-18	16-18	16-18	16-18
B. Aires, Peso	29-04	29-04	29-04	29-04	29-04	29-04
Rio, Milreis†	5-90	5-90	5-90	5-90	5-90	5-90

Usance: T.T.

† Official.

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges
(Range of the day's business)

London on	Par of Exch. per £	Mar. 30, 1939	Mar. 31, 1939	Apr. 1, 1939	Apr. 3, 1939	Apr. 4, 1939	Apr. 5, 1939
New York, \$	4-86½	4-68	4-68	4-68	4-68	4-68	4-68
Montreal, \$	4-86½	4-70	4-69½	4-70	4-69½	4-69½	4-69½
Paris, Fr.	124-21	176½	176½	176½	176½	176½	176½
Brussels, Bel.	35-00a	27-81	27-81	27-81	27-81	27-81	27-81
Milan, L.	92-46	89-00	89-00	89-00	89-00	89-00	89-00
Zurich, Fr.	25-22½	20-82	20-82	20-82	20-82	20-82	20-82
Athens, Dr.	375	540-555	540-555	540-555	540-555	540-555	540-555
Amst'dm, Fl.	12-107	8-81	8-81	8-81	8-81	8-81	8-81
Berlin, Mk.	20-43	11-65	11-65	11-65	11-65	11-65	11-65
Br. India Rup.	18d.	58-63	58-63	58-63	58-63	58-63	58-63
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	5-89½	5-89½	5-89½	5-89½	5-89½	5-89½	5-89½
B. Aires, \$	11-45	11-45	11-45	11-45	11-45	11-45	11-45
Valparaiso, \$	40	116½	116½	116½	116½	116½	116½
Montevideo, \$	15d.	18-19	18-19	18-19	18-19	18-19	18-19
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.	25½-24	25½-24	25½-24	25½-24	25½-24	25½-24
Moscow, Rbls.	24-81	24-81	24-81	24-81	24-81	24-81	24-81

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) Pence discount. (e) Latest "export" rate. (g) Official rate is 81½ 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 £	March 31, 1939	April 4, 1939	April 5, 1939
Helsingfors, M.	193-23	226½-227	226½-227	226½-227
Madrid, Pt.	25-22½	42½	42½	42½
Lisbon, Esc.	110	110-110½	110-110½	110-110½
Budapest, Pen.	27-82	23½-24½	23½-24½	23½-24½
Prague, Kc.	116½-8	Nominal	Nominal	Nominal
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	19-35-45	19-35-45	19-35-45
Copenhagen, Kr.	18-159	22-35-45	22-35-45	22-35-45
Alexandria, Pst.	97½	97½-98	97½-98	97½-98
Kobe, Yen	124-5d.	13½-14½	13½-14½	13½-14½
Singapore, \$	128½	27½-28	27½-28	27½-28
Batavia, F.	12-11	8-79-82	8-79-82	8-79-82
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. (i) Under Anglo-Spanish Agreement. (k) Under Anglo-Turkish Agreement. (l) Nominal. (m) Official.

LONDON—FORWARD

(Closing quotations)

London on	Mar. 30, 1939	Mar. 31, 1939	Apr. 1, 1939	Apr. 3, 1939	Apr. 4, 1939	Apr. 5, 1939
New York, cent.	1 Month	3½-3	3½-3	3½-3	3½-3	3½-3
" 2 "	17½-18½	19½-18½	19½-18½	19½-18½	19½-18½	19½-18½
" 3 "	2½-2½	2½-2½	2½-2½	2½-2½	2½-2½	2½-2½
Paris, francs	1 Month	Par-1½	Par-1½	Par-1½	Par-1½	Par-1½
" 2 "	1½-2½	1½-2½	1½-2½	1½-2½	1½-2½	1½-2½
" 3 "	1½-2½	1½-2½	1½-2½	1½-2½	1½-2½	1½-2½
Amsterdam, cent.	1 Month	5½-4	5½-4	5½-4	5½-4	5½-4
" 2 "	11½-4	11½-4	11½-4	11½-4	11½-4	11½-4
" 3 "	2½-1½	2½-1½	2½-1½	2½-1½	2½-1½	2½-1½
Brussels, cent.	1 Month	32-37	40-50	40-50	40-50	40-50
" 2 "	50-55	65-75	65-75	65-75	65-75	65-75
" 3 "	68-73	85-95	85-95	85-95	85-95	85-95
Geneva, cent.	1 Month	2-1	2-1	2-1	2-1	2-1
" 2 "	5-3	5-3	5-3	5-3	5-3	5-3
" 3 "	7-5	8-6	8-6	8-6	8-6	8-6

(p) Premium.

(d) Discount.

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended April 2 (£'000)					Aggregate Gross Receipts 13 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Total	Receipts	Passenger	Merchandise	Coal & Coke	Total	Receipts
L.M. & S.—	423	493	240	733	1,156	5,149	6,331	3,884	10,215	15,363
1938	428	489	307	796	1,224	5,049	5,750	3,926	9,676	14,725
1939	275	349	253	602	877	3,399	4,498	3,586	8,084	11,483
L. & N.E. (a)—	269	349	288	637	906	3,339	3,996	3,469	7,465	10,804
1938	178	204	106	310	488	2,149	2,591	1,625	4,216	6,365
1939	178	214	121	335	513	2,128	2,453	1,519	3,972	6,100
Great Western—	282	69	31	100	382	3,420	793	483	1,276	4,696
1938	280	70	38	108	388	3,397	744	476	1,220	4,617
1939	1158	1115	630	1745	2,903	14,116	14,213	9,578	23,791	37,907
1938	1155	1122	754	1876	3,031	13,913	12,943	9,390	22,333	36,246

(a) Week ended April 1.

(Continued from page 111)

Ashanti Goldfields Corporation.—Profit for six months to March 31, 1939, is £656,467, or £165,332 higher than for the corresponding period of the previous year.

Bibiani (1927).—Profit for six months to March 31, 1939, is £57,346, against £25,733 for corresponding period of 1937–38.

John Lewis and Company.—The balance of profits carried forward by this company at the end of the year to January 31, 1939, is £51,531, compared with £28,821 a year earlier. We regret that these figures were incorrectly stated in our issue of March 25th.

E. B. Ridsdel.—The death is announced

of Mr. Ernest Bramwell Ridsdel of the firm of E. B. Ridsdel and Company, Ltd., on April 2nd. Mr. Ridsdel was interested in some sixty rubber and industrial companies.

British Timken.—Net profit 1938, £91,879, after depreciation, compared with £133,007. To taxation reserve £30,000 (£40,000). To general reserve £25,000 (£60,000). Ordinary dividend again 15 per cent., absorbing £39,150, against £33,750. Carry forward reduced from £25,139 to £22,869.

Aktiebolaget Elektrolux.—Net profit for 1938, after Swedish taxes, amounts to S. Kr.8,901,465, compared with S. Kr. 9,152,222. Dividend 13½ per cent. for the year. For 1937 an interim of Kr.5 per

Kr.100 share was paid. The shares were then reduced and a final dividend of Kr.5 per Kr.75 share, or 6½ per cent., was paid. Surplus carried forward is Kr.16,150,019, against Kr.13,248,554.

Aktiebolaget Volvo.—Report for 1938 shows that 6,655 vehicles were sold for a sales value of Kr.37,052,783, against 6,325 vehicles with sales value Kr.36,359,691 for 1937. Net profit Kr.2,311,346 (Kr. 2,116,422). Dividend raised from 5 to 6 per cent. Surplus end of 1938 Kr.2,338,937, against Kr.1,119,591.

Abitibi Power and Paper Company.—A plan of procedure for purchase of this

(Continued on page 119)

GOVERNMENT GOLD MINING AREAS (MODDERFONTEIN) CONSOLIDATED, LTD.

(Incorporated in the Union of South Africa.)

Issued Capital, £1,400,000 in 5,600,000 Shares of 5s. each.

DIRECTORATE:

G. H. BEATTY (Deputy-Chairman). J. B. JOEL, J.P. (Chairman). K. RICHARDSON. Dr. J. G. LAWN, C.B.E. G. J. JOEL, M.C. D. CHRISTOPHERSON, C.B.E. G. IMROTH.

Extracted from the Annual Report to 31st December, 1938.

Tons crushed, 2,498,000, yielding 623,275.385 ounces of fine gold.			Per ton, based on tonnage crushed.	
Total Working Revenue	£4,451,919	13 8	£1	15 8
Total Working Costs	2,261,784	17 2		18 2
Working Profit	2,190,134	16 3		17 6
Rents, Interest and Sundry Revenue	18,312	11 10		
Balance at 31st December, 1937, brought forward	80,041	4 2		
			£2,288,488	12 3
This amount has been dealt with as follows:—				
Miners' Phthisis Sanatorium, Donations, Depreciation, etc.	3,728	8 4		
Taxation	2,307	9 0		
Contribution for year 1938 in respect of Outstanding Liability, Miners' Phthisis Compensation Fund	15,270	15 3		
Capital Expenditure	20,144	8 2		
Government Share of Profits	1,132,615	0 0		
Dividends Nos. 42 and 43 of 35 per cent. each	980,000	0 0		
			2,154,063	12 9
Leaving a Balance carried forward of			£134,424	19 6

The **Ore Reserves** at the end of the year were estimated to amount to 9,612,000 tons with an average value of 5.7 dwts. over a stopping width of 80 inches.

The full Reports and Accounts may be obtained from the London Agents, Johannesburg Consolidated Investment Company, Limited, 10 and 11 Austin Friars, London, E.C.2.

NEW STATE AREAS, LIMITED.

(Incorporated in the Union of South Africa.)

Issued Capital - £1,514,037 in 1,514,037 Shares of £1 each.

DIRECTORATE:

J. B. JOEL, J.P. (Chairman). G. H. BEATTY, (Deputy-Chairman). B. L. INNES. Dr. J. G. LAWN, C.B.E. G. J. JOEL, M.C. W. S. WEBBER. K. RICHARDSON.

Extracted from the Annual Report to 31st December, 1938.

Tons crushed, 1,482,000, yielding 427,047.338 ounces of fine gold.			Per ton, based on tonnage crushed.	
Total Working Revenue	£3,081,425	15 10	£2	1 2
Total Working Costs	1,354,816	3 1		18 3
Working Profit	1,696,809	12 8		£1 2 11
Rents, Interest and Sundry Revenue	11,810	15 1		
Balance at 31st December, 1937, brought forward	171,172	0 7		
			£1,879,792	8 5
This amount has been dealt with as follows:—				
Miners' Phthisis Sanatorium, Donations, Depreciation, etc.	2,559	2 3		
Taxation	133,489	10 4		
Contribution for year 1938 in respect of Outstanding Liability, Miners' Phthisis Compensation Fund	6,045	10 11		
Capital Expenditure	30,381	8 10		
Government's Share of Profits	1,072,422	12 8		
Dividends Nos. 27 and 28 of 15 per cent. each	484,211	2 0		
			1,699,079	7 0
Leaving a Balance carried forward of			£180,713	1 5

The **Ore Reserves** at the end of the year were estimated to amount to 4,057,000 tons with an average value of 5.8 dwts. over a stopping width of 48 inches.

The full Reports and Accounts may be obtained from the London Agents, Johannesburg Consolidated Investment Company, Limited, 10 and 11 Austin Friars, London, E.C.2.

(Continued from page 118)

company's assets by a new company has been prepared and adopted by the Bondholders' Protective Committee. The committee urges assent. The plan can be obtained from Montreal Trust Company.

Stewarts and Lloyds.—Deferred stock dividend for 1938 maintained at 12½ per cent., but is paid on a capital increased by £203,278 of stock issued in July, 1938. To export trade reserve £500,000. To employees' reserve £50,000, and £75,000 to stock reserve.

Savoy Hotel, Ltd.—Total income for 1938, £124,925 (£156,135). Net profit £33,477 (£57,216). Ordinary dividend

reduced from 5 to 2½ per cent. Carry forward reduced from £54,344 to £51,847.

R. W. Crabtree and Sons.—Net profit for 1938, £72,450 (£52,562). Ordinary dividend raised from 33½ per cent. to 40 per cent. A sum of £2,400 has been written off an investment, and £50,000 placed to general reserve. Of the reserve of £150,000 it is proposed to capitalise £120,000, making a 400 per cent. share bonus.

United Glass Bottle Manufacturers.—Trading profits for 1938, £301,810 (£333,135). To debenture redemption reserve, £17,570 (£16,810). To staff fund, £15,000 (£15,000). To general reserve, £50,000 (£60,000). Special provision for package stores, £15,000 (against £20,000 for office equipment). Ordinary distribution

maintained at 12 per cent. Carry forward reduced from £44,738 to £42,255.

Marconi International Marine Communication Company.—Total income in 1938, £480,287 (£452,297). Net profit, £139,790 (£114,844). Ordinary dividend, 7½ per cent., plus a cash bonus of 2½ per cent., against a 7½ per cent. dividend and no bonus. To depreciation of securities, £15,537 (£20,000). To N.D.C., £5,000 (£6,000). Carry forward, £11,679.

Scammell Lorries.—Net profit for 1938, £35,558 against £33,486. Ordinary dividend 10 per cent., the first distribution since 20 per cent. was paid for 1929. To reserve, £20,000, as before. Carry forward reduced from £16,903 to £16,334.

(Continued on page 120)

THE RANDFONTEIN ESTATES GOLD

MINING COMPANY, WITWATERSRAND, LTD.

(Incorporated in the Union of South Africa.)

Issued Capital, £4,063,553 in 4,063,553 Shares of £1 each.

DIRECTORATE:

J. B. JOEL, J.P. (Chairman). G. H. BEATTY (Vice-Chairman). Dr. J. G. LAWN, C.B.E. G. J. JOEL, M.C. R. L. INNES. K. RICHARDSON. F. H. P. ROOME.

Extracted from the Annual Report to 31st December, 1938.

Tons crushed, 4,670,000, yielding 740,278.039 ounces of fine gold.			Per ton, based on tonnage crushed.	
Total Working Revenue	£5,290,170	11 3	£1	2 8
Total Working Costs	3,932,540	11 10		16 10
Working Profit	1,357,629	19 5		5 10
Rents, Interest and Sundry Revenue	28,581	13 6		
Sales of Property and Township Stands, etc.	2,454	17 6		
Balance at 31st December, 1937, brought forward	401,362	8 11		
			£1,790,028	19 4
This amount has been dealt with as follows:—				
Miners' Phthisis Sanatorium, Donations, Depreciation, etc.	8,950	3 5		
Taxation	306,732	1 3		
Contribution for year 1938 in respect of Outstanding Liability, Miners' Phthisis Compensation Fund	28,026	3 5		
Capital Expenditure	150,660	17 3		
Dividends Nos. 21 and 22 of 11½ per cent. each	814,299	8 6		
			1,408,668	13 10
Leaving a Balance carried forward of			£381,360	5 6

The **Ore Reserves** at the end of the year were estimated to amount to 13,550,000 tons with an average value of 3.8 dwts. over a stopping width of 47 inches.

The full Reports and Accounts may be obtained from the London Agents, Johannesburg Consolidated Investment Company, Limited, 10 and 11 Austin Friars, London, E.C.2.

VAN RYN DEEP, LIMITED.

(Incorporated in the Union of South Africa.)

Issued Capital: £1,196,892 in 1,196,892 Shares of £1 each.

DIRECTORATE:

G. H. BEATTY, (Chairman). J. B. JOEL, J.P. R. L. INNES. Dr. J. G. LAWN, C.B.E. Sir WILLIAM DALRYMPLE, K.B.E. Sir ABE BAILEY, Bart. G. J. JOEL, M.C. K. RICHARDSON.

Extracted from the Annual Report to 31st December, 1938.

Tons crushed, 1,258,000, yielding 207,648.402 ounces of fine gold.			Per ton, based on tonnage crushed.	
Total Working Revenue	£1,483,421	16 11	£1	3 7
Total Working Costs	1,081,628	10 2		17 2
Working Profit	401,793	6 9		6 5
Rents, Interest and Sundry Revenue	6,472	7 7		
Balance at 31st December, 1937, brought forward	154,953	16 7		
			£563,218	10 11
This amount has been dealt with as follows:—				
Royalty on Ore	54	17 2		
Miners' Phthisis Sanatorium, Donations, Depreciation, etc.	1,758	6 6		
Taxation	130,281	14 11		
Contribution for year 1938 in respect of Outstanding Liability, Miners' Phthisis Compensation Fund	4,848	19 11		
Capital Expenditure (including purchase of 76 claims on Benoni No. 3—£61,411 12s. 6d.)	66,730	11 7		
Dividends Nos. 50 and 51 of 12½ per cent. and 10 per cent. respectively	269,300	14 0		
			472,975	4 1
Leaving a Balance carried forward of			£90,244	6 10

The **Ore Reserves** at the end of the year were estimated to amount to 3,324,000 tons with an average value of 3.3 dwts. over a stopping width of 49 inches.

The full Reports and Accounts may be obtained from the London Agents, Johannesburg Consolidated Investment Company, Limited, 10 and 11 Austin Friars, London, E.C.2.

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation			Carried to Reserve, Depreciation, etc.	Balance Forward	Corresponding Period Last Year	
					Pref. Amount	Ordinary Amount	Rate			Net Profit	Dividend
Banks		£	£	£	£	£	%	£	£	£	%
Bank of Scotland.....	Feb. 28	150,085	305,633	455,718	...	208,800	12	95,000	151,918	313,254	15b
Breweries											
Royal Brewery, Brentford ...	Dec. 31	45,579	80,802	126,381	6,525	26,100	12	46,550	47,206	94,632	14
Canal and Docks											
Sharpness Docks.....	Dec. 31	...	20,665	20,665	16,975	3,038	1	652	...	27,341	2
Electric Lighting, etc.											
Southern Areas Electric	Dec. 31	16,030	31,985	48,015	...	28,401	5	...	19,614	37,953	5
Financial Land, etc.											
Nat. Star Brick Hldgs.	Dec. 31	7,212	20,963	28,175	4,345	7,850	6	12,811	3,169	23,619	8
River Plate Trust Loan, etc.	Dec. 31	81,598	211,988	293,586	75,000	110,000	14 & 4	...	108,586	221,626	14 & 4
Slough Estates.....	Dec. 31	51,290	92,540	143,830	...	79,931	15	...	63,899	99,113	15
Gas											
Rhymney and Aber.....	Dec. 31	1,292	7,114	8,406	957	6,160	4	...	1,289	9,401	5†
Hotels, Restaurants, etc.											
Savoy Hotel	Dec. 31	54,344	39,666	94,010	17,500	18,473	2†	6,190	51,847	69,408	5
Motor Cycle and Aviation											
General Aircraft	Dec. 31	Dr. 47,358	57,765	10,407	...	...	...	10,407	...	Dr. 20,610	NB
Rubber											
Anglo-Malay	Dec. 31	27,980	12,141	40,121	...	8,250	2	4,000	27,871	24,646	4
Bangawan	Dec. 31	5,843	7,040	12,883	4,343	...	...	4,123	4,417	22,791	10
Baru (Java)	Dec. 31	2,307 Dr.	1,797	510	...	...	...	725	Dr. 215	14,608	10
Batavia (Kerkoven)	Dec. 31	938	1,097	2,035	...	...	...	955	1,080	6,192	6
Cluny	Dec. 31	3,312	3,220	6,532	...	2,030	4	1,000	3,502	8,629	10
Glasgow	Dec. 31	1,617	5,195	6,812	...	2,650	2†	2,500	1,662	(a)	10
Henrietta	Dec. 31	4,973	13,279	18,252	1,316	9,253	7	2,217	5,466	25,699	12†
Kuala Selangor	Dec. 31	4,768	6,471	11,239	...	6,458	8†	...	4,781	11,778	9
Lanadron	Dec. 31	4,568	11,300	15,868	...	7,830	3	3,000	5,038	33,549	12†
Ledbury	Dec. 31	7,242	6,276	13,518	...	2,362	3	3,700	7,456	18,753	12†
Sampang (Java)	Dec. 31	2,472	2,920	5,392	...	2,920	4	...	2,472	6,759	8
Selangor	Dec. 31	14,692	5,787	20,479	...	...	...	5,700	14,779	15,352	8
Seremban	Dec. 31	1,910	4,106	6,016	...	4,000	2	500	1,516	10,171	5
Soengi Rampah	Dec. 31	6,270	5,735	12,005	...	2,550	3	3,000	6,455	7,310	5
Sungei Choh	Dec. 31	978	5,294	6,272	...	4,000	2	1,000	1,272	13,728	5
Sungei Way (Selangor)	Dec. 31	11,092	12,294	23,386	...	9,386	4	2,900	11,100	28,610	10
Shipping											
Houlder Brothers and Co. ...	Dec. 31	29,829	66,307	96,136	5,500	40,000	5†	15,000	35,636	55,076	5†
Shops and Stores											
Bradleys (Chester)	Jan. 31	19,274	40,093	59,367	6,300	28,125	11†	1,838	23,104	42,450	13†(a)
Meakers, Ltd.	Jan. 31	56,959	15,492	72,451	17,500	...	...	5,000	49,951	30,244	NB
Tea											
Augusta	Dec. 31	303	162	465	163	...	...	88	214	559	NB
Telegraphs & Telephones											
Marconi Int. Marine	Dec. 31	11,698	134,790	146,488	...	119,272	10	15,537	11,679	108,844	7†
Tramways, etc.											
Northern General Transport	Dec. 31	52,070	181,578	233,648	19,500	83,108	10	81,514	49,526	220,280	10
Tynemouth, etc., Transport	Dec. 31	7,692	18,712	26,404	1,525	4,641	10	7,000	13,238	19,780	10
Trusts											
Alliance Trust Company ...	Jan. 31	52,170	352,266	404,436	70,099	192,500	25	100,000	41,837	377,427	25
Edinburgh Investment	Mar. 15	225,443	74,298	299,741	19,913	47,200	10	...	232,628	82,751	10
Scottish Capital Investment	Mar. 1	20,944	38,727	59,671	21,960	10,248	3†	10,000	17,463	48,673	3†
Waterworks											
Jersey New	Dec. 31	2,365	14,180	16,545	...	14,275	10	...	2,270	14,099	10
Other Companies											
Arms Park (Cardiff) Greyh'nd	Dec. 31	4,448	4,983	9,431	7,754	1,403	25†	...	274	(a)	(a)
British Oxygen Company ...	Dec. 31	44,385	508,059	552,444	36,173	356,104	17	...	48,007	455,481	17
British Quarrying Company	Oct. 31	16,030	55,920	71,950	13,593	21,346	8 & 6	112,160	37,968	8 & 5	8 & 5
Brit. United Shoe Machinery	Dec. 31	197,563	542,877	740,440	23,458	524,392	19†	21,000	16,011	594,981	19†
Hills (R.H.O.) (Blackpool)...	Jan. 31	5,077	7,668	12,745	4,350	...	...	13,306	179,284	27,475	12†
Howard and Wyndham	Feb. 28	8,665	24,299	32,964	1,087	13,996	10	523	7,872	34,821	10
Kennedy's (Bournemouth)...	Nov. 30	1,635	6,146	7,781	7,116	4,050	5	9,851	8,030	20,105	12†
Tucker (Duncan)	Dec. 31	...	19,984	19,984	13,125	...	...	Dr. 5,000	1,615	(a)	(a)
United Glass Bottle	Dec. 31	44,738	257,592	302,330	65,324	97,180	12	...	6,859	280,811	12
Van Den Berghs and Jurgens	Dec. 31	150,471	1,140,929	1,291,400	297,625	656,250	12†	97,570	42,256	1,087,960	12†
West (Allen) and Co.	Jan. 31	36,200	126,001	162,201	...	48,750	10	150,000	187,525	82,923	7†
Wyman and Sons	Dec. 31	3,530	39,851	43,381	...	14,000	5	59,951	53,500	26,643	2
Total Profits, 1938, in £000's	No. of Cos										
To April 1	657	29,491	89,423	118,914	16,517	48,390	...	23,145	30,862	97,651	...
To April 8	703	30,792	93,732	124,524	17,263	51,005	...	23,972	32,284	102,111	...

† Free of income tax.

(a) No comparable figure.

(b) Absorbed £204,164.

(c) Absorbed £28,125.

(Continued from page 119)

General Aircraft.—Trading profit for 1938, £60,678 against a loss of £15,110. Net profit £57,766 and after writing down designs, tools, etc., balance of £47,358 extinguishes debit balance brought in on profit and loss account.

London Asiatic Rubber and Produce.—Net revenue for 1938, £108,714

(£176,517). Final dividend, 6 making 10 per cent. for year, compared with 12½ per cent. To dividend equalisation reserve £10,000 (£25,000).

General Mining and Finance Corporation.—Profits for 1938, £526,578 (£527,599). Dividend maintained at 25 per cent. To general reserve, £200,000 (£200,000). Additional tax provision,

£10,000. Carry forward raised from £132,149 to £132,582.

Ooregum Gold Mining Company.—Net profits for 1938, £58,799 (£55,230). Income tax and N.D.C., £9,300 (£7,000). To depreciation £15,000 (£14,000). Insurance £4,000 (£3,000). Dividend maintained at 5 per cent. Carry forward raised from £10,205 to £10,266.

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The Week's Aggression

THERE is no need to waste many words in characterising the Italian seizure of Albania—the Axis Powers' Aggression-of-the-Week. It is enough to say that it is a typical example of totalitarian brutality, an attack delivered without warning, provocation or excuse. There are, indeed, one or two refinements of cynicism peculiar to this case. The choice of Good Friday for the attack and the compulsion placed upon the Queen of Albania (at whose wedding a year ago Count Ciano was the chief witness) to flee into exile with a three-day-old baby are details which Macchiavelli himself would acclaim as being in the finest Italian tradition. But, in general, the Albanian incident merely serves to show that in unbridled ambition, in brutal arrogance, in cynical dishonour and in candid mendacity the junior end of the Axis has nothing to learn from the senior.

The purpose of the occupation of Albania was purely and simply strategic—that is to say, warlike. No other explanation will bear a moment's examination—as is, indeed, shown by the derisory nature of the excuses put out in Rome. For years Albania has been, in fact if not in form, an Italian dependency. King Zog, who has been kept in power by the Italians, was powerless to do anything in the diplomatic or economic sphere that displeased his masters. But he was apparently patriot enough to refuse agreement to an Italian military occupation of his country. So the occupation was carried out against his resistance. There are no economic gains for Italy from last week's aggression, since Italy already dominated the country. The

only substantial change is the fact of Italian military occupation. Nothing could more clearly illustrate the purely strategic nature of the operation or the prospect that Albania is merely to serve as a springboard for further action.

The strategic consequences for the neighbouring countries are discussed in notes on later pages. The grand strategy, however, is clear. Though the dictators fulminate against any attempt to form a defensive alliance as "encirclement," they are themselves the grand encirclers. The occupation of Austria encircled Czecho-Slovakia. The capture of Bohemia and Slovakia encircled Poland. Now Albania encircles Yugoslavia. And if Yugoslavia should fall, she and Bulgaria will encircle Roumania. Meanwhile, Franco Spain keeps France encircled.

still in favour of peace." It cannot be emphasised too often that a policy of supporting the small nations of Eastern Europe is dangerous in the extreme without the assistance of Russia. It would be wrong to assume, in the absence of evidence, that the fault for the delay in reaching a firm Anglo-Russian understanding is entirely on one side. But there is no more urgent and vital diplomatic task.

In spite of his strong condemnation of the Italian action, the Prime Minister was not prepared to denounce the Anglo-Italian Agreement. The reasons are severely practical, for one of the provisions of that Agreement is that the Italian troops in Spain are to be withdrawn. This pledge has been renewed in the last few days, and it has been explained that the troops, including the "legionary air force," will leave immediately after General Franco's victory parade in Madrid, which is understood to be fixed for May 2nd. There can, of course, be little confidence that this pledge will be honestly kept, or, in view of General Franco's attitude, that Spain will be any less dutiful a client of the Axis for the Italians' departure, or, indeed, that some new aggression will not be perpetrated before May 2nd. But so long as there is the smallest chance of securing anything from the ill-fated Agreement, there is a case for swallowing our dignity and giving the Duce a chance to show that, by way of exception, he can keep some of his promises. To this, however, there must be two all-important provisos. First, there should be a rigid time-limit. The troops were to have been withdrawn *immediatemente* after the end of the war. The meaning of the word must not be stretched any further. And, secondly, the period of waiting until May 2nd must not lead to the slightest delay or relaxation in the plans for resisting aggression. We must make it possible for Signor Mussolini to forswear his career of aggression if he should wish to. But delay in our own plans is a price that

we can no longer afford to pay for the chance of such an extremely improbable event as the Duce's conversion.

More than ever, our safety (and our peace, too, if that can still be preserved) depend on our winning a race against time. There are at least five danger spots on the map of Europe and the Mediterranean. First, there is reason to believe that Germany's demands on Poland (for Danzig, a "corridor across the corridor" and, apparently, a small Silesian district) are again being pressed. The rumours of German plans to invade Holland are taken sufficiently seriously for the Dutch Government to man its frontier. The troops being poured into Albania may continue their march; acquaintance with the technique of the dictators would lead one to take the assurance to Greece as evidence that a march to Salonika is in fact intended as the next move. There are heavy troop concentrations in Libya, which probably threaten Egypt rather than Tunisia. And, finally, there are the ominous troop movements in Spain. Any one, or all, of these five danger spots may come to a head at any moment, and it is clear that nothing that the most fantastic imagination can conceive can be ruled out as impossible.

The materials for a defensive combination firm and strong enough to stop the gathering momentum of aggression are in existence. The small countries will fight for their independence if they are quite sure they will not be left to fight alone. Russia is suspicious, but willing to assist. President Roosevelt has taken the unexampled step of announcing that America's destiny would be involved from the outset in any world war—a reinforcement of the powers of peace whose importance it is impossible to exaggerate. The task of British statesmanship is to build these materials into an impenetrable barrier. The task is not easy. But it is also dreadfully urgent, and delay will only increase the difficulties.

Inflation Ahead?

THIS week's issue of *The Economist* contains the annual Budget Supplement in which for many years it has been the custom of this journal to collect for its readers a compendium of facts and figures bearing upon the management of the national finances. Six weeks ago the problem of the Budget (in the rather narrow meaning of the term which re-armament finance has forced upon us) appeared to be relatively simple. The Estimates showed that the Chancellor of the Exchequer had decided to provide out of Defence Loans not merely this year's increase in defence expenditure, but an additional £44 millions which, in 1938-39, had been met out of revenue. The inference seemed to be obvious that this particular sum had been chosen so as to reduce the figure of Budget expenditure (i.e. of expenditure to be met out of revenue) to the amount that would be covered by the revenue to be expected from the existing rates of taxation.

This inference, however, now seems a little less obvious. The revenue returns published on March 31st were in some respects disappointing, and it is difficult, without a very great admixture of optimism, to compose an estimate of revenue that will bring in as much as the minimum probable total of expenditure, even after the transfer of the £44 millions. Moreover, the events of the past month in Bohemia and Albania have already resulted in the decision to double the Territorial Army at a cost for equipment which has been stated to be about £50 millions, and further large increases in defence expenditure will be unavoidable. The Chancellor may well think that some small part of this additional expenditure should be raised by taxation, even though the bulk of it will almost certainly be borrowed. There is thus enough uncertainty

left to give Budget Day a little of its usual excitement.

Nevertheless, the main interest of British fiscal policy to-day lies outside the Budget. It turns on the amount to be borrowed. When it was announced that the total of borrowings in 1939-40 would be about £350 millions, it was pointed out in these columns that there are three separate aspects from which such a large increase of debt can be approached. There is, first, the technical aspect. Can the money be raised? The answer is that it certainly can be, especially if care is taken to borrow a substantial part of it in the form of floating debt. Secondly, there is the question whether the raising of such large sums is in the best interests of the prudent management of the national finances. On this point *The Economist* expressed some doubts, but judgment on the relative prudence of financial policies is necessarily a matter of opinion. We get back into the realm of quantitative estimation with the third aspect of defence borrowing. Can it be done without inflation?

Some interesting figures bearing on this question have recently been published in articles in *The Financial News* and *The Banker* by Mr R. W. B. Clarke. Mr Clarke's estimates are based on the fundamental assumption that a Government deficit, whatever it may be spent on, is analogous and similar in its effects to "investment" (in the economist's sense of that term) by private individuals. This being so, the total of investment is compounded of two parts, private investment, for which Mr Colin Clark's estimates are available, and the Budget deficit (which has to be adjusted for any surplus or deficit realised by the Unemployment Fund). Working on this assumption, Mr Clarke finds that the total of "investment" was £829

millions (gross) in the financial year 1937-38 and £799 millions in 1938-39. For 1939-40, on the assumption that private investment remains at its present level, Mr Clarke reaches a figure of £1,005 millions. Moreover, this is an average figure, and in the last quarter of 1939-40 investment will be running at the rate of £1,072 per annum, or about £192 millions more than the present rate. These figures, it may be added, are based on borrowing of £350 millions, and in so far as the actual figure is higher (as it certainly will be) the resulting figures of investment will be increased.

What will be the economic effect—and, in particular, the effect on employment—of these figures? If the output of the average employed person can be put at £250 per annum, the direct effect of an increase of £192 millions per annum in investment expenditure would be to provide employment for about 770,000 persons. But, as is now a commonplace of economic thought, the employment directly provided is supplemented by employment indirectly provided, and the common assumption is that the indirect addition is roughly equal to the direct amount. If this estimate of the "multiplier" is correct, the increase in investment expenditure will provide employment for something of the order of 1,500,000 persons.

It is as well to re-examine the assumptions on which this figure is based before drawing any conclusions from it. The first assumption is that changes in employment owing to fluctuations in investment expenditure are not offset by opposite changes in expenditure on consumption. For this proposition there is a great deal of general evidence, and in the particular circumstances of the moment there seems to be no reason to anticipate any large and sudden decrease in the consumption of the British people, especially since no large increase in taxation is in prospect. Secondly, it is assumed that private investment remains unchanged in the coming twelve months. Normally, an increase in employment and in general prosperity due to re-armament expenditure or any other cause would lead to increased investment. It seems reasonable to assume that, in default of control, there will at least be no reduction in private investment. Thirdly the calculation is based on the assumption that the "multiplier" is 2 (i.e. that employment indirectly created equals that directly created), which may well be too high. But, finally, the figures are based on borrowing of £350 millions, which is certain to be exceeded. On a balance of considerations it seems probable that the execution of the defence programme, in the absence of any restriction either of consumption or of private investment, will provide work for 1,500,000 persons.

Where are this million and a half to come from? With an unemployment register of 1,727,000, even with the addition of certain reserves of unemployed persons in the clerical and professional grades, it is very doubtful whether the labour force required can be found from those now out of work. If the borrowing is restricted to £350 millions and the "multiplier" turns out to be nearer one and a half than two, the task might be accomplished. The opinion expressed here on February 25th would hold good, that the programme "can be financed without leading to inflationary competition with other existing avenues of expenditure; but it will be a right squeeze." But if the borrowing is more than £350 millions, the resources of labour and capital required will only be made available by being taken from other employments.

This position, when it arrives, will be, by any reasonable definition of the word, an inflationary situation. Britain will then be in the same position as Germany found herself in twelve months ago. It will then become a matter of primary importance to decide by what means the employment of labour and capital in peace-time pursuits is to be restricted in order to liberate resources for re-armament.

There are, broadly speaking, three ways in which such a

situation can be handled. The first is to allow the competition for the available supplies of labour and capital to force up prices and wages—the classical form of inflation. In any such competition, the needs of the Government always win, since they must be met regardless of cost. But the consequences of the policy—even if extreme hyper-inflation is ruled out—are not such as to commend it. A general inflation of prices is inequitable as between the social classes. It produces its effects haphazard and without any possibility of control in detail. In particular, many forms of expenditure other than re-armament would be encouraged to expand at the cost of normal consumption. And it leads straight to the whole vicious circle of rising cost of living, labour trouble and rising wages. The whole experience of the decade 1914-24 is against its adoption.

The second method is to diminish consumption by increasing taxes. In time of war, when it is necessary to restrict all forms of consumption, taxation plays a vital part. In our present circumstances, however, it is a somewhat clumsy weapon. What it will be necessary before long to restrict is not the general consumption of the necessities and petty luxuries of life, but certain specific forms of expenditure, such as private investment and any expenditure that competes with re-armament for the products of, for example, the steel and engineering industries. Any increased taxation should therefore be carefully designed to secure this end. Increased taxation on motor vehicles or on company profits would be cases in point. In theory, a tax on "excess" (i.e. increased) profits would be ideal, and it is to be regretted that the practical defects of the first version of N.D.C. led to a shelving of its principle which, whether or not it was suitable to the circumstances of 1937, will be admirably applicable to those of 1940.

The third method of procedure is by direct control and rationing of those varieties of labour and raw materials which are in short supply. In its fullest form, this policy would involve a complete control over all purchases of capital equipment, whether or not the money was raised by an issue of capital. It would include a complete system of compulsory priorities for the use of certain raw materials (e.g. steel), for the output of certain varieties of factories (e.g. those of the motor industry) and for the employment of certain grades of skilled labour. This programme may be too much for a democracy to stomach in time of peace. But if we borrow and spend huge sums and yet refuse to control the economic consequences of their expenditure either directly by priorities or indirectly by selective taxation, we shall inevitably run into the dangers of inflation. The main contribution of the Nazis to economic experience has been their demonstration of the methods by which a position of latent and potential inflation can be prevented from upsetting the normal relationships of wages and prices. If, without the Nazis' weapon of compulsion, we cannot match the completeness of their achievement, we shall nevertheless do well to go as far in this direction as we can.

It goes almost without saying that any such system of control must be directed and co-ordinated at the centre. In short, it necessarily involves a Ministry of Supply. What was previously an objection to a Ministry of Supply—that it would interfere compulsorily with the normal course of business—has now become its chief *raison d'être*, for in the inflationary situation that can be anticipated before long, interference becomes essential to avoid the evils of uncontrolled price increases, which reach the same goal by a much more haphazard and inequitable route.

The Budget speech is traditionally a wide review of all the problems of national finance. Sir John Simon in ten days' time will be maintaining the tradition, and doing a service to the community, if he extends his survey to cover the broader issues of economic policy to be followed in the difficult days ahead of us. The British people, in the economic sphere as in the military, will not flinch if they are clearly told what is expected of them.

The German Air Force

The size, striking power and general quality of the German Air Force are the dominating facts in the present position of European diplomacy. Statements made about Germany's alleged superiority in the air played their part in forming opinion at the time of the Munich Agreement. Unfortunately, there is no subject on which, in the absence of ascertained fact, wilder misstatements are current. Since the export of information about the Air Force is, in Germany, a form of high treason, the disentangling of the probably true from the certainly false is a task of considerable difficulty. An attempt has been made here to present such estimates as seem reasonably securely based on fact.

THE treaty of Versailles imposed upon Germany a total prohibition of all forms of military aviation. This prohibition was never observed; indeed, it was unreasonable to expect that it would be. The German Government at all times owned a certain number of warplanes, sometimes as many as 300, some of them kept outside Germany, others disguised as newspaper planes or long-distance mail planes. A flight of camouflaged single-seater fighters, the so-called Reklame-Staffel, was the main item in the programme of many an "Air Sport Rally" long before Herr Hitler came to power. The German aircraft firms maintained factories in other countries, at which aircraft were built for the Government, and the results of Government-subsidised research were tested. This system produced many types famous in their day, such as the Junkers G 38, Ju 52 and W 33, the Dornier Wals and Superwals and the Heinkel He 70, which were all used as civil aircraft in Germany, but when built at the foreign plants were first-class military aircraft. Continuous study of patterns of training and tactics was also maintained in Germany, and it was for revealing some of the details of this secret aerial re-armament that Carl von Ossietzki, the Nobel prize-winner, was sentenced to imprisonment.

When General Goering took over the Air Ministry in 1933, Germany was by no means devoid of military aircraft nor ignorant of military aviation. The expansion of the Air Force began at once after the Nazi Revolution.

THE GERMAN AIRCRAFT INDUSTRY

The German aircraft industry consists of approximately 29 large and small firms, with about 51 factories altogether; in addition there are 17 plants making aero engines. Most of these are on the Baltic coast, around Berlin and in Central Germany. The old-established factories, especially those of Junkers, Dornier and Heinkel, have, of course, very greatly expanded since 1933. Junkers, for example, besides expanding the original plant at Dessau, has set up new factories in Breslau, Köthen, Leipzig, Magdeburg and Leopoldshall.

The industry is organised in such a way that the design and construction of prototypes (i.e. new models) is completely separated from mass production. Thus the two Heinkel plants at Rostock and Warnemünde are entirely concerned with prototypes, while the other plants of the firm, such as the huge factory at Oranienburg near Berlin, are confined to the assembly of parts, supplied by sub-contracting firms, which cover a wide range of industry, including, for example, some of the shipbuilding firms. This Oranienburg plant is said to have a weekly output of ten to twelve He 112 twin-engined bombers.

The number of workmen employed by the aircraft industry itself, excluding the sub-contracting firms, is at least 170,000 men and women (from a quarter to a third are women). The average working time of 52 hours a week is often extended to 58 or even 60 hours, and cases of even longer hours are not unknown. According to official figures, the average wages per hour for skilled workers are

78½ pfennigs (1s. 4d. at the official rate of exchange, 9d. at the old parity) an hour, while unskilled men receive about 62½ pfennigs and women's wages are much lower.

OUTPUT, STRENGTH AND TYPES

At the end of 1938 the German Air Force appears to have consisted of about 280 squadrons. The full strength of a squadron is nine machines, with three more planes on the station reserve. If all the squadrons were up to full strength, the total number of first-line fighting planes would be about 3,400. To these must be added about 500 planes of first-line quality employed by the police, about the same number of transport planes and a number (said to be 700) of single-seater aircraft for training fighter pilots. The total of fighting planes of first-line quality that could be mobilised in time of war would probably be from 5,500 to 6,000, in addition to the second-line and third-line reserves, which are numerous but of unknown fighting value. To these must now be added the spoils of Czecho-Slovakia: 76 squadrons of a first-line strength of about 750 machines. But these machines are, of course, of types quite different from the rest of the German air force.

By the usual methods of calculation, however, the front-line strength of the German Air Force appears to be about 4,200 planes, of which about 2,500 are bombers. This figure is confirmed by such statements as have been made as coming from the German authorities. Thus the *Essener Nationalzeitung*, which is closely connected with Field-Marshal Goering, the Air Minister, printed, with approval, on October 26, 1938, an Italian estimate that at the time of the Munich Conference Germany's first-line strength was 3,000 machines. The editor of an American aeronautical journal has reported that he was informed by the German authorities that the monthly output was 800 planes of all kinds, which would suffice to replace the whole first-line strength in four months. This would give a figure of 3,200 planes. The last precise British programme was for a first-line strength of 2,370 machines in the metropolitan force by March 31, 1939, and this programme has been achieved, and probably exceeded. The conclusion appears to be that some months ago Germany's air force was little more than half as large again as the British.

The figure of 800 machines a month is probably an exaggeration of the actual output, certainly in the last quarter of 1938, unless it is intended to refer to possible output. It seems probable that the actual output in the last few months of 1938 was no more than 500 machines a month, and that it may be 600 a month now. Here again the current ratio between Britain and Germany appears to be 2:3, as British production is believed at the beginning of this year to have been 400 machines a month. But the rate of increase is almost certainly greater in Great Britain than in Germany. In Czecho-Slovakia Germany has gained skilled workmen and well-equipped factories. But the factories will not be of direct use to the Reich until they have been reorganised for the production of German types.

Much larger figures than these have been published in many places, especially in Germany. But it is quite clearly advantageous to Germany's propaganda to have larger figures in circulation.

The two tables at the foot of page 125 attempt to make a comparison between the chief types of machine currently in production for the British and German Air Forces (the introductory note should be read). These tables omit both those types which, though still in service, are not being produced and also models which have not got beyond the prototype stage. The tendency in Germany is for fighters to get larger and bombers smaller, and for both to get faster. Thus two new fighter prototypes are the Messerschmitt Bf 110 with two engines of 1,300 h.p. each and a

maximum speed of over 350 m.p.h. and a new Heinkel whose calculated maximum speed, according to its designer, is to be 440 m.p.h. A specially prepared version of the latter has been flown at 463.8 m.p.h.—though only at 150 feet from the ground. But so far as the service speeds are concerned, the German fighters do not seem to be as fast as the British Spitfires and Hurricanes, with "well over" 362 and 335-340 m.p.h. respectively.

The German Air Force has more "dive-bombers" than any other Air Force. The R.A.F. has few machines specifically of this type, but the Air Ministry has specified that all fast single-engine bombers, such as the Fairey Battles, must be constructed in such a way as to stand the strain of dive bombing.

The chief difference of policy between the two countries appears to be in bombers. When Lieut.-General Udet took over the technical Directorate of the German Air Ministry the construction of four-engined long-distance heavy bombers was suspended, and twin-engined bombers of shorter range and carrying capacity but higher speed were substituted. The R.A.F. is still building long-range bombers, as is dictated by strategical considerations.

The performances of the German machines are undoubtedly good. There is no proof at all that the latest types are poorly finished or of inferior design, or that they have suffered significantly through any abandonment of high standards of construction. On the other hand, the use of substitute materials has dangers and disadvantages, which would increase in time of war. Unquestionably, however, the performance of the British machines, type for type, is superior to that of the German. The superiority is most marked in the fighters; but among the bombers, the Germans have no type to compare with the Blenheims.

There is no evidence to show that German designers have found it possible to concentrate on a smaller range of types than the British—rather the contrary. On the other hand, German production methods probably approach more closely than British to mass production.

ORGANISATION

The German Air Force is at present divided into four air fleets for purely offensive purposes: in Berlin for the East, in Brunswick for the North (i.e. Britain), in Munich for the South (i.e. France), and in Vienna for the South-East. There are in addition four independent commands: (1) at Königsberg, (2) and (3) the commands of the Army Co-operation and Naval Air Arm units, and (4) the command of the "Air Defence-Zone West" at Wiesbaden.

The smallest strategic unit is the *Staffel*, or squadron, of nine planes plus a station reserve of three. Three *Staffel*

form a *Gruppe*, and three *Gruppen* a *Geschwader*. The personnel of the German Air Force amounts to more than 150,000 officers and men. Volunteers for appointment as pilots have usually undergone preliminary training, either in gliding or in small motor craft, at one of the local branches of the *National-Sozialistische Flieger Korps*, which is said to have already issued 60,000 certificates. It does not, of course, follow that Germany has that number of pilots trained to war standard. On the contrary, the supply of pilots is reported to be one of the chief factors imposing limitations on the possible speed of expansion. Following Russian precedents, two parachute training centres have been opened at Stendal and Wiustock a. d. Dosse.

The German Air Force has about 900 aerodromes at its disposal, of which 180 are permanent military aerodromes. There are rather over 400 aerodromes and landing grounds in Great Britain.

RAW MATERIALS AND FUEL

Many efforts have been made in Germany to reduce the amount of imported raw material in aircraft. A light plane for training, the Arado Ar 79, has been built with only 16 per cent. of imported materials, and plastic materials are being increasingly used in fuselages and wing coverings. Great use is also made of aluminium, which would probably be available in adequate quantities in time of war. But the supply of raw materials would still be a very difficult problem for the German authorities in war-time.

Perhaps the weakest point in Germany's air armaments is the supply of fuel. According to the Four Year Plan, Germany's peace-time requirements of fuel of all kinds will be 6.3 million tons in 1940. Of this amount, only 1.2 million tons are being produced in Germany at present. Moreover, the wartime requirement has been assessed at as much as 15 or 20 million tons a year. The expansion of domestic production would be limited by the time required to construct the plant, by the difficulty of mining the enormous quantities of coal that would be required and the impossibility of providing workers. The daily consumption of a first-line air force of 6,000 planes (of which 50 per cent. are twin-engined bombers) with engines of an average output of 800 h.p. and an average consumption of 200 grams of fuel per h.p. per flying hour, and with an average flying time of two hours a day, will amount to over 3,000 tons a day or 1,000,000 tons a year. All these figures are extremely conservative, and make no allowance for training or transport or the manifold other requirements of an air force. Germany's Air Force alone would consume at least twice as much oil as is now being produced there.

TYPES OF AIRCRAFT IN CURRENT PRODUCTION, BRITAIN AND GERMANY

The performance of a fighter is judged by its armament, rate of climb, ceiling and speed; for a bomber, its bomb load, range and speed. For both types landing speed is also important, as determining whether the planes could be flown from war landing grounds. The following tables give such information as is available. The general remark must be made that the German tendency is to give maximum performances registered on special occasions; the British to give average performance under service conditions. THIS MUST BE BORNE IN MIND IN COMPARING THE TWO TABLES. This remark is particularly applicable to figures of speeds.

BRITISH TYPES

	No. & h.p. of engines	Climb, to ft. in min.	Ceiling, ft.	Maximum speed, m.p.h.
FIGHTERS:				
Hawker Hurricane (eight machine guns)	1 × 1,030	10,000 : 4:1	35,000	335-340
Supermarine Spitfire (eight machine guns)	1 × 1,030	...	...	over 350
BOMBER-FIGHTER:				
Blackburn Skua	1 × 895	...	...	...
BOMBERS:				
Fairey Battle	1 × 1,030	...	1,000	257
Bristol Blenheim	2 × 920	...	1,900	295
Vickers-Armstrong Wellington	2 × 900	...	...	...
Handley Page Hampden	2 × 900	...	...	...
Armstrong-Whitworth Whitley IV	2 × 900	...	...	...
Handley Page Harrow II	2 × 925	...	1,150	200
FLYING BOAT:				
Short Sunderland	4 × 1,000	...	...	210

GERMAN TYPES

	No. & h.p. of engines	Climb, to ft. in min.	Ceiling, ft.	Maximum speed, m.p.h.
FIGHTERS:				
Messerschmitt Bf.109 (3-4 machine guns)	1 × 950	3,280 : 1:75	...	310-320
Heinkel He 112 (4 machine guns + 6 bombs of 22 lbs.)	1 × 650	3,280 : 1:2	...	316-7
DIVE BOMBERS:				
Heinkel He 123	1 × 660	10 : 22	360	220
Blohm and Voss Ha 137	1 × 650	or 5 × 110	...	205
Junkers Ju 87 K	1 × 950	550-1,100	...	...
Heinkel He 118	1 × 1,070	20 : 22	650	261
BOMBERS:				
Heinkel He 170 K	1 × 910	6 × 110	1,428	279
Heinkel He 126	1 × 870	5 × 22	680	220
Heinkel He 124	2 × 870	1,980	2,610	270
Dornier Do 17	2 × 950	1,980	1,490	292
Heinkel He 111 K	2 × 950	1,660	935	261
Junkers Ju 86 K	2 × 760	1,875	780	226
FLYING BOATS & SEAPLANES:				
Dornier Do 18 E (Flying Bl.)	2 × 650	...	c3,000	160
Arado Ar 95	1 × 880	6 × 110	...	192

First Year of the Films Act

THE completion of the first year's operation of the Cinematograph Films Act, 1938, provides a suitable occasion for determining the effect of this measure in building a "bigger and better" production industry in this country. Such an examination is facilitated by the registrations of all new films published each week in the *Board of Trade Journal*, and by official and other authoritative statements made in Parliament and elsewhere, and by the experience of the trade itself. The number of "long" films registered by renters is shown in the following table:—

Year ending March 31	British	Foreign	Total
1935	190	477	667
1936	215	506	721
1937	225	521	746
1938	228	614	842
1939	103	535	638

With quite unimportant exceptions every film seen in any cinema must have been obtained from a licensed renter; hence the whole of the supply of films available to British exhibitors, and therefore to the public, is indicated by these figures. They show that the total of "long" films registered in the past year was 204 less than in the previous year, and less than in any recent year. Has there, in fact, been a decline, or do these figures conceal certain movements and changes in the character, quantity and time of registration of the films included in the above totals? The answers to both questions are very definitely in the affirmative, and as far as possible allowance for these changes must be made before a judgment on film supply can be formed. Practically all of them will be traceable to alterations in the law, and might have been foreseen, though not capable of precise calculation, before the beginning of the renters' quota year.

The most notable provision of the new Act was the introduction of a cost test for the British films which the renters of foreign films were compelled to acquire. Under the old Act the importation of 500 foreign films cast an obligation upon the importers to acquire about 120 British films at a possible cost of £700,000 to £800,000. The new Act reduced the number of British quota subjects to 88 in the first year, but the minimum cost of each of these—having regard to their average length—was £20,000, and the total cost more than £1,800,000. With such an increase in sight it was not unreasonable to expect a certain amount of "forestalment" by arranging for the importation, trade show and registration of every available film before the old Act expired. A similar tendency became noticeable again during March, 1939, in anticipation of the increase of renters' quota rate from 15 to 20 per cent., and the financial advantage to be gained from hastening the importation of foreign films as much as possible. The effect is visible in the number of trade shows of foreign pictures, which rose from an average of about 40 in the months of January and February to 105 in March. A reasonable estimate of these "forestalments" is that about 60 pictures have been affected in the two years, of which about 40 would normally (i.e. if the Act had not been changed) have been registered in 1938-39 instead of 1937-38, and about 20 in 1939-40 instead of 1938-39—that is, the "foreign" total would have been about 40 lower in 1937-38 and 20 higher in 1938-39.

Another change introduced by the new Act affecting the number of foreign films to be registered should also be noted. The so-called "special" film imported from Continental countries, and shown to specialised audiences in certain West End cinemas, and never in more than one house on any day, can now be exempted from quota obligation. This is a valuable concession, and has led to a large increase in the number of such films brought in during the

past year. Actually the number of foreign films so exempted in the past year was 34, which is probably 20 more than the number of similar films in the previous years. Taking both these influences into account, there appears to be no justification for the complaint of exhibitors and others in the trade that there has been any actual reduction in the supply of American films or indeed any check in the progressive increase of from 15 to 20 American subjects per annum. Pictures that would have been imported in April have been trade-shown in March.

Whatever reduction there has been in the past year must be due to the supply of British films. This conclusion is borne out by the figures at the head of this article. Only 103 British films were registered in 1938-39, compared with 228 in the previous year. It is true that the average value of each of these pictures was incomparably higher, and their intrinsic acceptability by both exhibitors and public very considerably greater. How far, however, does this improvement in quality make up for the devastating reduction in quantity?

A valuable pointer to an answer to this question is contained in the following analysis:—

NUMBER OF BRITISH FILMS REGISTERED IN 1938-39			
Exhibitors' quota only*		25	
Renters' and Exhibitors' quota:			
Single quota		47	
Double quota		21	
Treble quota		10	
		78	
		103	

* Films registered for exhibitors' quota only are (a) those which have cost less than the minimum necessary to qualify them for renters' quota; and (b) films made in the British Empire but not in a studio in the United Kingdom. These films, when shown in cinemas, count towards the exhibitors' quota but they cannot be counted as part of the renters' quota.

To qualify for renters' quota a picture must now prove to have cost not less than £3 a foot; if the cost is about £9 a foot the picture can be counted for "double" quota, and if it amounts to £15 a foot for "treble" quota. (Actually the cost test is applied to "labour costs" only, which are roughly estimated at about one-half the full cost.) The figures for the average lengths in each of these categories are not yet available, but it is known that during the first eight months the average for all British films registered was 6,800 ft., so that the minimum cost for each of the above categories of renters' quota films was roughly £21,000, £62,000 and £105,000, respectively. Making a reasonable allowance for the cost of exhibitors' quota films, a simple calculation shows that the *minimum* expenditure on the above films must have been about £3,500,000. In answer to a question, the President of the Board of Trade informed Parliament some days ago that the actual labour cost proved to his department in 1938-39 averaged £3 5s. per foot, which would bring the total cost for the year up to £4,500,000, or 30 per cent. higher than the minimum cost calculated above.

Two comments may be made on the foregoing estimate. The first is that the Preliminary Report of the Census of Production states that the cost of all films produced in British studios in 1937 was £5,700,000. If the method of costing was approximately the same in the two cases the value of the production in the past year shows a decline of more than 20 per cent. There is reason to believe that the system of costing instituted under the Act by the Board of Trade has the effect of making the labour cost more than one-half of the total cost by an amount not a present determinable; in that case the actual reduction in total cost must be appreciably greater than 20 per cent. This conclusion is corroborated by the evidence of unemployment among technicians, among whom—according to

a memorandum submitted by their recognised trade union to the Cinematograph Trades Council—an average of 8½ weeks' employment per member existed in the previous 39 weeks, and the actual membership had declined because a large number of technicians had left the industry.

Though the quantity of films produced has declined considerably, there has been an unmistakable improvement in quality. Some proof of this is provided by the increase in average cost from £25,000 to more than £55,000. Further and more convincing proof is provided by the enthusiastic reception accorded to many recent British productions not merely at home, but also throughout the Empire, in New York and—in several cases—throughout the United States. Subjects like "A Yank at Oxford," "Pygmalion," "The Citadel," "Sixty Glorious Years," "The Vessel of Wrath," "The Drum," "The Lady

Vanishes" have created a new attitude to British films. These successes are limited, however, to subjects of the treble-quota class, and there are regrettably no cases of pictures of lower grade—measured by cost—enjoying any similar reception and appreciation abroad. The evidence is far from convincing that a turn in the tide of fortune for British films has taken place. Successes are still few and failures too many. British pictures at least as good as three-fourths of those coming from America can obtain no release in that country. More than half the studio space in this country has been idle during the past twelve months. Less than one-half of the production capacity of the remaining stages has been utilised in that time. If it were not for the increase of quota rate to 20 per cent. there is reason to believe that the volume of production in the current year will show no increase, and might even diminish.

Topics of the Week

Albania Invaded.—Exactly one year after the Italian Government had promised not to modify the status quo in the Mediterranean, Italian troops took possession of Albania and so completed with a military flourish—for the vaunted efficiency of Good Friday's invasion came to little more than that—nineteen years of peaceful penetration. The operation was carried out at dawn on April 7th by a comparatively large number of troops assembled during the past fortnight at Bari and Brindisi; landings were made at Durazzo, Valona, Santi Quaranta, and San Giovanni di Medua, after ships of the Italian navy had shelled these open towns; and, at the same time, a fleet of four hundred warplanes flew over Albania and dropped propaganda leaflets warning the Albanians not to resist. Tirana was occupied early on Saturday morning, soon after which the Italian Foreign Minister Count Ciano (who is to be the Viceroy) arrived by air from Rome. By the same evening Italian troops were in command of all important centres, although the irregular but, by all accounts, determined opposition which they encountered in the coast towns was repeated at Scutari; after King Zog had got away to Greece, week-end reports still spoke of isolated bands which were holding out in the hills. By Monday, however, the invasion was complete, local nobilities were making homage to Mussolini and a provisional administrative council, which is to precede the establishment of a regular Government, was in course of formation. On Wednesday it was announced that the crown of Albania had passed to King Victor Emmanuel. This, it is explained, is not annexation by Italy. It is merely a personal union between the crowns of two independent States. This sophistry is presumably necessary to allow it to be argued that the status quo has not been altered. By a touch that must be delighting the wits of

Rome it is said that the relations between Italy and Albania will be the same as those between Great Britain and the Dominions.

* * *

Past and Present in Albania.—Not much more than a century ago it looked as though the Albanians might be the principal heirs of an expiring Ottoman Empire. As far afield as Syria and Egypt, not to speak of Greece, Albanian soldiers of fortune were carving "successor-States" out of derelict Ottoman provinces. But the Albanians in the Levant in the nineteenth century, like the Goths in the Roman Empire in the fifth century, swiftly suffered a complete reversal of fortune; and, by the time that the process of redistributing Turkey-in-Europe was completed in the Balkan wars of 1912-13, the Albanians' own homeland would have been partitioned between Serbia and Greece, if the strategic importance of this territory had not then moved Italy and Austria-Hungary to insist that at least a minimum Albanian national State should be established. The outcome of the war of 1914-18 left Italy to enjoy the fruits of this joint creation of an Albanian State; and, ever since then, Italy has been working to confirm her hold. Italian ambitions in Albania have, however, had to reckon with two obstacles: Yugoslavia's fear of being encircled and the Albanians' fear of losing their lately and precariously acquired national independence.

* * *

Motives.—Yet Italy's paramount interest dates from the Treaty of Tirana signed in 1920, the year of Albania's admission to the League under Italian auspices (the

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analogy is with Abyssinia); and it has continued without interruption since then, except for a brief period in 1924, when the man who later became King Zog marched into Albania with Yugoslav help and overthrew the Italian protégé, Bishop Fan Noli. By November, 1926, the Italian Government had contrived to get Zog into their pocket by a judicious use of hard cash; a five-year pact of friendship and mutual assistance was signed; and intensive economic penetration began forthwith under the control of the newly-formed Banca Nazionale d'Albania. Albania received loans for public works, and it was generally understood (and, outside Yugoslavia, with complacency) that Albania was henceforth to be regarded as an Italian dependency, and it is even believed that an attempt was made to force an Italian protectorate on Albania at that time. To forestall any counter-measures which the Yugoslav Government might think to take, there was signed



almost at once an Italo-Albanian military alliance which was to be valid for twenty years. Italian historians like to compare this alliance with that between the British and the Portuguese entered into at the beginning of the last century; one of the pretexts for last week's invasion was that Zog had lately showed himself averse to its terms; and whatever may be the truth of this, it is clear from their frequent risings against Zog—there have been three risings since 1935—that many Albanians have resented Italian penetration; while it is certain that Zog himself was by no means always the willing puppet. Another and more credible pretext was that Zog had misused the loans received from Italy; but, if this refers to funds for public purposes, it seems strange that the all-seeing eye of the Banca Nazionale d'Albania should have winked at such obvious peculation. At the same time, it is true that Italy has not received from Albania economic compensations in any way comparable to the money she has spent in loans, which, in 1936, were estimated at a sum equivalent to 280 million gold francs: but the primary purpose of those loans was, after all, political. More disappointing has been the mineral poverty of Albania, relieved only by the comparative success of the oil concessions at Valona, into which 180 million lire had been sunk by 1936 to supply, in the current year, about one-tenth of Italy's petroleum needs. But the real reason for Italy's action, as our map shows, was strategic.

Jugoslavia and Bulgaria.—The encirclement which Jugoslavia has feared throughout the post-war (or inter-war) period is to-day nearly complete. The armed forces of Italy now stand at Jugoslavia's gates along the Yugoslav-Albanian frontier, as well as in the Adriatic and along the Yugoslav-Italian frontier at the head of that sea. At the same time Germany, as well as Hungary, now marches with Jugoslavia on the landward side, and there are German and Magyar, as well as Bulgarian and

Albanian minorities on the Yugoslav side of the line. With the Adriatic now sealed by Italy, Jugoslavia's only remaining free lines of communication with possible friends and allies in the outer world run down the Vardar valley, where Jugoslavia marches with Greece, and across the Danube, where she marches with Roumania; and both of these vital corridors are perilously narrow. The Yugoslav passage to Roumania is hemmed in between Bulgaria and Hungary; the passage to Greece is hemmed in between Bulgaria and an Albania which henceforth, from the military standpoint, must count as part of Italy. Of these two threatened corridors, the Macedonian is the more important (though the way into Jugoslavia through Roumania might gain an importance which it does not possess at the moment if Russia were to intervene in South-Eastern Europe in order to counter the designs of the Rome-Berlin Axis). The Macedonian corridor gives Jugoslavia a line of communications with the Western Powers through the great Greek port of Salonica, on the open Aegean, whereas any communications between Jugoslavia and the West via Roumania would have to take the circuitous route through the Straits to the Roumanian Black Sea port of Constanza. The importance, to Jugoslavia, of the railway from Salonica via Nish to Belgrade gives the measure of the importance of Bulgaria in the new stage of the international crisis which the Italian seizure of Albania has opened; and the prevailing anxiety throughout Jugoslavia, extending also to the Croats, shows how well this people realises its danger and how little comfort they have drawn from Italian assurances during the week-end.

Jugoslav Macedonia—or at least the southern part of it, astride the Vardar valley railway between Skopje and the Greek frontier—is Bulgar in nationality, sentiment and aspiration; and although this Bulgarian part of Macedonia has been under Serbian occupation since the Balkan War of 1912 (with one interlude of Bulgarian occupation in 1915-18), neither the Macedonians themselves nor their compatriots in Bulgaria have ever renounced the hope of one day liberating and uniting the whole of the Bulgar national patrimony. During the twenty years of grace that they have enjoyed since the peace settlement, the Serbs have been even more intransigent towards the Macedonians than they have been towards the Croats. It would be small wonder if, to-day, Macedonian and Bulgarian hearts were to beat excitedly at the prospect of liberating Macedonia with the aid of the Rome-Berlin Axis. Already, the greater part of Bulgaria's foreign trade is transacted with Germany, while an Italian Queen is the consort of the Bulgarian sovereign. If Bulgar and Italian forces were to make contact on the Vardar, Bulgaria would realise her national aspirations, while Italy would have gained a Bulgarian satellite beyond the Adriatic, to match her Spanish satellite across the Western Mediterranean. Therewith, not only Jugoslavia but also Roumania would be encircled save for the single roundabout route via the Dardanelles and Bosphorus—while, even in the Black Sea, the maritime communications between Roumania and the West would be open to attack from the Bulgarian seaboard.

Greece's Anxieties.—The seizure of Albania has at once led to negotiations for a British guarantee to Greece and Turkey. But the immediate threat is to Jugoslavia. The Bulgar minority still remaining within the Greek and Turkish frontiers is to-day infinitesimally small, so that Bulgaria has not the same incentive for lending herself to any designs of the Rome-Berlin Axis against Turkey and Greece as she has for co-operating with the Axis against Jugoslavia. In the second place, Greece, as well as Turkey, can be more easily assisted than Jugoslavia can be by British sea-power in the Eastern Mediterranean. At the same time, neither Greece nor Turkey could watch, with indifference, the incorporation of Macedonia and Bulgaria, as well as Albania, into the Italo-German military-political-economic system; for, with the submergence of their two present Continental European allies, Jugoslavia and Roumania, Greece and Turkey might find their

own continental European frontiers impossible to defend—extending, as these frontiers do, in a long line in the immediate hinterland of the north coast of the Aegean and the European shores of the Straits. Both Greece and Turkey can do much to preserve the independence of Jugoslavia and Roumania, not only by themselves giving aid, but also by granting the Western Powers passage via Salonica and via the Straits. This would make it much more difficult for the Axis to overcome Jugoslavian and Roumanian resistance; and therefore Rome and Berlin will be as anxious to bully Athens and Angora into closing these two vital routes as London and Paris will be to induce them to keep these routes open. The immediate pressure upon Greece is likely to be the more severe, both because she immediately adjoins Albania and Italy and also because, if the Axis could compel Greece to place her coasts and islands at the disposal of Italo-German sea and air power, this would enable the Axis to close not only the route to Jugoslavia via Salonica but also the route to Roumania and Russia via the Straits, since the passage to the Straits from the Mediterranean via the Aegean could be barred effectively by Italy, if she were in command of Crete and the Cyclades as well as the Dodecanese. Next, therefore, to Jugoslavia, Greece would seem to be the most imminently threatened of the Balkan countries; and this Italian threat to Greece was in fact focused upon the Greek island of Corfu. A naval Power based on Corfu could harass, if not sever, the Italian communications with Albania across the Straits of Otranto; but, precisely in order to make Corfu innocuous to Italy, Italian diplomacy saw to it, in 1913, that the Græco-Albanian frontier on the continent should strike the coast half-way along the channel between Corfu and the mainland—thus exposing the ships of Greece's allies at Corfu to the gunfire of the Italian masters of Albania.

The Position of Turkey. At the moment, Turkey is not so immediately threatened as Jugoslavia, or even as Greece or Roumania; but, in making herself, as she is now doing, the head and front of collective resistance in the Balkans to the aggression of the Rome-Berlin Axis, Turkey is showing her awareness of the inexorable fact that, if her Balkan allies go down, her own turn will come for being the victim. The meeting at Istanbul between the Turkish and Roumanian Foreign Ministers was significant of the wider issues which now confront the Balkan Entente. Even before the fall of Roumania and Jugoslavia, Turkey might (as we have noticed already) be implicated in their fate owing to her control of the life-line that runs through the Straits to Constanza and, via Roumania, to Belgrade. But, if Roumania and Jugoslavia were to be submerged without Turkey's having been sucked into the maelstrom, this would not mean that Turkey could reckon upon being thenceforth out of danger. For, if once the Italo-German empire in South-Eastern Europe were to be extended as far as the European frontiers of Turkey in Thrace, then Turkey herself would be in mortal danger owing to her possession of three things that the Axis would then be more eager than ever to seize. These three coveted Turkish assets are the water-route through the Straits, which would then afford the sole remaining means of European communication (save, perhaps, via Murmansk) between the Western Powers and Russia; Turkey's own national domain, which could provide valuable raw materials for German factories and congenial homesteads for Italian colonists; and the overland route, via the now all but continuous line of railway from the Asiatic shore of the Bosphorus to the head of the Persian Gulf, which offers Germany a road into Asia which could not be cut by the British Navy.

Though Turkey is vigilantly on her guard to-day, she is as anxious for the preservation of peace as are the Western Powers. The Turks' first desire is to complete the reconstruction of their own national life by reorganising their country on Western lines and repopulating its great empty spaces. Though Turkey, like Russia, suffered vast

territorial losses in the war of 1914-18 (in contrast to Italy, who made considerable territorial gains), Turkey, to-day, like Russia (and unlike Italy), is numbered among the "haves" and not among the "have-nots." Every Turk knows that, in losing the former Balkan and Arab provinces of the Ottoman Empire, Turkey has been relieved of an incubus and has been set free to develop the Turkish people's own national patrimony. Every Turk also knows that the present Turkish national State, small though it may be by comparison with the old Ottoman Empire, is fully sufficient for the Turkish people's needs, while at the same time it is as much an object of covetousness as the old Ottoman Empire was to aggressive Powers round about. The Turks are aware that their natural friends and allies to-day are their former subjects in the Balkan and Arab countries and their late opponents the Western Powers and Russia. These are the determining factors in Turkey's present policy.

Government and Opposition.—Throughout the crisis the leaders of the Opposition have been kept closely in touch with events by the Government. It is right that when war is in the air and national resolution is imperatively needed there should be a truce to party strife; and Mr Greenwood, Sir Archibald Sinclair and Mr Attlee have played their part in Parliament and on public platforms with dignity and common sense. Last September they were bitterly opposed to the Prime Minister's policy of settlement by concession and it was their duty as chosen representatives of a large part of the people to say so. Events have not disproved their strictures of six months ago, and it is the Opposition's own alternative policy that Mr Chamberlain had twice before stated to the House of Commons before he rose on Thursday to announce the Government's steps in the light of the Albanian coup. This time the Government's lead is, in principle at least, one which Liberal and Labour leaders can follow in good conscience, and the spectacle of national solidarity, secured by agreement and by no other means, has been impressive. Yet it is not complete. It is not for any responsible politician, however anxious to render the aid that is the Government's due in difficult days, to surrender his duty to press for a policy that will be as effective in detail as it is desirable in general outline.

This week has seen doubts in Labour and Liberal circles; the Peace Front still has its gaps and starting holes; Russia is still outside; and, which has caused most concern of all, stories (officially denied as without basis) have been freely told of the Prime Minister's readiness to give Signor Mussolini yet another chance to demonstrate the worth of his personal promise. Let it be said at once that there is no tangible sign that the Government's determination to be firm in foreign policy, and to arrest aggression by undertaking unheard-of and

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unexampled commitments, is any less thorough than it has been stated to be. No Opposition spokesman, except perhaps Mr Gallacher and Mr Lloyd George, is disposed to translate his doubts into partisan accusations. But the fact remains that the National Government we have will only prove to be the National Government we need in proportion as its policy seems likely to succeed. The Government's policy is now the nation's policy. That is a great gain. But the Government still excludes the men who lately fell into party disrepute because they sponsored the very policy that is now in train, and the means to cement that policy by the fullest mobilisation of manpower and supplies are still lacking. It is time for Mr Eden and Mr Churchill to take their places in the councils of the State. It is time for a Ministry of Supply. It is time for compulsion to add speed to the widespread willingness to serve. If Mr Chamberlain can widen his advisers in proportion to the breadth of his new policy; and if he can forge forthwith the tools to make it succeed at home and abroad, then he will echo the voice of the nation, and the doubts, which democracy and patriotism alike still require of the Opposition's leaders, will disappear.

* * *

"Under Our Present System."—A new and belated campaign for the recruitment of a quarter of a million men for the Territorial Army is now in full swing. Information bureaux have been set up. Posters, pamphlets and publicity devices of all kinds have been pressed into service. Some 38 public relations officers are to work in co-operation with T.A. associations to tell citizens of the nation's need and their own duty. Each city and county association is to receive a grant of £500 from the Government to further the campaign. The price of security and strength in terms of man-power will at last be brought from the half-light of insular inhibitions into the full light of the dangerous days we live in. The response from the nation's young men has already been eager and impressive. It must continue and grow from hour to hour. Yet success is far from certain, because the conditions for creating the trained army we must have are still withheld. Foremost in the picture there is the Schedule of Reserved Occupations: of the 6·7 million covered by the schedule nearly half are under 45 years of age, and for them the recruiting office is forbidden. It is true that the schedule is only provisional, but the only revision so far made actually added 30,000 more to the sheltered ranks. It is doubtful whether voluntary recruitment could in any case bring in the numbers needed in the desired time. It is certain that it cannot with the obstacle of a list of reserved occupations, only too obviously drawn up on the outworn and dangerous principle of "business as usual," in the way. The schedule does not stand alone: it is the same reluctance to accord military requirements the priority that the pressure of events has already bestowed upon them that will not permit the interference with civil industry that a Ministry of Supply would mean. Yet, without such an organisation, the rapid equipment of the Field Force that is now being built up, even if the men themselves could be garnered, would be next to impossible. Mr Hore-Belisha has said, and from him it is no new view, that we are doing all that we can "under our present system." We may indeed be doing that; but the proper comment is that it is not enough. If we do not envisage using at once the means that we would quite certainly use the moment war broke out, then the Field Force of 340,000 men, trained and fully equipped, will remain a mirage, and the nation will wear out its great willingness to serve in fruitless effort.

* * *

National Defence.—It would be unfair and disloyal to concentrate in these days of crisis upon the gaps which still remain in the Government's defence policy. It is quite certain that the country is immeasurably more prepared to repel attack than it was six months ago; and it is well known, too, that below the surface of departmental activity there have already been devised and organised the Ministries upon whom would fall the

burden of national defence if the worst befell. One sign of the skeleton which exists already of war-time administration was last week's appointment of Mr W. S. Morrison to be head of the Food Defence Plans Department; and of the advance lately made in civil defence, last week's debate on the second reading of the Civil Defence Bill gave notable proof. We know now that the distribution of the 400,000 steel shelters that are to be free to poor people is practically completed, and we have it on Sir John Anderson's own authority that the next step in his shelter policy, which is to strengthen the basements of certain types of houses by means of corrugated steel plates and steel props, is ready to be taken. The Lord Privy Seal's office has also made it clear that the street shelters without which the nation's work might be brought to a perilous standstill by air raids are to be speedily begun. So too are the communal shelters for the inhabitants of dwellings where neither family steel shelters nor basement strengthening are feasible. Only on the most debated and most expensive kind of shelter, the deep bomb-proof kind, is there still no official fiat. If the Government's shelter policy is examined in the light of the notably informative first bulletin of the Air Raid Defence League,* it is now well contrived to prevent that dislocation of war effort which, rather than actual casualties, is the aim of air raiders. Its weaknesses are three. The first is that too much of the programme is still only on paper; the greater part of the urban population still has no shelter, and there are no street refuges. The second is that opinion is still too divided about the efficacy of basement strengthening for it to be made a vital part of civil defence. And the third is the delay in reaching the inevitable decision that, in specially vulnerable target areas, there must be some deep bomb-proof shelters, if only to permit workers in vital jobs to rest and recuperate. In general, however, the Government's unwillingness to put out a shelter policy so comprehensive that it would involve the whole working population in downing tools and pens in the event of raids is the merest strategic wisdom. The nation's business must go on, not as usual but as war demands, and defence policy must give priority to this need. This is why the evacuation of all who are not needed in dangerous places is so essential, and why the Minister of Health's statement in last week's debate on the progress of evacuation and billeting plans, like the London County Council's published arrangements for dispersing nearly a million and a-half children, teachers, mothers and blind persons over an area from Land's End to the Wash, was so welcome.

* * *

Towards Agreement in Palestine.—The Italian assault on Albania has evoked immediate resentment and alarm throughout the Islamic world, from Morocco to Bengal; and this alarm, which is felt in particular by the Palestinian, Syrian and Moroccan Arabs, is significant of a timely realisation that it is the Axis Powers and not the democracies which threaten Arab liberty and well-being. The continuance in Cairo of the Palestine talks has been assisted a good deal by the energetic co-operation with the British Government of the Egyptian and Iraqi Governments, neither of which has anything to gain by furthering a situation which immobilises in Palestine British troops that might be employed in defending Egypt; and it seems likely that the international situation will help rather than hinder an Arab-Jewish settlement. Wednesday's meeting in Cairo of delegates from the Arab States and from Palestine considered new British proposals transmitted through the Egyptian Ambassador in London, and sent back counter-proposals to the British Government. It is, of course, no longer a question of ideally open negotiation such as was the case at the initiation of the London talks: the British Government has more or less categorically stated the solution which will be imposed failing agreement, and the limits within which further negotiation is possible. It is against this

* "The Shelter Problem." Air Raid Defence League. Bulletin No. 1. March 1939. 10 Great College Street, London, S.W. 1. 6d.

background that Jews and Arabs, through contacts between Dr Weizmann and the Egyptian Prime Minister, are now facing each other. Given the British Government's determination to impose a cantonal solution, the vital point of discussion has become the length of the period of transition from the present state of things to co-operative self-government. It is reported from Cairo that the latest suggestions from the Colonial Office aim at a transition period of ten years: but once this key point has been settled there arises a host of questions dealing with the distribution of administrative powers and responsibilities, and with the provision of minority safeguards. The immediate steps must be for the British Government to reach agreement with the Arab States on a solution which will be as little unjust to the Jews as possible: and the delegates of the Arab States must then be got to persuade their Palestine fellows into a spirit of co-operation. If that procedure is followed the minor difficulties which will then be encountered within the agreed solution need not cause serious anxiety. Above all, it is to be hoped that the Palestine Arabs, who up to now have shown themselves to be both impatient and unyielding and have thereby done themselves little good, will in the meantime learn the wisdom of toleration.

* * *

Industry's Own Courts.—The statutory grant of powers of self-government to representative bodies in various industries and groups of producers in recent years has involved the setting up of what are virtually courts lect. Marketing boards and similar organisations are given semi-legislative powers with which must go the authority to enforce the rules they make; through their domestic tribunals they try offenders and punish them by fines. Nine months ago, when the Sea Fish Industry Act was going through the Commons, involving as it did the feudalisation by the State of yet another corner of private enterprise, some general criticisms were voiced of the way in which the power to penalise individuals was in fact used by some of these new baronial courts. A committee was set up by the Treasury to examine the problem as it arose in the operation of schemes under the Agricultural Marketing Acts, the Coal Mines Act and the Herring Industry Act, and their report has now been published. Rightly, they regard the power of fine and punishment as a necessary adjunct of the new mode of industrial government—as necessary in fact as the similar powers enjoyed by established industrial and professional associations: rules and regulations without sanctions are useless. With equal wisdom, however, the Committee emphasise the need for strict safeguards in a system of semi-judicial character where the tribunal simultaneously occupies the rôles of prosecutor, jury and judge. Each scheme's disciplinary committee should have an independent chairman with legal qualifications; the existing right of appeal to an arbitrator should be supplemented by a right of appeal to the High Court on questions of law; meetings should where possible be frequently held in the provinces so as not to penalise provincial members; and—a most important and vital point—it should always be clear beyond a peradventure that the rules enforced by fine reflect the wishes of the majority in the industry. The freer past has gone for good, but it is well that publicity should be given to the great judicial as well as legislative powers which the New Feudalism confers upon private people.

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Teachers and Education.—Teachers always meet in conference at Easter and they always talk about the same things. This year, as usual, the National Union of Teachers registered a plea for equality of pay between the sexes and between teachers in different grades of school, a claim which has only strong reasons of expense to confute it. The National Association of Schoolmasters, for their part, recorded their usual vote against equal pay for men and women, and, with the conventional jibes against feminism, went on to argue that only the instruction of all boys by

men teachers could produce a virile democracy. So far the debates ran on familiar lines. But, as befits the guardians of the nation's youth, both trade unions had more important points to make. The English educational tradition is lopsided, and it has always relegated physical training and technical instruction to a subordinate and inferior position. The nation has suffered, and is suffering, economically, socially and, be it said, militarily, from this attitude which is, at bottom, snobbery. Both conferences show an aliveness to this lack; the N.U.T. welcomed the proposals of the Spens Report to balance grammar, modern and technical education on an absolute parity at the post-primary stage; the N.A.S. called for "a workshop in every school." The plea of Mr Kenneth Lindsay for physical training for the three million boys and girls between 14 and 18 years of age who are now getting none was warmly welcomed. To-day's teachers were brought up in the academic tradition, but it has not clouded their vision of the unbounded limits of true education.

* * *

An Official Centenary.—None of the teachers at the Easter conferences seems to have realised, with that humility which becomes the servants of a Government department, that one hundred years to a day before Bank Holiday Monday the first foundations of the Board of Education were laid in the shape of the Education Committee of the Privy Council. Six years before, in 1833, the first Government grant to educational effort was given. On April 10, 1839, the Education Committee was set up to supervise the private beneficiaries of these public funds. The great majority of the children of poorer classes were then without any better opportunity of getting educated than they could derive from their probably illiterate parents and their almost inevitably illiterate playmates in the streets and factories. Half the men and women of the country could not write their own names, much less read a newspaper or book. The first efforts to improve this state of affairs had been made by a handful of reformers at the beginning of the nineteenth century. The Sunday School movement of the later eighteenth century, like the Charity School movement which had preceded it, had failed to make any appreciable contribution to the task. The Dissenters took up the work of Joseph Lancaster (in 1814), and the Anglican Church began (in 1811) the National Schools with which the name of Dr Andrew Bell will always be closely associated. They collected funds, built schools and trained teachers. The funds were never more than a fraction of what the situation demanded; the accommodation was such that to-day the schools would nearly all figure on the black list; and, despite the fact that no teacher had a training which lasted as long as six months, the number of teachers turned out by both societies after more than twenty years' effort would hardly suffice for one year's recruitment of our schools to-day. It was these pioneer societies that the Government grants and the Education Committee were to aid. The early years of the Committee were arduous and embittered by dissensions between religious denominations. Above all, the Committee's work was hampered by inadequate financial support. After ten years' work its budget was the pathetic sum of £125,000. Nothing but the genius and devotion of its first secretary, Sir James Kay-Shuttleworth, enabled the Committee to lay the foundations of better things. The religious difficulty remained and financial resources grew but slowly. Not until 1870 was an adequate supply of elementary schools assured by Forster's Education Act, by which the State was to fill the gaps in the private system. Compulsion to attend them followed, and with it began the movement to abolish fees. In 1902 State education, elementary and secondary, was codified, under the administration of the new counties and county districts only lately set up, and under the direction of the three-year-old Board of Education. The Privy Council's pioneer Committee, replaced by the Board, had done its job; and it is perhaps a little startling that the only mention of its successor by the conferring teachers on its centenary date was the demand by the N.A.S. that the Board should be abolished, to "take education out of politics."

The World Overseas

Roumania and Germany

(From a Roumanian Correspondent)

SINCE the trade agreement between Roumania and Germany was signed last month, public opinion has tended to exaggerate the political consequences for Roumania, in the same way that it exaggerated the political influence of France up to the downfall of M. Titulescu some three years ago. Actually, Roumania ignored hints from the Quai d'Orsay regarding her policy towards Russia and always sought to improve her relations with Italy notwithstanding Italo-French controversies. Nor has she now become Germany's vassal merely through signing this additional agreement. The value of reassuring official declarations may be minimised; the sincerity of semi-official intimations to the effect that similar agreements could usefully strengthen the economic ties between Roumania and France or England may be doubted; nevertheless, it should not be forgotten that in some cases the real intentions of signatories to a pact are not always disclosed by the wording of their commitments, and before final judgment is passed on the clauses of the agreement, it would be as well to wait to see how they are interpreted when applied.

In the economic sphere Roumania's policy in the last twenty years has been influenced by the vigorous struggle to recover her national prestige which she began soon after the Great War. At home this took the form of disregarding the interests of foreign capital, nationalising the subsoil and supplanting the minorities, including the Jews, in all occupations. In economic or financial negotiations with other States, it meant persuading foreign capital or foreign technical skill to help in promoting Roumania's economic expansion without offering them a controlling, or even a leading, part in the companies created.

So far as Germany is concerned, it has never been contested that the economic structures of the two countries are, to a very high degree, complementary. For some years past Germany has made serious efforts to exploit to the full the possibilities of barter with Roumania. Not only has she constantly increased her regular purchases of farm products; for at least five years she has also tried to adapt Roumania's agricultural production to her own needs by encouraging the growing of soya beans, flax and hemp. Roumania, on the other hand, has an especial need of the German market, because her farm products are of widely differing standards, and large quantities of them are not marketable in the western countries, where better qualities are required. To a certain extent, therefore, the new agreement with Germany is no more than an intensification of tendencies which have been apparent for many years.

What is entirely unprecedented is that Germany will give technical and financial help towards a wholesale reorganisation of farming in general, metal-mining and crude oil production. Accordingly, the economic collaboration between the two countries would begin on Germany's side with systematic prospecting of the Roumanian subsoil, the drilling of testing-wells in prospective oilfields, the equipment of the newly-opened mines and the building of roads and railways in mountainous districts; whereas Roumania would sell, to begin with, increased quantities of petroleum (her only sacrifice) and farm products, thereby abolishing her normal export difficulties. Thus, at first sight, the agreement, like all other agreements made with Roumania since the war, would appear lopsided from its very start. If Germany is to obtain the substantial advantages she expects from it, she will have to interfere constantly in purely internal problems of Roumania, or else see her plans for her exploitation of the country defeated by administrative difficulties.

This is where Germany will leave the economic sphere for the political. Roumania will only be able to supply the Reich with the maximum of foodstuffs and raw materials if drastic changes are made in her economic system. But, however desirable it may be, from her own standpoint as well as Germany's, to increase the efficiency of labour, improve farming methods, cut down the incredibly high number of religious and official holidays and rationalise the roads and railways, Roumania would never tolerate such a reorganisa-

tion if it involved open interference by Germany in Roumanian internal affairs.

Germany, however, need not take such a risky course. She could make her influence felt just as well through using a powerful weapon which has been at hand for some time, but which has never yet been fully tested—the Iron Guard. Its actual strength is unknown; but it may be recalled that in December, 1937, when the last general elections in Roumania were held, it had about 14 per cent. of all votes cast. Moreover, the temperament and age of its followers give it an influence out of all proportion to its numerical importance. At present, most of the leaders are either permanently or temporarily silenced; but extremely severe police measures are necessary, and the present Government can only hope that their subjugation of the Iron Guard will last long enough for them to drain its strength away by tempting the new generation into their own camp. Two factors are necessary for King Carol's and M. Calinescu's success: freedom for a time from the exigencies of international politics, and the ability to persuade the masses that their regime will carry out the two promises of the Iron Guard—the extermination of the Jews and an energetic fight against corruption. M. Calinescu, however, is not an anti-Semite in the German sense, and was even compelled last autumn to damp down the anti-Semitic movement lest his country be accused of abandoning its policy of equilibrium between the Axis and the Entente powers. His energetic actions to secure better administration, honesty in high offices and a new spirit of self-sacrificing patriotism go straight to the root of the problem; but, so far, their practical results are falling short of what would be needed to convince his opponents. Nor does his Government even enjoy the full confidence of the many who do not endorse the political views of the Iron Guard. Doubts are felt about whether he will be able to achieve his aim; for he has had to saddle his Government with encumbrances from previous regimes—leading politicians of the "old school" and their prominent industrialist friends. He has, too, to maintain relations with the "camarilla," which, although less conspicuous than a few years ago, is still very unpopular.

Germany, therefore, has plenty of opportunity for stirring up trouble, if she finds the Roumanian Government unwilling to interpret the trade agreement as she wishes. Roumania may not have accepted the Reich's suzerainty in signing it; but if she tries, as she has tried in other agreements, to work it to her exclusive advantage, she will find her independence threatened by intensified political intrigues fostered from without. However much controversy may rage over the increase to Germany's war potential, this much at least is certain: the present political situation in Roumania is ripe for exploitation, and Germany can be relied upon to make every effort to turn it to her own ends.

Calm and Political Stability in France

[FROM OUR PARIS CORRESPONDENT]

THE far-reaching measures for the security of the country decided upon at the Cabinet's last meeting were taken so discreetly that the French public has remained quite calm. Their nature was, however, sufficiently well known in informed circles for Frenchmen and foreigners to be now fully aware that France is prepared for any surprise manoeuvre whatsoever. The Stock Exchange has been clearly troubled this week by the rising international tension; but selling orders have been easily absorbed by a market, which on the whole, remains very inactive. The country is ready, and simply awaits the next move.

The country's calm expectancy is in no small measure

due to last week's Presidential election, as well as to M. Daladier's cool and confident policy. For the second time in the 70 years of the French Republic's history (the first was President Grévy whose second tenure of office lasted only two months) the retiring President was re-elected. This manifestation of continuity was impressive and important. The first decision of M. Lebrun will be to maintain M. Daladier as Prime Minister, which he has now been for a year—as well as Minister of War, which he was made three years ago by M. Blum. This example of continuity is almost without parallel in the history of the Republic and contrasts markedly with the justly criticised Ministerial instability of past years.

The sense of political stability is not without its financial and economic effects. The franc has been stable in relation to the pound for nearly a year. The rediscount rate of the Bank of France stays steady in a way which is in notable contrast to its thirteen changes in the twelve months of 1936. Public funds, after their speculative rise at the end of 1938, did, indeed, fall back in recent weeks in face of external fears, but even they are now recovering.

	Apr. 19, 1938	Sep. 28, 1938	Dec. 30, 1938	Apr. 4, 1939
4½% 1932 "A"	77.65	75.00	91.95	88.50
4½% 1937	110.80	124.25	157.35	155.75
4% 1917	73.00	67.20	90.25	84.55
Treasury debentures				
4½% 1933	820.00	738.00	1,016.00	1,000.00
300 French shares (index 100 = 1913)	214.00	195.00	244.00	228.00
A typical industrial debenture 4½% 1930	597.00	575.00	811.00	819.00

The Stock Exchange itself, though worried this week, now shows better resistance to alarming rumours and ideological campaigns. Finally, wholesale prices, too, in spite of an increased monetary circulation and an increased burden of taxes, show an encouraging stability. In politics, in finance, in economics, as well as in the social domain, continuity and stability prevail. After the domestic battles of 1936 and 1937, this is the country's great strength in face of the hard tasks which the foreign menace has thrust upon it.

Compared with a year ago, the French internal situation is incomparably better. Compared with what it might be, however, it is not adequate. Investment has still to be revived. Monetary and Treasury difficulties have still to be ended. If the totalitarian danger is to be firmly faced these things will be needed. But, so far so good. There are no grounds for pessimism. Capital returns. The money market is well supplied. The Treasury is well supplied, too, even though its last long-term issue was nine months ago. Rising war orders are now regularly paid for, and satisfactory activity in the heavy industries is being maintained.

Economically, however, there are less satisfactory features. The first quarter of the year did not confirm the hopes aroused in the last months of 1938 of revival in the consumption trades. Fears of new international complications are undoubtedly responsible for this. So, too, are the burden of taxation and the high cost of living. The income of the saving public has been deeply affected by two years of monetary depreciation. Wages, although much higher than they were, are badly adjusted to the cost of living—particularly after a hard winter which has shortened the supply of vegetables and other foods. And the beneficial effects of longer hours of labour and a lower rate of interest are counterbalanced by the increased burden of taxes.

The French economy is now in a transitory period, in a space between the monetary disorders of yesterday and the war dangers of to-morrow. The structure of French industry, the country's deficiency of population, the temperament of French people, their maintenance of a semi-liberal system in contrast to the totalitarian States: these are the realities of modern France and they have made economic recovery by brutal authoritarian means impossible. But recovery is in train. The new atmosphere of stability which now prevails and the progress in the production already achieved prove that.

Foreign Trade

Foreign trade in March showed a general contraction in both value and tonnage:—

	March, 1938	Feb., 1939	Mar., 1939
	(000,000 francs omitted)		
Imports—			
Foodstuffs	891	1,217	1,030
Raw materials	2,081	2,596	2,276
Manufactured goods	552	705	685
Totals	3,526	4,518	3,992

Exports—			
Foodstuffs	294	403	404
Raw materials	687	1,012	884
Manufactured goods	1,245	1,620	1,591
Totals	2,226	3,035	2,880
Deficit	1,299	1,483	1,111

Figures for the first quarter show a distinct improvement in value, however, but not so much in volume, over the first quarter of last year.

	1938	1939
Value (000,000 francs omitted)—		
Imports	11,698	12,488
Exports	6,975	8,736
Deficit	4,723	3,552

Volume (metric tons)—		
Imports	12,652,571	10,455,225
Exports	7,198,782	6,434,868

The share of the French colonies in total French trade is still increasing. Exports to the colonies in the first quarter of this year were valued at 2,496 million francs and amounted to 688,466 tons, against 1,848 million francs and 509,314 tons in the first quarter of 1938.

Foreign trade during these three months, if compared with 1938, shows that the volume fell while the value rose. This is probably due to the decline of the franc (which stood at 150 frs. to the £ at the beginning of 1938, compared with 177 now), which led first to an increase in imports and then to a limitation of imports and higher export values.

The *Statistique Générale de la France* has just published its monthly statistics:—

	Feb., 1938	Dec., 1938	Jan., 1939	Feb., 1939
Production (1928 = 100)				
General Index	85	86	88	89*
I. Mines	92	96	94	95
II. Chemical industries	102	103	103	105
III. Paper	163	173	172	175
IV. Textiles	82	87	92	95
V. Leather	69	74	75	76
VI. Iron and steel	79	74	76	81
VII. Engineering	86	81	83	85
VIII. Automobile	89	106	109	110
IX. Building	58	63	65	67
X. Gas and electricity	132	126	...	...
XI. Miscellaneous	104	107	105	107

* Provisional.

No Substantial Signs of Recovery

[FROM OUR NEW YORK CORRESPONDENT]

THERE is still no statistical evidence of the upturn in business. As was generally surmised such changes as there were in the index of production between January and February were principally due to the seasonal adjustment. The importance of this statistical device is illustrated over the past year by the following table:—

	Adjusted	Unadjusted
January, 1938	80	79
February, 1938	79	79
March, 1938	79	80
April, 1938	77	78
May, 1938	76	77
June, 1938	77	77
July, 1938	83	81
August, 1938	88	87
September, 1938	91	91
October, 1938	96	97
November, 1938	103	104
December, 1938	104	98
January, 1939	101	99
February, 1939*	98	99

* Preliminary.

In this production index the autumn rise was largely assignable to an increase in the manufacture of durable goods, in which the previous depression was most severe.

INDICES (UNADJUSTED)

	Durable Mfgs.	Non-durable Mfgs.	Mineral Production
January, 1938.....	53	94	103
February, 1938	54	95	98
March, 1938	57	94	95
April, 1938	58	91	91
May, 1938	56	93	90
June, 1938.....	53	94	91
July, 1938.....	58	97	92
August, 1938	63	104	97
September, 1938.....	66	109	102
October, 1938	80	109	106
November, 1938	92	113	105
December, 1938	86	108	103
January, 1939.....	84	111	105
February, 1939	83	111	104

The rise in durable goods actually reflects in the main an increase in iron and steel production, and in the output of motor cars.

INDEX OF PRODUCTION (UNADJUSTED)

	Iron and Steel	Automobiles
January, 1938.....	50	65
February, 1938	53	62
March, 1938	55	63
April, 1938	55	66
May, 1938	51	59
June, 1938.....	46	52
July, 1938.....	58	45
August, 1938.....	69	26
September, 1938.....	75	26
October, 1938	88	63
November, 1938	101	115
December, 1938.....	89	117
January, 1939.....	90	105
February, 1939	91	98

Not only were the steel and motor industries the centre of the autumn upturn, but they have both experienced substantial recessions from November.

The building industry is, during the winter, definitely affected by seasonal considerations, so the following table is on the seasonally adjusted basis. And construction follows contracts more closely in residential building than in non-residential building. The great spurt in non-residential contracts near the year end is entirely or almost entirely a reflection of the spending programme; but of the contracts let, only a part have yet been translated into actual operations.

BUILDING INDEX (ADJUSTED)

	Residential	Non-Residential
January, 1938.....	26	73
February, 1938	32	66
March, 1938	33	56
April, 1938.....	37	65
May, 1938	37	62
June, 1938.....	42	64
July, 1938.....	49	68
August, 1938	53	77
September, 1938.....	56	96
October, 1938	57	102
November, 1938	56	128
December, 1938	57	128
January, 1939.....	55	111
February, 1939	55	85

It is against this background that the absence of any substantial change between January and February may be regarded.

BUSINESS INDICES (1923-25=100; ADJUSTED FOR SEASONAL)

	Feb., 1938	Jan., 1939	Feb., 1939
Industrial production, total.....	79	101	98
Manufactures, total	75	100	97
Durable	54	88	83
Non-durable	94	110	109
Minerals	103	110	109
Construction contracts, total	51	86	71
Residential	32	55	55
All other	66	111	85
Factory employment, total	88.9	91.7	91.3
Durable goods	81.0	83.6	83.4
Non-durable goods	96.4	99.4	98.8
Factory payrolls, total	76.9	83.2	85.3
Durable goods	67.2	76.4	78.3
Non-durable goods	87.8	90.9	93.1
Freight car loadings	62	69	67
Miscellaneous	69	76	75
Department store sales	88	88	87
Department store stocks	70	67	68

One can divide this index into groups; one group composed of series that show a pronounced rise compared with a year ago; another of series that show almost no change from a year ago. For example, the index of durable goods manufactures is up more than 50 per cent.; of non-durable goods,

almost 20 per cent.; residential building is almost double; freight car loadings and factory payrolls show smaller increases; and employment, department store sales and department store stocks almost no change.

It must be remembered that indices like an index of production are essentially symbolic rather than photographic. It is presumed that the selected components of the index are representative of the omitted elements of the economy. Yet, when one finds that the Federal Reserve Board's production index is about 25 per cent. above last year, that *The New York Times* index of business activity is up only half as much, and that the banking figures for debits to individual accounts (which, except for erratic fluctuations, have long been highly esteemed for their representative character) by an even smaller margin, one can recognise that business generally is better than it was a year ago, without being very confident of the statistical amplitude of that betterment.

The first quarter of 1939 is completed. The average production of the quarter was approximately that of the first quarter of 1938. The fact that March passed without producing any indication clearly pointing to an extension of the recovery movement has been extremely disappointing. At the end of March, 1939, the share market average stood no higher than in January, 1938, although the index of production was 20-25 per cent. higher, and the level of corporate earnings irregularly better.

Government Employees to Pay

The Supreme Court, by affirming the right of New York State to collect a State income tax from an employee of a Federal agency, has apparently cut a Gordian knot which every recent administration (possibly every administration since the Federal income tax was imposed) has sought in vain to unravel. It would appear that, under this decision, some 2,500,000 local government employees become liable for Federal income tax, while about 1,100,000 Federal employees become liable to State income taxes. Of course, not all come within the tax paying brackets, for the individual and family exemptions are rather liberal; and few public salaries extend to what are known as the "higher brackets."

Some 33 States impose taxes. The amount of resources which will accrue either to State or Federal revenue is not large, but the principle is rather important. It is inferred that analogous reasoning would apply to the now tax-exempt local government obligations of which somewhat under \$20,000 millions are outstanding. The decision of the Court requires legislation; for, under it, the liability of officials extends back retroactively to the beginning of the income tax to which they are now liable and to which, by decision, they have always been liable, unwittingly. To students of American constitutional law the reasoning of the justices in this case has the highest historical significance.

German Retail Trade Trends

[FROM OUR BERLIN CORRESPONDENT]

THERE is no question about the scarcity of certain commodities in German shops. Nor is there any doubt that in the case of other commodities there has been a clear deterioration in quality and an extensive introduction of substitutes. Nevertheless, it would be incorrect to read too much into these undisputed facts. Last year the total turnover of Germany's retail traders reached its highest level since the war, being valued at Rm. 34,000 millions, due in part to the high prices ruling, but very largely, too, to the large volume of business done.

Actually, the most interesting fact about retail trade in recent years has been that, while specialised shops of all kinds have shared fully in the increase in turnover, department stores have lagged behind. It is true that in 1938 the turnover of department stores increased by just 10 per cent., against 8.8 per cent. and nearly 9 per cent., respectively, in 1937 and 1936. It is true, too, that, compared with 1933, department stores' turnover was higher by 29 per cent. Compared with 1929, however, it was lower by 29½ per cent.

An analysis of last year's figures shows that the department stores which sold food increased their turnover by 11.3 per cent. over 1937, while those that did not sell food only increased theirs by 7.7 per cent. There is a very obvious explanation for this. Department stores often sell their food-stuffs at prices below the maximum, while the specialised food shops maintain the maximum, even though the quality

of the goods they are selling may be worse. Thus people tend to buy more food from the department stores.

The following figures indicate the proportion of the total turnover of department stores taken by different groups of commodities:—

	Percentages of Total Department Store Trade				
	1931	1933	1935	1937	1938
All Department Stores—					
Foodstuffs	13.4	13.2	10.7	9.3	9.1
Textiles	58.1	58.9	61.1	60.7	60.4
Household goods	14.5	14.5	15.8	17.5	17.5
Miscellaneous	14.0	13.4	12.4	12.5	13.0
Department Stores with Food Sections :					
Foodstuffs	20.5	20.9	17.4	14.6	14.1
Textiles	46.7	46.9	48.9	49.4	49.5
Household goods	17.7	17.8	18.7	20.3	20.1
Miscellaneous	15.1	14.4	15.0	15.7	16.3
Department Stores without Food Sections :					
Textiles	79.9	79.5	80.7	80.2	80.3
Household goods	8.3	8.9	11.2	12.8	12.7
Miscellaneous	11.8	11.6	8.1	7.0	7.0

Among the commodities of which there is a definite shortage in the shops, coffee and eggs are perhaps conspicuous. Although Rm. 1.6 millions' worth more coffee was bought from Brazil in February than in preceding months, a marked shortage of coffee still exists. The greater part of the imports was used to replenish stocks which had fallen low during recent months. Actually, the nation's demand for coffee is being only about half satisfied. The coffee control authorities have issued new quota regulations, which curtail by a quarter the use of the higher grades and seek to encourage the use in greater quantities of the cheaper Central American variety and of Brazilian coffee. The coffee roasting companies must keep 3 per cent. of their quotas for reserves, and, to stop hoarding, the sale of raw coffee is forbidden.

The egg shortage has begotten a substitute. Consumption has lately tended to increase and imports have declined. Accordingly, to eke out supplies, an *ersatz* product for kitchen use has been devised. This milk and white of egg substitute, called *milei*, can be used for cooking as well as for baking, and it can be beaten. It is a powder, and dissolves in water. With a yearly consumption of 118 eggs per person, it is officially estimated that 50 eggs per head are used for cooking purposes; and it is hoped that the use of the substitute will make it possible to reduce real egg consumption by about half. As it is, Germany imported eggs to the value of Rm. 93½ millions last year, of which about Rm. 11½ millions' worth were preserved or dried.

Balkan Self-Help

[FROM OUR ATHENS CORRESPONDENT]

BEFORE the World War Greece was almost entirely an agricultural country. Such industries as existed were unimportant, due partly to a lack of coal mines, and the country's principal revenues were drawn from agriculture, trade, and the merchant marine. In 1910, a few industries began to appear, and concurrently with this the national income was substantially improved by favourable economic conditions and by increasing remittances from emigrant Greeks, particularly from those who had gone to America. The national economy had entered a period of slow transformation. But it was the Balkan wars, and later the World War, which, whilst much increasing the territory and the population of Greece, were the means of radically changing the financial situation and economic structure of the country. Wider horizons also brought new and difficult problems. A rapid and important industrial expansion was one of the consequences.

Several factors contributed towards it. There was first a swift increase of the population—from 2,631,952 in 1907 to 5,531,474 in 1920, to 6,204,684 in 1928 and to more than 7,000,000 (estimated) in 1937—largely from the inclusion of territories liberated during the wars and the influx of refugees from Asia Minor. Added to this was the fact that emigration was no more possible; in consequence the urgent problem arose of settling this comparatively huge surplus population and enabling it to earn a living.

The establishment of new industries and the expansion of those already existing was, in the circumstances, the only possible means of absorbing the disproportionately increased urban population. And this development, rendered possible by the existence of a wider domestic market than was available before 1910, was also favoured by the inflow of Greek and foreign capital during and since the World War, by the post-war spirit of economic nationalism, by the depreciation

of the Greek currency, by State industrial policy, by tariffs, and, after 1931, by import restrictions and foreign exchange control.

A few figures will show the amplitude of this movement towards industrialisation. The number of manufacturing and handicraft businesses employing over 25 workers registered in recent censuses (a new census will be taken this year) was as follows:—

Census year	No. of Firms	No. of Workers
1917	282	23,300
1920	488	42,149
1930	1,039	197,651

The total number of persons employed in industry generally was, naturally, much higher: 123,561 in 1907, 295,210 in 1920 and 429,831 in 1928. Industrial employment has further increased since 1928, the relevant index having risen from 100 in 1928 to 119.3 in 1937.

The index of industrial output (1928 = 100) follows a parallel course: from 61.34 in 1921 it went to 153.87 in 1937 and to 164.24 in 1938 (first nine months). The capital invested in the principal industrial undertakings was in 1930 about £30 millions (gold). There are no statistics of the capital invested at present, but it must be much higher. At least £1,000,000 has been invested between 1931 and 1937 in industrial companies alone.

Deprived of coal—for native lignite is not yet extensively used and is more expensive than imported coal—and poor in basic metals, Greece could develop no heavy industries. Accordingly, industrial development has been in the direction of consumers' goods, especially those for which raw materials may be got within Greece. Those industries which need foreign raw materials rely for help from tariff protection, currency depreciation and import restrictions. Cheap labour and a good geographical position partly balance the disadvantage of having to import fuel and raw materials, and even enable certain industries to export to neighbouring countries.

The value of industrial output in 1937 was estimated at Drs. 13,772 millions. The percentage share of the output of each group of industries of the total production is illuminating: metallurgical 0.6, mechanical 4.3, construction 3.8, textile 28.8, alimentary 17.5, chemical 20.5, leather 8.2, paper 3.5, clothing 0.3, wood 3.7, tobacco 1.5, electricity 7.3. It will be seen that Greek industries are mainly producers of consumers' goods. The following quantitative index numbers show the effects of industrialisation since 1928 (unfortunately there are no indices previous to that year):—

	1928	1937
Consumption of industrial goods :		
(a) Home-made	58.61	74.41
(b) Imported	41.39	25.59
Raw materials used by industry :		
(a) Domestic	56.85	70.98
(b) Foreign	43.15	29.02
Imports of foreign manufactured goods	100	74.45
Exports of manufactured goods ...	100	139.93

Important though the recent growth of industry has been, it could never have sufficed in itself to solve the problems of post-war Greece, and especially the population problem. Climatic and geological conditions, to say nothing of tradition, favoured the development of agriculture, and so it was to the land that the efforts of the authorities turned, and increasingly after 1923. Thanks mainly to the loans raised abroad under the auspices of the League of Nations, large reclamation works were carried out, wide areas of land made arable and suitable for refugee settlement. The methods of cultivation were improved and the system of agrarian credit extended and reorganised. With all this, the area under

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cultivation has since 1923 almost doubled, and the yield per cultivated unit has markedly increased.

The area sown with wheat alone increased from 4,300,145 stremmata in 1923 to 8,566,512 in 1937 (1 stremma is equal to 0.2461 acre). The yield per stremma rose from 56 to 95, and production from 238,992 to 817,825 tons. In 1938 the output was even larger. The price of home-grown wheat is higher than the world price, the protective measures being aimed at a cereal production which will reduce the adverse balance of trade, since imports of wheat in 1938 amounted to 475,000 tons, representing nearly £4,000,000. Exportable Greek products—tobacco, currants, fruits, olive oil and wines—meet with keen competition, and it would be extremely difficult to expand their export enough to pay for large quantities of wheat. Cereals covered over 67 per cent. of the total area under cultivation in 1937. The proportion was higher in 1938, and will show a further increase this year. The estimated value of the total agricultural production (not allowing for the depreciation of the currency since 1928) rose from Drs. 11,269 millions in 1928 to Drs. 25,682 millions in 1937, of which cereals in 1937 accounted for Drs. 8,558 millions.

The Strain of Reich Building

[FROM OUR BERLIN CORRESPONDENT]

OWING to the immense military construction of barracks and fortifications, to the building schemes of the Nazi Party and the Government, and to the many projects for municipal reconstruction, the German building industry has become overburdened. The consequent difficulties in providing labour and raw materials could only be overcome by curtailing the building of dwellings and restricting private building in general.

In Germany, at present, there are 1½ million too few flats. In the light of the National-Socialist policy for bringing about an increase in the population, it is estimated that 4½ million flats will have to be constructed during the next ten years if the demand is to be more or less satisfied. A commissar with full powers over the industry had to be appointed to operate the regulation of building, and to assure private building of a certain proportion at least of the industry's capacity. At the moment the State dominates the picture. The following figures show how public construction far surpasses private building; and, if fortifications were included, the difference would be even greater.

Percentages of all Building		
	1937	1938
Public construction :		
Reich motor highways	16.2	16.0
Reich railways	3.7	4.5
Single public investments	27.4	21.3
Reich post	0.3	0.2
Reich construction administration	3.6	3.5
Reich water highways	2.9	4.9
Provincial construction	6.1	5.9
Municipal construction	7.6	6.3
Construction of the NSDAP*	4.9	5.6
Construction for organisations, etc.	0.1	0.6
Total public	72.8	68.8
Private construction :		
Industry	22.3	24.3
Commerce and communications	0.4	0.5
Banks and insurance companies	0.5	0.4
Agriculture	0.2	0.2
Settlement associations and private building	3.8	5.8
Total private	27.2	31.2

* National Socialist German Labour Party.

The total value of all building rose last year to Rm. 11,000-12,000 millions, which was Rm. 1,000-2,000 millions more than in 1937. Private building which, as we have seen, accounted for less than a third of this total, is also hampered in its operations. Unless private schemes are of an industrial nature and necessary to the Four-Year Plan, they are allowed practically no iron at all; and they must make sparing use even of timber.

Trade with Egypt

Germany's interest in securing greater cotton supplies from countries like India and Egypt is considerable. It has been enhanced by the annexation of Austria and the Sudetenland, both with textile industries. Officially, the news of forthcoming trade negotiations with India on the occasion of Dr

Schacht's visit to that country is not confirmed. A trade agreement with India is wanted but the present political circumstances are not propitious for such discussions.

Trade with Egypt, because of this need for cotton, is important, too. In 1937, Egypt exported Rm. 47.6 millions' worth of goods to the Reich and imported German goods to the value of Rm. 49.2 millions. The balance of payments (excluding the payments in foreign exchange for the use of the Suez Canal) was thus passive to the tune of Rm. 1.6 millions. Last year, Egypt bought from Germany Rm. 52.6 millions' worth of goods and sold to Germany Rm. 48.6 millions' worth, and the passive balance this time was approximately Rm. 4 millions.

Egypt imports cotton goods on quotas determined by the amount of raw cotton each country buys from her. Under this scheme last year, Germany sold 18 million square metres of cotton goods to Egypt valued at Rm. 6½ millions. German coal exports to Egypt fell from 620,000 tons in 1937 to 300,000 tons last year; while English exports, on the other hand, increased by 200,000 tons.

Germany sells agricultural machinery to Egypt; and it is hoped that, with the restriction of types in the automobile industry, cheaper motor car exports will be possible, which should mean considerable sales possibilities in Egypt. On the whole, however, German exports suffer from the fact that the delivery periods are too long; and this, of course, is due to the overriding claims of intensive re-armament.

If Germany wants raw cotton in particular, in general and most acutely the Reich needs foreign exchange to pay for essential imports of all kinds. The latest measure concerning the Jews bears upon this need. German and Stateless Jews have for some time been legally obliged to turn over to the Government all objects containing precious stones and precious metals in their possession. A new decree of the Minister of Economics, however, permits the emigrating Jew to take with him such valuable objects if he can pay to the Reichsbank their worth in foreign exchange.

Tourists and Oranges

[FROM OUR PALESTINE CORRESPONDENT]

THE recent economic record of Palestine has not been encouraging. Unemployment, stagnant business and declining trade have given rise to social and economic problems which afford a somewhat depressing background for the final efforts to end the present political deadlock. It is therefore not inapposite to ask at this juncture what the course of trade and employment seems likely to be in the near future. And the answer must depend to a considerable extent upon the view held of the outlook for Palestine's orange and tourist industries.

The end of the orange season in April will set free some 20,000 or 25,000 Jews now engaged in orange picking. There are also some 12,000 Jewish supernumerary policemen, whose occupation will disappear with the restoration of order, and a not inconsiderable number employed on military and police buildings who will also become surplus. On the other hand, the restoration of order would provide a stimulus to trade and industry, though scarcely sufficient to bring employment back to the figures of the boom years of 1934 and 1935, on the basis of which the possibilities of immigration were then estimated.

The citrus industry is an all-important basis of the Palestinian economy. There were great hopes of the tourist industry also, and these hopes were supported by the rising tide of tourists, until it ebbed away with the financial collapse in the United States. Affairs in Europe, the natural timidity of tourists in a troubled world, the impoverishment of the greater part of European Jewry, and the persistent disorders in Palestine, have all contributed to wreck the tourist industry. The Government's figures show that, month by month, more money is now spent out of Palestine by visitors from Palestine than in Palestine by visitors from abroad. The latest figures, for November, show that, against £8,681 spent by visitors in Palestine, £45,171 was spent by Palestinians abroad.

The citrus industry, however, is also in a bad way. The widespread planting of oranges and grape fruit has increased exports from under a million cases in 1920-21 to over eleven millions last season and the many new plantations of 1933 and subsequent years are only now beginning to bear fruit for export. The result is that the orange business, which was a very profitable one in the early 'twenties, is now run at a loss. On the average, mainly through over-production, oranges and, still more, grape fruit, have shown practically no profit for some years past.

Letters to the Editor

Free Trade for Cotton

TO THE EDITOR OF THE ECONOMIST

SIR,—Throughout the controversy on the question as to whether the Lancashire cotton industry should have an "Enabling Bill" the chief concern of the protagonists has centred upon the calamitous decline of the export trade. How the trade is to benefit from a Bill which sets out to raise prices, to stifle competition, and to destroy machinery is but one of the problems which remains unanswered in this age of economic unreason.

In every round of tariff bargaining—the Indian cotton duties, the Ottawa Agreements and other trading agreements—Lancashire's once prosperous industry has been used as a counter to be sold or given away in order that some other industry might gain an advantage. The present proposals, in fashion, or by what method, it has not yet been explained. If exports are to be increased then obviously imports will be increased also, and the country has a Government which is resolutely determined to curtail imports. The sole justification for the Bill is that the export trade is in dire distress, but the proposals in the Bill which show how exports are to be increased are nebulous in the extreme.

By the terms of the Bill new charges will be laid upon the industry which is even now overburdened with higher prices, which other producers levy on it. Apart from raw cotton, almost everything (including the cost of living) which enters into the finished cloth has been increased in price by restriction in some form or other. The obvious remedy would have been to obtain relief from the burdens which tariffs and levies have meant in the increased costs of coal, oil, leather, dyes, iron and steel, etc.

But the Bill will do nothing to reduce costs. On the contrary, with its levies, minimum prices, redundancy schemes, the purchase of idle machinery by the trade that it may remain idle, costs will be further increased. The individual firm will be unable to avoid these costs, but it will be possible for the combines to overcome "unfair competition" in production costs by setting the loss on one process against the profit on another process. This is the method of all combines, and it is the usual method of freeing a market of the smaller independent firms.

Acting in restraint of trade has always been regarded with suspicion in our country, but, in these days of adversity, it is regarded as almost the chief aim of industrial leadership. In the organisation of production engendered by post-1931 conditions restraint of trade is an entirely new technique. To speak or write of stimulating demand and consumption is to be charged with uttering shibboleths, and brings forth the fashionable reply that controlled production is the only remedy. The Enabling Bill is in restraint of trade, and, should it become an Act, the small, independent, and often more efficient, firm will be squeezed out, and there will eventually be restraint of work and wages for Lancashire operatives.

The Bill is a negative remedy for the distresses of the cotton trade. Unfortunately, the positive remedy would seem rather like a counsel of perfection in these days. Lancashire can raise its voice to ask that it shall once again be allowed to buy its requirements in any market, and that it shall not be penalised for the benefit of any financial interest or for any other industry. Lancashire has voted for State restriction; has accepted restriction by the State without a protest; and is now planning for even more restriction, instead of clamouring for a policy which would bring back the flow of trade to its natural channels.

Yours faithfully,

HOUGHTON DIGGLE,
Secretary, North-Western
Free Trade Union.

Manchester.

England and Germany

TO THE EDITOR OF THE ECONOMIST

SIR,—I have just read the leading article "England Awakes" in your esteemed paper of March 25th. The reading of this article is not a pleasant one, but the reading of *The Economist* never was for a German, your anti-German attitude being only too well known. But to two points of your

article I wish to draw your attention. You write: "We run the risk of doing what none of Hitler's triumphs has succeeded in doing—uniting the German people in his support." This you do certainly! The artificially roused and anti-German attitude of the British public is for us fully unintelligible, because what happened does not touch British interests at all. We only repaired what was made wrong in 1919 and let again disappear one of the far too many new frontiers created at that time.

Secondly, you write: "We can still save Europe by our example and England by our exertions." Truly Great Britain can do that, but certainly not by rousing a continent for collective security. It is never too late to mend and, if you are willing to mend some of the blunders made in 1919, if you will give us back our colonies, then truly you can save Europe and Great Britain.

In No. 4,912 of October 16, 1937, you published a letter of Mr T. G. G. Powell, from which I repeat the following: "... the terms on which Germany laid down her arms contain a pledge that she shall retain her colonies. This pledge is to be found in President Wilson's address of February, 1918, which, unlike his address containing the 14 points, was accepted without any qualification by the Allies as part of the peace terms, etc. We as a nation can at least remove from ourselves the stigma that inevitably attaches to any failure to honour a pledge; for we can still carry out our pledge so far as territory mandated to us is concerned."

Do that and tear up the bloody treaty of Versailles and you and the world will have peace

Yours faithfully,

HERMANN WOLFF.

Köln.

[*The Economist* is proud of the fact that it has consistently been, and still is, pro-German. Some day the German people themselves will once more be pro-German.—EDITOR.]

Hungarian Economics

TO THE EDITOR OF THE ECONOMIST

SIR,—I read with amazement Mr Sima's letter published in your issue of March 25th (page 617), and would like to express my opinions on the matter. The dates I mentioned in my report (criticised by Mr Sima) were published in the official publication of the Hungarian Office for Statistics. Mr Sima considers that the statement that industrial production declined is incorrect, and points out that the consumption of industrial coal rose from 3.32 million tons in 1937 to 3.39 millions tons in 1938. If, however, he will kindly refer to my article (March 4th, page 442) he will see that I made no such statement.

Furthermore, I would like to mention in passing that the figures given by the distinguished Press Attaché of the Hungarian Legation in London are the figures for the year 1936-37 and correctly the consumption of industrial coal rose from 3.39 million tons in 1937 to 3.45 million tons in 1938.

I did not mention the data concerning coal consumption because it was the iron and machinery industries which increased the consumption, raising theirs' from 0.93 million to 1.02 million tons, but the coal consumption of the textile, leather, rubber, glass, stone, brick, etc., industries declined. Therefore, the data of the coal consumption cannot give a representative view of the evolution of Hungarian industry.

Mr Sima writes that the index of the production of the textile industry rose from 186 to 188. The data published in the last report of the Hungarian Institute for Economic Researches proves that the production was 17 per cent. less in the year 1938 than in 1937.

Yours sincerely,

YOUR HUNGARIAN CORRESPONDENT.

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Books and Publications

The Fascist Economy

NOT many recent books about Italy are as useful as Mr Welk's.* His painstaking work sets out to discover what moved the Fascists in their development, and how they have fared. In this he is handicapped by the usual difficulties of those who examine totalitarian economics. For it is doubtful to what extent Fascist economics, being not so much the study of wealth or of well-being as of mass psychology, can be discussed from the strictly economic point of view; and it is characteristic that most of Mr Welk's conclusions should be in the form of suppositions rather than statistics. It may be true in fact that the Italian Government pursues a programme of self-sufficiency because it lacks foreign exchange, and that it lacks foreign exchange because Italy's markets abroad have been bartered against Imperial gains: in theory it is because self-sufficiency is a corollary of State intervention which is both right and good. In fact it may be true that agricultural tariffs are higher than suits the pocket of the townsman because the peasant must have assistance: in theory it is because Fascism is "a rural phenomenon" and imported wheat a form of slavery to the foreigner.

Against the sort of myopic wish-fulfilment so common in current Italian discussion, Mr Welk struggles very gallantly to see things as they are. On the whole he succeeds, but in the effort to be objective his book becomes more a record than an estimate, more an examination of method than of results. He suffers from a tendency to lump figures together and leave them for the reader's uneasy digestion; there are a number of points which might have been more clearly made with the help of a little recent fieldwork; and in some directions there are noticeable gaps. In a country with a rural population running to many millions, it is inadequate to dismiss agriculture with half-a-dozen pages, and the teased matter of land reclamation by a few general references, whilst devoting massy sections to the organisation of employers and employed.

It is in these directions that the Bank of Italy's three monumental volumes† provide the specialist with the statistical guidance he wants. The studies cover in considerable detail Italian economic developments between 1931 and 1936, and follow two earlier publications dealing, respectively, with the periods 1914-24 and 1925-30. The first of the three present volumes records, in general terms, the establishment and growth of the corporative system and the outstanding developments in industry and agriculture, money and banking, foreign trade and public finance. The second and third volumes cover each different branch of activity separately, and include a mass of information not hitherto placed conveniently together.

The first volume suffers a little from the fact that the last year considered is 1936; sanctions were still in operation in the early part of that year; the lira was devalued only in October; while in 1934 Italy was still suffering from the deflationary effects of the Great Depression. It is difficult, without additional knowledge of subsequent events, to disentangle the temporary from the permanent effects of sanctions. Thus, Germany's share in Italy's foreign trade, to-day in the region of a quarter, is enormously greater than before or during the depression, but still less than the 39 per cent. of Italian exports and 29 per cent. of imports recorded during the sanctions period. Industrial production and employment were also distorted. Between 1931 and 1934 the Italian balance of payments was threatened, and consequently measures were taken, as in many other countries, to exclude imports, particularly foreign manufactures, and to encourage home industry. During this period, too, the principal export industries, cotton and silk, suffered badly. The current usefulness of these volumes is limited by the fact that they do not cover the period of autarky, but as a survey of legal and administrative developments and changes

in the production and trade of each branch of industry and agriculture, they are unrivalled.

They lend weight to Mr Welk's book and make his conclusions doubly valuable. Those light-hearted theorists who look to Italy for a new interpretation of democracy should ponder his statement that the corporative system "has been, and is likely to continue to be in the future, not an agency for the economic self-government of the people, but an instrument of economic control used by the totalitarian Fascist State for the achievement of its ultimate economic and political ends"—or, in other words, since those ends are purely personal to the Fascist leaders, Fascist economics are first and foremost empirical. They provide a planned economy but come perilously near forgetting the plan. And one wonders how many Italians with administrative responsibility are willing to think out the train of argument which leads Mr Welk to say that, "Population growth, economic independence, and colonial expansion are being paid for by the mass of Italians through a lowered standard of living."

Shorter Notices

"Man or Leviathan?" By Edward Mousley. Allen and Unwin. 463 pages. 15s.

The thesis that the chief cause of war between sovereign States is the existence of sovereign States is not new. The view that the only alternative to a regime of binding international law is a perpetual state of war is a commonplace. Yet, in a world which has seen the League of Nations abandoned and the next war already begun, these truths probably transcend all others; and it is the virtue of this book that it presents these issues with all the concrete sanity of a humane lawyer's outlook. It was Thomas Hobbes who defined the powers of Leviathan and the state of war more clearly than any philosopher before or since; he accepted the authority of the State and its clashes with other States as inevitable. In a book which is rich with a passion for law and order and peace, Mr Mousley does not; he would catch Leviathan within the rule of law. So, too, would the economist, who figures only slightly in this book beside the lawyer, the philosopher and the politician. When States clash it is their economic interests that are blamed for the conflict. But it is only for political reasons that economic causes are given for war. It is co-operation that the economic interests of all communities truly call for; and it is more likely that the need for peaceful trade and exchange will ultimately dissuade or drive Leviathan—after bitter and barbaric experiences—from the resort to force than that Mr Mousley's lawyer's plea for a Two Hundred Year Peace Plan will prevail. Actually in our own times both solutions seem condemned to outright failure. For the moment, Hobbes is right.

"America and the Refugees." By Louis Adamic. Pamphlet No. 29. Public Affairs Committee. 32 pages. 10 cents.

From the early days of the seventeenth century, America has developed a tradition of asylum for the oppressed and persecuted. This tradition is still alive. But, just when Nazi persecution has created a pool of human beings, numbering some hundreds of thousands, who are in desperate need of asylum, America is faced with difficulties in freely following that tradition. Economic difficulties, with many millions unemployed, and the social and political problems involved in quickly absorbing refugees in large numbers, make traditional humanitarianism a hard doctrine to follow in practice. This pamphlet sketches what in fact is being done by some 21 organisations and 30 colleges and universities to tackle the difficulties; and outlines the steps that might be taken, by special handling of the quota system, to meet the urgent need. The economic difficulties, though obviously appreciable, are perhaps less than the social and political. Economically refugees are very much more likely to be an asset than a liability. But great care is required in handling immigration to avoid anti-foreign prejudices, and it seems clear that malignant propaganda spares no effort to fan such prejudices. Yet America is as little lacking in administrative determination as in loyalty to her ideals of asylum. The pamphlet's telling diagrams and a short bibliography succeed both in illustrating the poignancy and in underlining the urgency of a problem which America has magnanimously made in great measure her own.

* "Fascist Economic Policy." By W. G. Welk. Harvard University Press, Cambridge, Mass., U.S.A. 365 pages. 17s.
† "L'Economia Italiana nel Sessennio, 1931-36." Compiled by the Banca d'Italia, Rome. Three vols. 1,918 pages. 90 lire.

THE BUDGET

This survey of British national finances continues the long series of annual Budget Supplements of *The Economist*. Its purpose is to give, in brief space and convenient form, a compendium of the chief facts necessary for appreciating the present position of the national finances in general, and the problems of the forthcoming Budget in particular.

Revenue

ALTHOUGH revenue collections in 1938-39 fell short of estimates by £17.4 millions, they exceeded the 1937-38 figure by £54.7 millions, which is the largest amount of increase in recent years. But when it is remembered that 1938-39 was the first year to bring in any appreciable return from N.D.C., revenue from all other sources

(whose non-payment was the reason for the duties) were compounded for a lump-sum payment by Eire of £10 millions. After allowing for an increase in consumption of dutiable goods to produce nearly £5 millions more, but a loss of roughly £4 millions annually in Eire duties, the Chancellor in his 1938 Budget expected the net increase in revenue on the basis of the then existing taxation to be no more than £739,000. But increased duties were to produce £8,100,000 more: £2,750,000 by raising the tea duty by 2d. a lb. (that is, to 6d. on Empire tea), £5,000,000 by levying 9d. against 8d. a gallon on petrol and oil, and £350,000 from a new 9d. a gallon duty on power alcohol. Receipts under the main heads in earlier years are shown in the accompanying table.

CUSTOMS AND EXCISE DUTIES—NET RECEIPTS (£ thousands)

	1913-14	1929-30	1934-35	1935-36	1936-37	1937-38
Spirits.....	23,976	42,599	32,363	34,917	36,214	35,849
Beer.....	13,655	77,151	58,696	60,798	62,689	65,740
Wine.....	1,152	4,881	4,397	4,632	5,148	4,989
Tea.....	6,499	43	3,934	4,082	7,818	7,441
Cocoa.....	341	689	807	1,015	1,061	870
Sugar, etc.....	3,329	13,549	11,759	11,623	12,220	11,873
Tobacco.....	18,284	62,794	70,661	74,994	77,336	82,821
Matches and mechanical lighters.....	...	4,170	4,115	4,209	4,337	4,377
Hydrocarbon oils.....	841*	15,042	42,300	45,129	47,801	50,188
Entertainment duty.....	...	6,696	9,724	7,806	7,572	7,985
Liquor licences, etc.....	4,517	4,587	4,389	4,359	4,567	4,812
Other revenue duties†.....	2,633	3,210	2,822	3,063	3,156	2,940
Total revenue duties.....	75,227	235,411	245,967	256,627	269,919	279,825
Silk and artificial silk.....	...	6,243	5,231	5,731	5,942	6,297
"McKenna" duties.....	...	3,692	1,899	2,382	2,522	2,812
Other protective duties‡.....	...	2,637	843	879	1,535	4,752
Import Duties Act, 1932.....	...	23,735	24,661	27,754	29,682	29,682
Ottawa duties.....	...	7,526	8,118	7,643	8,089	8,089
Duties on Eire goods.....	...	4,691	5,422	4,712	4,181	4,181
Total protective duties.....	...	12,572	43,925	47,193	50,108	55,813
Grand total.....	75,227	247,983	289,893	303,821	320,027	335,638

* Including British wine, table waters, cider and perry, coffee and chicory, dried or preserved fruits, railway passenger duty, patent medicines, other licences, and miscellaneous. † Safeguarding, abnormal importations, hops, and (1936-37 onwards) beef and veal. ‡ Motor spirit duty, repealed 1921.

In contrast with 1938-39, higher receipts in 1937-38 were entirely due to increased consumption, for the 1937 Budget contained no changes in duty of any financial importance. Tobacco is the largest single revenue-producer by a comfortable margin, though beer, spirits and wine between them still bring in well over £100 millions annually. To petrol and oil, however, falls the chief honour

CONSUMPTION OF MAIN DUTIABLE ARTICLES

	(In millions)	1929-30	1936-37	1937-38
Dutiable spirits.....	proof galls.	12.2	10.6	10.5
Beer.....	standard barrels	20.7	17.8	18.7
Tea.....	lbs.	401.7*	457.2	422.7
Sugar: refined equivalent, cwt.		36.8	42.7	43.5
Tobacco.....	lbs.	151.5	174.5	187.9
Artificial silk—home-made†	lbs.	56.9	145.2	156.8
Light hydrocarbon oil.....	galls.	903.0	1,303.8	1,350.2

* 1928-29. † Quantities produced, including waste.

was rather less buoyant than in 1937-38. Income-tax and customs and excise duties fell short of estimate by the relatively small amounts of £5.2 and £3.6 millions respectively, but the deficiency in estate duties (£10.6 millions) and stamps (£3 millions) was comparatively severe.

DIRECT AND INDIRECT TAXES

	Direct	% of Total	Indirect	% of Total
£ millions			£ millions	
1913-14	78.0	47.8	85.0	52.2
1929-30	376.9	55.6	300.0	44.4
1934-35	364.5	51.4	345.3	48.6
1935-36	379.1	51.3	359.8	48.7
1936-37	400.5	51.1	382.6	48.9
1937-38	447.1	53.2	394.1	46.8
1938-39	499.3	55.6	397.1	44.4

Details of Exchequer receipts are given in the first of the accompanying tables, and in the second we show the relationship between direct and indirect taxation. Direct taxes are taken to include all Inland Revenue duties except Stamps, while indirect taxes consist of Customs and Excise, Stamps, and Motor Vehicle duties. The effect of N.D.C. is to raise the proportion of direct taxes.

Customs and Excise.—In 1938-39 these duties yielded £5.3 millions more than in 1937-38, against an expected increase of £8.8 millions. Improvement has thus been on a more modest scale than in previous years, especially as most of the rise is due to increased duties. This is partly due to the cessation of special duties on imports from Eire, following the agreement of April 25, 1938, whereby the disputed debts in respect of land annuities

of producing a useful and steady natural increase in revenue. Between 1932-33 and 1937-38 revenue from petrol and oil duties rose from £35.3 to £50.2 millions, though in that time the only change in duty was the imposition of 8d. a gallon on heavy oil.

As for consumption, the main trends are the declining tendency shown by spirits, cyclical changes in beer consumption as distinct from a long-term tendency to fall, and the rise in tobacco and in petrol and oil. Tea consumption does not vary very widely from year to year (the Customs and Excise authorities estimate a 2 per cent. drop in 1937-38 after allowing for forestalments), and while requirements of sugar tend to rise slowly the large proportion of home-grown sugar now used has caused a long-term decline in revenue from this source.

Inland Revenue.—In 1938-39, these taxes brought in £520.3 millions, which falls short of estimate by £16.1 millions, but is £48.9 millions above the previous year's receipts. But 42 per cent. of this net rise in inland revenue is due to N.D.C., and though income tax fell short of estimate by less than 2 per cent., death duties were as much as 12 per cent. below estimate, no doubt owing to the decline in security values.

Income Tax.—Exchequer receipts from this source in 1938-39 topped the £300 millions mark, and were £5.2 millions below estimate, but £37.5 millions above 1937-38 receipts. In the 1938 Budget it had been estimated that the yield on the basis of existing taxation (allowing for various checks on tax avoidance) would bring in £21,014,000 more than in 1937-38. The 6d. increase in the standard rate was estimated to provide a further £28 millions, while on the other hand higher wear and tear deductions and relief on the first £135 of taxable income were expected to cost £3,750,000. A further temporary loss of £2 millions in 1938-39 was estimated owing to provisions for paying tax under Schedule A by instalments in certain cases.

INCOME TAX

Year	Exchequer Receipts	Standard Rate of Tax in the £	Net Yield† per Penny	Year	Exchequer Receipts	Standard Rate of Tax in the £	Net Yield† per Penny
1913-14*	£ Mn. 43.9	s. d. 1 2	£ Mn. 3.11	1934-35	£ Mn. 228.9	s. d. 4 6	£ Mn. 4.21
				1935-36	£ Mn. 238.1	s. d. 4 6	£ Mn. 4.25
1931-32	287.4	5 0	4.58	1936-37	257.2	4 9	4.57
1932-33	251.5	5 0	4.16	1937-38	298.0	5 0	5.08†
1933-34	228.9	5 0	3.99	1938-39	335.9	5 6	...

* Including whole of Ireland.

† Calculated on basis of net produce of tax. ‡ Estimate.

The only change in allowances in the 1938 Budget was that tax on the first £135 remains at one-third of the old rate of 5s. At present the exemption limit is £125, the personal allowance is £100 for single persons or £180 for a married couple, and £60 is allowed in respect of each child. One-fifth of earned income up to a £300 maximum is deducted, and on the first £135 of taxable income the rate of tax is 1s. 8d. There has been no other alteration in allowances since the 1936 Budget, which introduced the minor change of an extra £10 for married couples, and a further £10 for each child other than the first. The incidence of taxation is illustrated by the annexed table of specimen incomes and the tax payable.

INCOME TAX AND SURTAX

Total Actual Income	Married Couples with Three Children					
	Earned Income			Investment Income		
	1929-30	1933-34	1938-39	1929-30	1933-34	1938-39
£	£	s. d.	£	£	s. d.	£
300	...	...	...	...	...	...
400	...	...	...	...	...	...
500	...	...	...	...	...	...
600	...	...	...	...	...	...
700	...	...	...	...	...	...
800	...	...	...	...	...	...
900	...	...	...	...	...	...
1,000	...	...	...	...	...	...
1,100	...	...	...	...	...	...
1,200	...	...	...	...	...	...
1,300	...	...	...	...	...	...
1,400	...	...	...	...	...	...
1,500	...	...	...	...	...	...
1,600	...	...	...	...	...	...
1,700	...	...	...	...	...	...
1,800	...	...	...	...	...	...
1,900	...	...	...	...	...	...
2,000	...	...	...	...	...	...
2,100	...	...	...	...	...	...
2,200	...	...	...	...	...	...
2,300	...	...	...	...	...	...
2,400	...	...	...	...	...	...
2,500	...	...	...	...	...	...
2,600	...	...	...	...	...	...
2,700	...	...	...	...	...	...
2,800	...	...	...	...	...	...
2,900	...	...	...	...	...	...
3,000	...	...	...	...	...	...
3,100	...	...	...	...	...	...
3,200	...	...	...	...	...	...
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4,200	...	...	...	...	...	...
4,300	...	...	...	...	...	...
4,400	...	...	...	...	...	...
4,500	...	...	...	...	...	...
4,600	...	...	...	...	...	...
4,700	...	...	...	...	...	...
4,800	...	...	...	...	...	...
4,900	...	...	...	...	...	...
5,000	...	...	...	...	...	...

Under the 1937 Finance Act, the standard rate was again raised by 3d., and so returned to its 1931-34 level. It had been estimated that about £17½ millions would

arise from the normal growth of income and a further £13 millions from the extra 3d. tax, but in the event receipts in 1937-38 were as much as £40½ millions above those for 1936-37. According to the Inland Revenue report, gross income (that is, the total coming within the Department's purview, before deductions of any kind) was £3,800 millions in 1937-38, against £3,573 millions. After deducting exemptions and reductions for wear and tear and so on, there remained an actual income of £3,050 millions, against £2,873 millions. After earned income, personal,

ANALYSIS OF ACTUAL INCOME (£ thousands)

Schedule	(United Kingdom) Income from	1913-14	1935-36	1936-37	1937-38 Estimate
A	Land, etc., ownership.....	175,662	312,970	322,018	330,000
B	Occupation of lands, etc.....	5,373	29,621	29,192	29,000
C	British, Dominion and Foreign Govt. securities	47,776	143,936	137,967	141,000
D	Business, Professions, etc.	584,346	858,038	944,117	1,030,000
E*	Salaries of Govt., Corp. and Company Officials	137,884	814,187	857,146	900,000
	Ditto, weekly wage-earners		551,138	582,992	620,000
	Total	951,041	2,709,890	2,873,372	3,050,000

* In 1913-14, employments were assessed under Schedule D.

and other allowances, the taxable income was £1,440 millions against £1,326 millions, and on this sum the net produce of tax was £44.3 millions higher at £305 millions. This amount, however, represents the ultimate yield in respect of 1937-38, and does not correspond to the Department's actual receipts in that financial year.

The accompanying table shows how actual income was spread among the different schedules in 1937-38. In the long-term, only income under Schedules A (house and land ownership) and E (wages and salaries) have shown a rising trend. The least variable class is Schedule B income, which consists mainly of farmers' profits. Of the gross income of £1,281 millions assessed under Schedule D for 1936-37, roughly one-third arose from manufacturing and productive industries and one-third from distribution and transport other than railways.

It was estimated that in 1937-38 some 8,800,000 individuals had incomes above the £125 exemption limit, and of these, 3,650,000 (or 200,000 more) were chargeable, the remainder being entirely relieved through allowances.

Sur-Tax.—It had been estimated that sur-tax in 1938-39, after allowing for increased revenue due to tax avoidance measures, would exceed 1937-38 receipts by £4,940,000, or 8½ per cent. Exchequer receipts have exceeded estimate by £530,000, and make 1938-39 the highest year since 1932-33. Although the peak year for revenue from sur-tax is not until 1939-40—there is a two-year time lag between earnings and tax payments—the possibility of receipts approaching the 1931-32 "high" of £76.7 millions is remote.

It would seem that variations from year to year in the total income assessed to sur-tax depend more on changes in the number of assessments than on changes in income,

SUR-TAX (United Kingdom)

Year	Income Limit	Number Assessed	Total Income Assessed	Exchequer Receipt
1913-14†	£ 5,000	14,008	£ Mn. 176	£ Mn. 3.32
1932-33	2,000	87,306	426.28	60.65
1933-34	2,000	84,486	411.91	52.59
1934-35	2,000	88,363	436.54	51.17
1935-36	2,000	91,392	456.34	51.02
1936-37	2,000	95,750	483.74	53.54
1937-38	2,000	*	*	57.06
1938-39	2,000	*	*	62.53

* Not available.

† Super-tax.

for in recent years total income has varied in roughly the same proportion as has the number of persons. In 1936-37 95,750 persons with incomes of £2,000 or more received a total income of £483.7 millions, on which the net tax (assessed in 1937-38) was £57.4 millions. But three-quarters of the people paying sur-tax are in receipt of incomes up to £5,000 only.

National Defence Contribution.—This new tax, imposed for the five years to March 1942, levies 5 per cent. on the profits (calculated on income-tax principles) of companies and 4 per cent. on those from the businesses of individuals. Public utility and railway undertakings are exempt, and so are professions and salaried employments, while profits up to £12,000 are allowed an abatement and those under £2,000 are entirely exempt. For building societies there is an overriding maximum of 1½ per cent. of total profits before paying deposit interest, etc.

The produce of a full year's tax was estimated at £25 millions, but the Chancellor budgeted for only £20 millions in 1938-39, on the grounds that it is not until the third year of operation (1939-40) that all businesses will be paying on a full year's profits. Exchequer receipts in 1938-39, however, were somewhat above estimate, at £21.9 millions.

In 1937-38 there were 5,425 assessments made in the United Kingdom. Profits chargeable were £47,239,000, less abatements of £2,141,000. The tax assessed was £2,111,000 (that is, very close to the £2,000,000 Budget estimate) and Exchequer receipts £1,420,000.

Death Duties.—A considerable element of chance in the number and size of large estates makes a close estimate of receipts in any one year especially difficult. On the other hand, these duties reflect changes in general prosperity more promptly than do other direct taxes. In estimating receipts for 1938-39 at only £1,000,000 below

ESTATE DUTY (Great Britain), 1937-38

	Numbers		Net Capital Value		Net Receipts	
	Actual	Per cent. of Total	£ Thous.	Per cent. of Total	£ Thous.	Per cent. of Total
Small Estate	58,316	37.89	16,441	2.76	114	0.15
Net Value						
Exceeding						
Not						
£ 100	£ 5,000	77.030	50.05	119,594	20.11	3,262
5,000	10,000	8,537	5.34	63,862	10.74	2,535
10,000	25,000	6,320	4.11	102,206	17.19	6,990
25,000	50,000	2,179	1.41	76,904	12.94	8,917
50,000	100,000	940	0.61	64,760	10.88	10,921
100,000	200,000	402	0.26	51,592	8.68	11,323
200,000	500,000	166	0.10	47,992	8.07	13,842
500,000	1,000,000	34	0.02	21,806	3.66	7,802
1,000,000	3,000,000	16	0.01	29,144	4.90	12,639
3,000,000	...	...	...	407	0.07	205
Settlement Estate Duty	...	...	...	...	13	0.02
Total	153,940	100.00	594,708	100.00	78,537	100.00

† i.e. up to £500 gross value.

the £89 millions received in 1937-38, Sir John Simon was reckoning upon a continuance of the low level of security prices, but not, it seems, on a further fall. Thus these duties have yielded £10.6 millions below estimate in 1938-39.

It will be seen from the annexed table concerning estate duty (which provides all but £9 or £10 millions of annual receipts from death duties) that the broad distribution of wealth changes little. There is some fluctuation, however, in the large estates. In 1937-38, for instance, 26 per cent. of net receipts came from fifty estates of over £500,000, against 21 per cent. from thirty-nine such estates in 1936-37. The increase in 1937-38 receipts over 1936-37 can in fact be attributed to the larger number of big estates, for the total capital values involved were very little changed.

In 1937-38 the gross capital value of all property was £639.9 against £638.3 millions, and of this Stock Exchange securities accounted for £349.1 millions (or 54.6 per cent.) against £356.3 millions. House property, etc., represented £84.4 against £81.1 millions, and cash plus insurance policies £85.6 against £77.5 millions.

Stamp Duties.—Exchequer receipts in 1938-39 were £3,190,000 less than in 1937-38, and it would seem that allowance had not been made for any considerable further decline in Stock Exchange activity, for the 1938 Budget provided for as little as £170,000 net decrease in receipts. The accompanying table shows the composition of stamp revenue in earlier years. A sharp drop in receipts

in 1937-38 was almost entirely due to the fall in security transactions, and though the decrease in revenue from

STAMP DUTIES: NET RECEIPTS

	(£ thousands)			
	1913-14	1935-36	1936-37	1937-38
Land and property	1,879	5,526	5,701	5,527
Stocks and shares, etc.	3,125	9,876	12,057	7,743
Company capital duty	698	1,097	1,642	1,059
Cheques and bills	2,322	4,482	4,607	4,751
Receipts	669	2,855	2,981	3,071
Other	955	1,969	1,988	2,081
Total	9,648	25,805	28,976	24,232

share capital duty was of small importance to the Exchequer, the rate of decline of 35 per cent. illustrates the low degree of new issue activity in 1937-38.

Motor Vehicle Duties.—Motor duties provide a slowly and steadily increasing revenue, apart from a slight check in 1935-36 as a result of the reduced rates of duty. The changed method of financing roads, however, affects the comparability of issues from the Road Fund itself, and expenditure under Classes VI and IX of the Civil Votes. The Road Fund remains in being, and meets its expenditure on roads in any one year mainly out of Civil Votes, and to a minor extent by drafts (if necessary) upon

(£ millions)

Years beginning April 1:	1935	1936	1937	1938*
Petrol and oil duties	45.1	47.8	50.2	57.5
Motor vehicle duties	30.8	32.7	34.6	36.0
Exch. share of motor duties†	5.0	5.3	...	...
Issues from Road Fund (Rev. Acc.)	25.4	28.2	19.4	23.6
Viz.:				
Surplus to Exchequer	4.5	5.2	...	...
Contribs. to block grants	6.5	6.5	...	...
Other expenditure (roads, etc.)	14.4	16.5	19.4	23.6
Receipts by Road Fund†	26.3	28.0	15.4	22.0
Balance in Fund at start	4.9	5.8	5.6	1.8

* Italicised figures are estimates. † In and after 1937-38 all motor duties are retained by Exchequer, and the Road Fund derives its revenue mainly from Civil Votes, Class VI.

the balance brought in (as happened in 1937-38), and by small miscellaneous receipts. But even when the Fund received a pre-arranged share of the motor duties, it did not spend its whole income on roads. In each of a number of years it handed over to the Exchequer the previous year's surplus, and it also made a fixed contribution towards the Exchequer's block grants to local authorities for general purposes. In the accompanying table we summarise some of the features of road and motor finance, and for comparative purposes show Customs receipts from petrol and oil.

Non-Tax Revenue.—This consists of miscellaneous receipts, Post Office and wireless licence net profits, receipts from sundry loans and net revenue from Crown lands. For 1938-39, miscellaneous receipts were estimated

RECEIPTS FROM SUNDRY LOANS

	(£ thousands)			
	1929-30	1935-36	1936-37	1937-38
Int., etc., on war loans*	25,784	...	...	...
Suez Canal shares	1,834	2,449	2,248	1,976
Anglo-Iranian shares ...	1,088	1,313	1,125	2,063
Other receipts	3,934	1,172	1,177	1,191
Total	32,640	4,934	4,550	5,230

* Payments in respect of War Debts suspended from July 1, 1932.

at £10,500,000, which is £3,010,000 less than 1937-38 Exchequer receipts and the lowest estimate for some years. In the event, receipts in 1938-39 were above estimate by £2,441,000. Post Office net receipt (including an estimated £400,000 from wireless licences) was £970,000 lower than in 1937-38 at £9,500,000, and in order to make up the usual contribution to the Exchequer a draft of £1,400,000 (which was, however, £1,000,000 less than expected) was made upon the Post Office Fund. The other items of non-tax revenue do not vary much from year to year. Some details of receipts from loans and investments made by the British Government appear in the annexed table.

Expenditure

A YEAR ago the Estimates had just been published when the Austrian *Anschluss* made it highly probable that large Supplementaries would be needed for arms in 1938-39. And this year the annexation of Czecho-Slovakia, following soon after the publication of the Estimates, again makes it practically certain that the proposed expenditure will be exceeded. But it has been known for some time that recourse will be had to borrowing on a much more generous scale than seemed likely when the 1937-38 estimates provided for a modest £80 millions from loans. And owing to the proposal to meet at least £350 millions of gross expenditure for 1939-40 from loans, the revenue to be raised will be around £35 millions less than in 1938-39—that is, if the new Estimates have not too great an air of unreality, in view of events since their publication.

EXPENDITURE (EXCHEQUER ISSUES) (£ millions)

	1913-14	1929-30	1936-37	1937-38	1938-39	1939-40 (Est.)
National Debt services...	24.5	355.0	224.0	224.0†	230.0	230.0
Other Consolidated Fund services	12.8	22.2	11.6	12.0	14.3	16.0
Total Con. Fund services	37.3	377.2	235.6	236.0	244.3	246.0
Navy, Army, Ordnance, and Air Votes	77.2	113.0	186.1	197.2	254.4	219.1
Civil, Roads, Customs, etc., and In. Rev.	58.4	280.4	408.5	407.8	441.3	451.1
Total supply services (excluding P.O. & Broadcasting)	135.6	393.4	594.6	605.0	695.7	670.2
Total ordinary	172.9	770.6	830.3	841.0	940.0	916.2*
Self-balancing†:— Post Office and Broadcasting	24.6	58.9	71.9	76.1	79.0	83.4
Grand Total	197.5	829.5	902.2	917.1	1019.0	999.6*
Issues out of Defence Loans:— Services	...	...	...	64.9	128.1	304.0
Civil Defence	...	...	...	...	...	46.0

* Without provision for eventual Supplementary Estimates. † Excluding sinking fund allocations of £2.8 millions which the fixed debt charge was insufficient to meet. ‡ Former Road Fund self-balancing expenditure transferred to Civil Services for comparison.

The 1938 Budget provided (apart from Post Office and broadcasting) for an expenditure in 1938-39 of £934.4 millions, plus a margin of £10 millions for civil supplementary estimates and for a further £90 millions for arms from loans. During the year supplementary estimates (including a reduced civil estimate and an addition to Consolidated Fund services) were issued for £17.3 millions from revenue and £32.1 millions from loans, while actual total expenditure has been £940 and £128.1 millions respectively. Thus, combining loan and ordinary expenditure, Exchequer issues in 1938-39 exceeded those for

Period*	National Income‡	Total Expenditure†		National Debt‡		Defence		All Other	
		£ mn.	%	£ mn.	%	£ mn.	%	£ mn.	%
1880-89	889	66	7.3	26	2.9	27	3.0	13	1.4
1870-79	1,177	70	5.9	27	2.3	26	2.2	17	1.4
1877-85	1,242	79	6.4	29	2.3	30	2.4	20	1.7
1886-93	1,410	80	5.7	26	1.8	32	2.3	22	1.6
1894-1903	1,666	130	7.8	24	1.4	69	4.1	37	2.3
1904-1913	1,940	138	7.1	27	1.4	62	3.2	49	2.5
1911-13	2,241	165	7.4	24	1.1	73	3.3	68	3.0
1924	4,035	745	18.5	357	8.8	115	2.9	273	6.8
1929	4,384	771	17.6	355	8.1	113	2.6	303	6.9
1932	3,844	800	20.8	309	8.0	103	2.7	388	10.1
1935	4,530	776	17.1	224	4.9	137	3.0	415	9.2
1938	(4,850)	830	17.1	224	4.6	186	3.8	420	8.7
1937	(5,200)	908	17.4	227	4.4	262	5.0	419	8.1
1938	(5,000)	1,068	21.4	230	4.6	400	8.0	438	8.7
1939	(5,000)	1,266‡	25.3	230‡	4.6	578‡	11.6	458‡	9.2

† Including Road Fund expenditure, but not Post Office. * Figures of National Income refer to calendar years, figures of expenditure to financial years ending March 31st of following calendar year. ‡ Annual average. † Estimate. ‡ Figures are taken from "National Income and Outlay," by Colin Clark (Macmillan, 1937), pages 88, 90 and 232; they represent net National Income, as defined by Mr. Clark. The figures for 1936 and after are tentative estimates for which Mr. Clark is not responsible; the 1939 figure in particular is necessarily no more than a guess. ‡ Inc. Sinking Fund.

1937-38 by £159.4 millions, original estimates for 1938-39 (including the provision for Supplementaries) by £123.7 millions, but fall short of final estimate by £15.5 millions.

A comparison between 1939-40 estimated expenditure and actual issues in previous years is given in the first of the accompanying tables.

In the second table an attempt is made to compare the gross expenditure of the Central Government with the National Income over a long period. Expenditure on the armed forces and on civil defence out of loan proceeds is included, and the "defence" subdivision is taken to include civil defence. Until 1938-39, the depression of 1932-33 had been the only period to show a Government expenditure absorbing a fifth or more of the estimated National Income. In the coming year, however, the defence items alone will probably require well over one-tenth of that income.

Consolidated Fund Services.—Owing mainly to interest requirements on new Government loans, National Debt interest and management (discussed in more detail on page 146) cost in 1937-38 £216.2 millions against £210.9 millions. Hence the fixed debt charge of £224 millions did not quite cover the specific sinking funds of £10.5 millions, and in order to ensure an adequate future provision the fixed charge was raised to £230 millions for 1938-39—the first alteration since 1933-34. Payments to the Northern Ireland Exchequer were £9,459,000 in 1938-39, a lower payment for the previous year consisting chiefly of the net share of reserved taxes, plus £1,616,000 for unemployment. The discharge by Eire of all her financial obligations under the April, 1938, agreement has resulted in a transfer from Civil votes to the consolidated fund of the various land purchase charges, and the provision for "other consolidated fund services," originally estimated at £3,200,000 for 1938-39, has since been raised to £5,239,000.

Defence Services.—It is not known how far the cost of the arms programme in the five years to March, 1942, will exceed the original estimate of £1,500 millions. But it has been more than ever apparent since the White Paper on Defence (Cmd. 5944), which indicated a total expenditure on the fighting services of £1,173 millions in the three years to March, 1940, that the excess must be substantial. And it is increasingly clear that issues from loans are not based on any attempt to separate capital from current expenditure, but are chiefly to make up what cannot be met from taxation. Thus the defence Supplementaries for 1938-39, involving £44.3 millions gross, have

DEFENCE SERVICES NET EXPENDITURE (£ thousands)

	Navy	Army and Ordnance†	Air Force	Total
1935-36	64,888	44,654	27,515	137,057
1936-37	80,976	55,015	49,996	185,987
1937-38	77,892	64,152	55,799	197,843
Do. ‡	101,892	79,019	81,739	262,710
1938-39*	96,118	88,041	73,501	257,660
Do. ‡	127,868	123,195	134,501	385,564
1939-40*	69,399	83,087	66,561	219,047
Do. ‡	149,399	165,087	208,561	523,047

* 1938-39 final, 1939-40 original estimate. ‡ After addition of proportion of Defence Loans. † Ordnance 1937-38 onwards.

all been for token sums only from Votes (apart from £2,410,500 for the Navy), the balance being met from loans. Actual issues for the defence services in 1938-39 were £254.4 millions from votes or £384.5 millions after adding issues from loans and the 1937-38 Budget surplus.

In 1937-38, £64.8 millions were issued from loans; the latest estimates for 1938-39 provide for £131.9 millions of such issues (against £128.1 millions actually issued, and original estimates of £90 millions), while in 1939-40 loans are actually to provide more than Votes, at £350 millions, including £46 millions for civil defence. Total borrowing powers have been raised for the time being from £400 to £800 millions, out of which £180 millions nominal of Defence Loan and Bonds have already been placed, and

the 1937-38 Budget surplus of £28.8 millions also counts towards the £800 millions.

The separate services pay interest at 3 per cent. on the amounts actually issued to them from loans in previous years. A total of £5,888,000 is included for interest in the 1939-40 estimates, against £2,128,000 for 1938-39.

Civil Defence.—Air Raid Precautions made their first appearance in the published Government accounts in 1935-36, when £54,000 was spent by the Home Office. In the coming year more than a thousand times that modest sum is to be provided for the group of services known as Civil Defence. And for the first time money raised by Defence loans can be applied to these passive defence services no less than to the Navy, Army and Air Force. Though civil defence has by now acquired almost the status of a separate Service, expenditure on it is controlled through different Votes in Classes III and VI. The recognised heads of expenditure are summarised in the accompanying table, which shows also the cost of the Defence services

TOTAL DEFENCE EXPENDITURE (£ thousands)

	A.R.P.	Food Stor.	Pub. Util.	Total Civil	Armed Forces	Grand Total
1937-38 net expen. from votes	3,430	29	...	3,459	197,843	201,302
Do. ‡	262,710	...	...	...	266,169	...
1938-39 original estimates	8,609	37	...	8,646	253,248	261,894
Do. ‡	343,248	...	...	...	321,894	...
1938-39 final estimates	9,400	8,546	...	17,946	254,408	272,352
Do. ‡	382,436	...	...	...	400,402	...
1939-40 original estimates	5,466	3,569	...	9,035	219,047	228,082
Do. ‡	523,047	5,069	9,000	56,335	523,047	579,582

* After addition of expenditure, if any, met from loans, etc. † Including headquarters' expenses (Home Office or Board of Trade). ‡ Exchequer issues.

proper, for purposes of comparison. A.R.P. is the oldest form of civil defence, and so far the most costly. The Essential Commodities Reserves Fund (mainly food storage) was inaugurated in 1938-39, and in the coming year will require £1,500,000 from loans as well as £3,500,000 from Votes. No details, other than those contained in the recent Civil Defence Bill, are yet available of assistance to public utilities and other essential services. But the A.R.P. Vote includes a token sum for this purpose, and it can only be inferred that, in accordance with the Defence White Paper, some £9,000,000 will be spent—presumably from loans. Civil defence expenditure to be met from loans in 1939-40 will thus probably be £46 or £48 millions.

Navy.—Large as the rise in expenditure is during the past few years, the cost of the Navy has not grown in nearly so heavy a proportion as that of the other services, and 1939-40 is the first year in which total expenditure on the Navy is the lowest of the three forces. Original

NAVY EXPENDITURE (£ thousands)

	1934-35	1935-36	1936-37	1937-38	1938-39 Est.	1939-40 Est.
Average number of effectives	91,351	94,259	99,886	107,040	146,500*	133,000
Wages, etc., of Officers and Men	12,689	13,140	13,693	13,970	16,582	17,540
Victualling, clothing and medical	3,513	3,841	3,975	4,757	5,315	5,920
Fleet Air Arm	1,338	1,993	3,572	4,200	5,201	—
Educational and Scientific Services	650	685	702	750	880	1,006
Royal Naval Reserves	342	334	330	352	356	473
Shipbuilding, Repairs, etc.	20,929	25,784	35,179	32,368	42,102	23,839
Naval Armaments	4,034	5,657	8,629	7,564	8,998	3,054
Works, Buildings and Misc. effective	2,622	2,839	3,939	2,963	4,217	5,782
Admiralty Office	1,106	1,155	1,307	1,482	1,602	1,735
Non-Effective Services	9,393	9,479	9,650	9,778	9,897	10,050
Total Expenditure from Votes	56,616	64,888	80,976	77,892	96,118	69,399
				(101,892)‡	(127,868)‡	(149,399)‡

* Temporary maximum. ‡ After adding proportion from Defence Loans.

estimates for 1938-39 required £93.7 millions from Votes and £30 millions from loans. Last May a supplementary estimate for £2,410,500 from Votes was presented, of which £995,000 was for increased pay and allowances,

while the cost of the September mobilisation was covered in March, 1939, by an additional £1,750,000 from loans.

Estimates for 1939-40 required £69.4 millions from Votes plus £80 millions from loans. The increase of £21.6 millions in gross expenditure as compared with final estimates for 1938-39 is due mainly to an increase of about £16 millions in shipbuilding contract work, £1.2 millions in matériel, and about £3½ millions for works, buildings, etc. But the separate vote for the Fleet Air Arm appears no longer, as the cost is distributed among the other votes. The sections for matériel and contract work alone include over £8 millions in respect of aircraft.

The shipbuilding programme for 1939-40 requires £46.1 millions against £37.8 millions for new construction

Army.—Expenditure on the Army and the ordnance factories will exceed the cost of the Navy for the first time in 1939-40, when £83.1 millions from votes and £82 millions from loans will be required. The original estimates

ARMY EXPENDITURE (£ thousands)

	1934-35	1935-36	1936-37	1937-38	1938-39 (Est.)	1939-40 (Est.)
Number of effectives	149,500	152,200	158,400	168,900	228,000*	185,700
Pay, etc., of the Army	9,514	9,439	8,887	9,122	10,160	11,943
Territorial Army and Reserve	4,777	5,056	5,979	8,044	10,131	14,022
Medical Services	910	1,010	1,106	1,075	1,289	1,458
Educational Establishments	866	910	944	1,043	1,327	1,542
Quartering and Movements	1,269	1,650	2,358	2,016	3,078	3,107
Supplies, Transport, etc.	3,851	4,450	4,794	6,209	9,163	9,521
Clothing and gen. stores	2,333	2,857	4,039	4,572	7,242	13,539
Warlike stores	2,820	5,203	10,713	16,436	23,350	8,661
Works, Buildings, etc., and Misc. Effective Services	4,292	4,802	5,991	4,630	9,794	7,972
War Office	816	852	938	1,079	1,238	1,292
Half-Pay, Pensions, etc.	8,242	8,424	9,267	9,353	8,587	8,866
Net expenditure	39,692	44,654	55,015	63,569	85,357	81,923
				(73,509)‡	(112,620)‡	(148,150)‡

* Temporary maximum. ‡ After adding proportion from Defence Loans.

for 1938-39 were for £86 millions from votes and £30 millions from loans. But this loan figure was raised to £39.1 millions by two Supplementaries, one of £6.2 millions for the Army (due chiefly to acceleration of the works programme, but also to improved service conditions and to operations in Palestine) and one of £3 millions for the ordnance factories.

The main heads of expenditure for the Army, excluding the ordnance factories, are shown in the accompanying table. The largest single increases are of £15.3 millions for the warlike stores and £6 millions for the works, buildings, etc., groups. In addition to these major items, grants to county associations for the Territorial Army have increased substantially, while the larger numbers of and the improved conditions for the Regular Army are reflected in the votes for pay, clothing and general stores.

Of the total estimated cost of £16.9 millions for the ordnance factories in 1939-40, all but £1,164,000 is to be met from loans. Total capital expenditure is estimated at £16.7 against £9.5 millions.

Air Force.—There has been a tendency in recent years for expenditure on the R.A.F. to overhauled that on the other Forces, but right up to the 1938 Budget the Air Force involved a smaller gross cost than the Navy. Supplementary estimates (all from loans) for 1938-39, however, and still more the estimates for 1939-40, have raised the R.A.F. to a pre-eminent position.

Original estimates for 1938-39 required £73½ millions from votes and £30 millions from loans, but supplementary estimates doubled the expenditure to be met from borrowing. A supplementary for £22.9 millions in July, 1938, was for general expansion, including an increase in the personnel, and still further acceleration led to a supplementary for £8.1 millions in February, 1939. Thus the number of effectives in 1938-39 was originally 83,000; it was then increased to 96,000, and later to 102,000.

The most important increases in the 1939-40 estimates (the main heads of which are summarised in the annexed comparative table) are of £40.2 millions in technical and warlike stores and of £17.7 millions in works, buildings,

AIR FORCE EXPENDITURE (£ thousands)

	1934-35	1935-36	1936-37	1937-38	1938-39 (Est.)	1939-40 (Est.)
Number of effectives	28,780	35,942	48,583	60,370	102,000	118,000
Pay, etc., of R.A.F.	4,227	5,025	6,274	8,191	11,967	14,870
Quartering, Supplies and Transport	1,456	2,537	3,328	4,793	7,263	10,912
Technical and Warlike Stores	7,190	11,640	25,342	31,434	39,660	46,870
Works, Buildings and Lands	1,820	4,864	10,560	18,679	24,390	28,501
Medical Services	295	335	390	457	577	693
Technical Training and Educational	380	488	687	805	1,170	1,518
Auxiliary and Reserve Forces	406	473	549	896	1,961	4,789
Civil Aviation	509	419	602	1,693	2,566	4,787
Meteorological and Misc.	328	523	821	1,124	2,613	5,455
Air Ministry	691	834	1,024	1,273	1,610	2,130
Half-Pay, Pensions, etc.	368	375	418	454	524	587
Net Expenditure	17,671	27,515	49,996	55,799	73,501	86,561
				(81,799)†	(134,501)†	(208,561)

† After adding proportion from Defence Loans.

etc. The omnibus item for "aircraft and balloons" alone amounts to £93.6 millions in 1939-40. Though small beside the cost of machines, the rising cost of the reserve and auxiliary forces and of civil aviation is significant.

Civil Estimates.—The rise in armaments expenditure may be spectacular, but 1939-40 will be the first time in recent years that civil expenditure is actually exceeded by the gross defence estimates. Comparison of the civil services over a period of years is made difficult by the new method of financing the Road Fund and by the intrusion of defence upon the civil votes. For, quite apart from part of the cost of wars past (through the Ministry of Pensions vote), wars future are provided for through the civil defence sections of Classes III and VI, and wars present are responsible for much of the sharp rise in the foreign and imperial group. But when all allowance is made for those votes which are not for genuine civil purposes, the fact remains that most classes of civil expenditure have been rising slowly and persistently, though increases have recently been on a modest scale. And 1938-39 is the second year to show a saving on the civil estimates, for issues in that year were £10.6 millions below final estimate.

In 1937-38, net expenditure on the civil and revenue departments (excluding post office and broadcasting) fell short of final estimates of £422.7 millions for that year by £17.2 millions, without taking into account the £10 millions margin allowed in the 1937 Budget for supplementaries. Nearly £10 millions of this saving was due to unemployment assistance, but there was in addition an underspending of £1,805,000 on A.R.P., some £1,173,000 on Class II and £1,032,000 on the beet-sugar subsidy. Original estimates for 1938-39 provided for £439 millions plus £10 millions for supplementaries, which eventually required £15,177,000 (including £9,290,000 for civil defence), less a deduction of £2,301,000 made possible by the Eire agreement. Actual issues in 1938-39 were £441.3 millions, compared with final estimates of £451.9 millions and 1937-38 net expenditure of £405.5 millions. If civil defence is eliminated, the comparison would be about £423.4, £434.0 and £402.1 millions respectively. The allocation of expenditure among the different classes and their subdivisions is shown in the table on page 145.

CENTRAL GOVERNMENT (Classes I, II, III).—Class I, covering Central Government and Finance, is by far the smallest of the separate civil classes, though its proportionate increase in recent years is considerable.

As its absolute expenditure is not large, Class II does not attract much public attention, but its rapid increase since 1937-38 is one of the main features in the civil estimates, and yet it is due entirely to disturbances outside this country. Our table shows the rise from 1937-38 to 1939-40 to be £7,281,000, although the earlier year included £2,542,000 for Eire services which are now transferred to the Consolidated Fund owing to the agreement with Eire, and which no longer appear in the estimates. Palestine, and to a smaller extent Spain and China, caused original estimates for 1938-39 to be £2,164,000 above 1937-38 expenditure.

During the year, supplementaries were presented for £3,693,000 (mainly on account of Palestine) and a reduction of £1,748,000 in the Eire services. For 1939-40, however, the increase over 1938-39 final estimates is due chiefly to a rise from £2 to £5.3 millions in grants towards military expenditure from Indian revenues.

Class III also is affected by the Eire agreement, though as the Irish Land Purchase section covers Northern Ireland as well as Eire this vote is roughly halved, at £1,225,000, and not eliminated. During 1938-39, there was a reduced estimate of £554,000 for Irish Land Purchase and a supplementary estimate of £790,000 for A.R.P.

EDUCATION.—Expenditure on education has the distinction of showing, in the long term, a large proportionate increase, and yet it is less subject to special factors or to circumstances beyond direct control than almost any other civil class. Between 1934-35 and 1939-40, total Class IV votes (excluding broadcasting) will have risen by nearly a fifth, though in that time the average number of children attending elementary schools will have fallen from 4,907,453 to 4,392,000. On the other hand, the 80 per cent. more costly secondary school attendance has risen from 448,421 children in March, 1934, to 494,321 in October, 1938, while salary cuts have been restored. In fact, it is the quality and not the quantity of educational facilities that has been rising, and much of the higher cost is due to services of a non-scholastic character. In elementary education, teachers' salaries now form 59 per cent. of the cost per pupil, yet before the war, when the scale of remuneration was lower, this proportion was about 64 per cent. Some particulars of education in England and Wales are given in the accompanying table.

EDUCATION IN ENGLAND AND WALES

	Board's Net Estimates		Total Expenditure by L.E.A.s†		Cost per Elementary Pupil
	Total Vote	Grants to L.E.A.s	Elementary Education	Higher Education	
1933-34	£ Mn.	£ Mn.	£ Mn.	£ Mn.	£ s. d.
1934-35	14.7	12.8	25.6	4.4	4 15 2
1935-36	42.9	39.0	61.2	15.8	12 2 7
1936-37	42.1	37.8	61.9	16.0	12 4 6
1937-38	46.1	39.5	64.6	16.8	13 3 3
1938-39	48.1	42.1	68.2	18.1	14 7 5
1939-40	49.5	44.8	69.8	19.0	15 16 4
1940-41	51.0	45.6	71.6	20.1	16 7 1*
1941-42	52.2	46.3	74.0*	22.0*	16 17 1*

* Provisional.

† Including proportion borne by the rates.

In 1939-40, grants to local authorities for education account for £58.5 millions net out of the Board of Education and Scottish public education votes combined of £60.3 millions. Such grants represent very roughly half the gross expenditure on education. In secondary schools, the gross cost per pupil in 1937-38 was about £36 2s., against £35 8s. in 1936-37, fees and other receipts reducing this gross cost by about £5 10s. per pupil. Reorganisation preparatory to the raising of the school-leaving age has resulted in some increase in miscellaneous expenditure.

HEALTH, LABOUR AND INSURANCE (CLASS V).—*Health.*—The greater part of the "health" and miscellaneous services consist of housing grants, and most of the balance is attributable to contributions to the National Health Insurance Fund, which will receive £6.6 millions from votes in 1939-40. Direct grants for specific health services still represent a trifling fraction of national expenditure, though they have been increasing rapidly in recent years. Grants for physical training, however, are borne on the Education votes.

Labour.—Unemployment assistance and allocations to the Special Areas Fund are the main causes of fluctuation in Class V votes. Most of the net cost of the Ministry of Labour consists of the Government's contribution towards the Unemployment Fund, and as this depends on the number of persons in employment it is a relatively stable item of expenditure, while the vote for the Unemployment Assistance Board (which in 1937-38 cost £10 millions less than the final estimate) is more fluctuating. But the method

of financing unemployment—partly through the Fund and partly through allowances—is such that variations in the gross cost of unemployment do not show up clearly in the civil votes. Thus for 1939-40 Government contributions to the Unemployment Fund are slightly lower, though gross expenditure on benefit is estimated at £51 millions, against £39 millions in 1938-39, while allowances will cost about the same, at £39 millions. The gross cost of administering benefit and allowances is about £6.4 millions. The remaining labour items consist of employment schemes (on which expenditure has been falling slowly, and which will cost £3,280,000 in 1939-40), financial assistance in the Special Areas and the Special Areas Fund. The latter provision for 1939-40 is halved at £3,750,000, but the Fund had an estimated balance in March, 1939, of £3,300,000.

Pensions.—Since 1934-35 the Old Age Pensions vote has risen by 17 per cent. and, as in 1937-38, it was necessary in the year just elapsed to present a supplementary estimate for £200,000. The rise in the vote for contributory pensions is due partly to the automatic annual increase of £1,000,000 under the Widows' and Orphans' and Old Age Contributory Pensions Act of 1936, and partly to a new item of £1,950,000 in respect of the voluntary scheme introduced under the 1937 Act.

TRADE, INDUSTRY AND TRANSPORT (CLASS VI).—Even excluding roads, expenditure on this class of the estimates has risen remarkably in the past seven years, due mainly to direct or indirect assistance to agriculture and to the fishing industry. In our table, the composite item, "Agriculture, livestock and fisheries," comprises expenditure on the Ministry of Agriculture and Fisheries (and the relative Scottish votes), the beet sugar and oats and barley subsidies, milk, bacon, land fertility and the Scottish herring industry. Since 1933-34 this group of expenditure has risen from £5.8 millions to £15.4 millions in 1939-40. Individual items (and especially the beet sugar subsidy) fluctuate

from year to year, the rising trend being due chiefly to new methods of assistance.

For the first time since expenditure on roads was transferred to the civil votes, a proper comparison between two years is possible. In 1939-40 the grant to the Road Fund will be £23.5 millions against £21.6 millions. The Fund had outstanding in March, 1939, commitments of about £57.9 millions to highway authorities and £13.1 millions for trunk roads. New commitments in 1939-40 are estimated respectively at £21.7 millions and £18.4 millions, and payments at £18.2 millions and £7.0 millions. The balance in the Fund in March, 1939, was about £2,045,000.

Other votes in Class VI include £780,000 for the Board of Trade and Mercantile Marine Services, £650,000 for the Forestry Commission and £1,355,000 for Development Fund and Grants.

OTHER CIVIL AND REVENUE VOTES.—Though not of great absolute importance, Class VII votes for Common Services (Works, Stationery, etc.) have risen sharply since 1936-37, mostly on account of increased expenditure on public buildings and Government offices. During 1938-39 supplementary estimates totalling £1,178,000 were presented. In 1939-40 some £3,149,000 is required for rates and £3,436,000 for stationery and printing; the remainder is mostly for buildings.

Out of the total Class VIII vote for 1939-40, some £36.7 millions will be distributed in actual war pensions, which are now declining by roughly £1,000,000 a year. Exchequer contributions to local revenues (Class IX) vary only very slightly from year to year. A sharp rise in 1937-38 was due entirely to the cessation of former contributions from the Road Fund. Expenditure on the two Revenue departments shows the same slowly rising trend as in many other sections of the civil votes. The Inland Revenue, however, now has additional work in connection with N.D.C. In 1937-38 the cost of collection was 1.72 per cent. of gross sums collected by the Inland Revenue, against 1.85 per cent. for 1936-37.

POST OFFICE AND BROADCASTING.—Another decrease in Post Office net receipt (of £970,000 in 1938-39) suggests that relations with the Exchequer may have to be reviewed again. At present the Government is entitled to a fixed £10½ millions (excluding the share of wireless licences, and subject to adjustments). The Post Office hands over its actual working surplus, and any deficiency below the fixed contribution is made up from the Post Office Fund, which alternatively receives any excess profit. Receipts from the Fund are normally small, but the last Budget provided for a payment of £2,400,000 by the Fund in 1938-39. Even after offsetting an over-payment to the Exchequer of £220,000 in 1937-38, this represented a large draft upon a Fund whose balance in March, 1938, was £3,084,000, but finally only £1,400,000 has been drawn upon.

Growing business activity, the better quality and scope of the services rendered by the Post Office, and especially rapid developments in air mail and telephone services, are reflected in a considerable increase in expenditure in recent years. Excluding broadcasting, estimates for 1939-40, at £79.6 millions, are one-third higher than 1934-35 expenditure.

The Commercial Accounts for 1937-38 show operating income on general account, excluding broadcasting, of £87.7 against £84.1 millions, to which postal (including postal and money order) business, telegraphs, telephones, and remuneration for work done for other departments, contributed respectively £48.1, £3.3, £32.0 and £4.3 millions, against £46.3, £3.3, £30.4 and £4.1 millions. Operating expenditure was £70.8 (against £66.4 millions). This includes £36.5 millions salaries, etc., to the non-industrial staff, and £8.5 millions for plant depreciation, but not £6.3 millions interest on capital. The year's surplus, after charging this interest and bringing in other receipts, was £11.2 against £12.3 millions. Although gross telephone receipts expanded, the operation in a full year of reduced charges introduced in October, 1936, affected profits, and the telephone surplus for 1937-38 was over £1,000,000 lower at £429,000. Postal business showed a rather more

CIVIL AND REVENUE DEPARTMENTS NET EXPENDITURE † (£ thousands)

Votes	1936-37	1937-38	1938-39	1939-40
	Est.	Est.	Est.	Est.
I.—Central Government and Finance	2,270	2,464	2,571	2,685
II.—Foreign and Imperial	9,213	8,106	12,215	15,387
of which: F.O., Diplomatic and Consular	3,384	1,985	1,982	1,894
Colonial and Middle Eastern	862	896	4,937	4,399
India and Burma	1,619	1,605	2,112	5,864
III.—Home Dept., A.R.P., Law and Justice	18,400	21,981	25,336	24,294*
of which: A.R.P. (inc. H.Q. expenses)	681	3,434	4,490	5,146*
Police and Prisons	14,288	18,547	18,500	18,879
Total, Class III excluding A.R.P.	17,779	18,571	18,996	18,828
IV.—Education, Museums, etc. (exc. B.B.C.)	58,457	59,956	61,856	63,343
of which: Board and Dept. of Education	55,537	57,147	58,896	60,316
Universities and Colleges	2,966	2,145	2,262	2,266
V.—Health, Labour and Insurance	162,238	160,054	172,552	172,320
of which: Housing Grants	16,804	17,166	17,704	18,515
Health Insurance and Misc.	8,462	8,761	9,288	9,298
Total, Health and Insurance	25,266	25,927	26,992	27,813
Ministry of Labour	23,615	24,746	24,477	24,264
Unemployment Assistance	47,116	41,740	44,345	43,600
Special Areas, and other labour items	7,966	7,176	11,821	7,646
Total, Labour	77,997	72,662	80,415	75,810
Old Age Pensions	44,175	45,485	47,917	48,717
Contributory Old Age, etc., Pensions	15,000	16,000	17,000	19,950
Total, Pensions	59,175	61,485	64,917	68,667
VI.—Trade and Industry	17,647	30,864	49,892	48,145*
of which: Civil Del. (Food, etc., Storage)	16,430	29	8,546	8,689
Agric., Livestock, and Fisheries	11,128	19,436	13,886	15,418
Roads	17,647	30,864	49,892	48,145*
Total, Class VI excluding Civil Defence	9,360	10,421	12,871	14,111
VII.—Common Services (Works, etc.)	44,973	43,821	43,100	42,098
VIII.—War Pensions, Superannuation, etc.	41,883	40,189	39,490	38,577
IX.—Block Grants to Local Authorities	45,192	54,139	54,248	54,170
Total, Civil Departments (exc. B.B.C.)	367,810	391,806	437,641	436,551
Road Fund	27,127			
Inland Revenue	7,311	7,834	8,220	8,518
Customs and Excise	5,792	5,873	6,065	6,128
Total Civil, Revenue and Roads	400,640	405,513	451,926	451,197
excluding Civil Defence	407,959	402,624	443,859	442,162
Post Office	68,927	72,685	78,802	79,634
Broadcasting	2,833	3,230	3,690	3,765

† From Appropriation Accounts, 1936-37 and 1937-38; latest estimates, 1938-39; Budget estimates, 1939-40. * Plus £37 millions from loans; votes include taken sum only for assistance to public utilities, for which further £9 millions from loans indicated by Defence White Paper. † Plus £11 millions from loans. ‡ Including Indirect (Defence Plans) Dept. of Board of Trade.

moderate growth than in the previous year. Capital expenditure in 1937-38 was £17.2 against £13.6 millions, while in 1938-39 the Exchequer issued £22.6 millions for capital purposes. These advances are repaid by means of annuities charged on the Post Office vote, which includes £13.9 millions for this purpose in 1939-40.

The National Debt

IT is clear that the upward movement in both the nominal value and the annual cost of the National Debt already apparent two years ago will become still more pronounced as borrowing for armaments continues. By March, 1938, the dead-weight debt had been lifted for the first time above £8,000 to £8,026 millions, owing to an increase in the Exchange Equalisation Fund and to the first Defence Loan placed in April, 1937. On a comparable basis, the debt was probably about £8,166 millions at the end of March, 1939, and there is some indication that a year hence it will be nearer to £9,000 than to £8,000 millions.

Nominal Value.—The latest year for which full details are available is 1937-38, and we show in the accompanying table how the dead-weight debt was made up in March, 1938, and certain earlier years.

NOMINAL VALUE OF NATIONAL DEBT AT MARCH 31ST (£ MILLIONS)

	1923	1935	1936	1937	1938
INTERNAL DEBT					
FUNDED DEBT:—					
Pre-war Funded Debt*	314.2	313.3	313.3	313.3	313.3
3½% Conversion Loan	683.6	739.6	739.6	739.4	739.4
4% Consolidated Loan	...	400.9	400.9	400.7	400.7
3½% War Loan	...	1,914.3	1,912.7	1,911.5	1,911.4
Total Funded Debt	997.8	3,368.1	3,366.5	3,364.9	3,364.8
TERMINABLE ANNUITIES	13.7	12.1	12.1	12.1	12.5
INTERNAL UNFUNDED DEBT:—					
(a) Other than Floating Debt:					
2½% Conversion Loan	...	206.5	206.5	206.6	206.5
Old War Loans, Bonds, etc.	3,274.2	301.8	301.8	301.8	301.8
2½% Funding Loan	...	...	126.0	200.3	200.2
3½% Funding Loan	...	148.8	147.2	109.6	100.6
4½% Conversion Loan	400.4	361.0	357.6	354.0	350.2
5% Conversion Loan	...	375.4	368.9	365.9	363.4
4½% Victory Bonds	353.9	323.0	322.8	322.8	322.8
2½% Nat. Defence Bonds	...	323.5	320.3	316.9	313.4
Treasury Bonds	411.0	234.3	172.2	...	100.2
Savings Certificates	353.8	1397.4	1395.8	1394.3	1383.6
Total of (a) (inc. other debt)	4,795.3	2,671.7	2,719.1	2,808.8	2,892.5
(b) Floating Debt:					
Treasury Bills	616.0	799.3	763.1	674.6	828.7
Ways and Means Advances	193.9	34.1	19.1	23.5	13.1
Total Floating Debt	809.9	833.4	782.2	698.1	841.8
Total Internal Unfunded Debt	5,605.2	3,505.3	3,501.3	3,506.9	3,734.3
TOTAL INTERNAL DEBT	6,616.7	6,885.6	6,879.9	6,883.9	7,111.6
EXTERNAL DEBT	1,155.7	1,036.5	1,036.5	1,032.6	1,032.5
TOTAL DEAD-WEIGHT DEBT	7,772.4	7,922.1	7,916.4	7,916.5	8,144.1
Funding Loan and Vic. Bds. held by Nat. Debt Commissioners	30.2	121.7	120.6	119.3	118.0
NET TOTAL DEAD-WEIGHT DEBT	7,742.2	7,800.4	7,795.8	7,797.2	8,026.1

* 2½% Consols, 2½ and 2½% Annuities, and Debts to Banks.
† Includes National Savings Bonds (now about £3½ millions).

Net Indebtedness.—The preceding table, however, does not give a completely accurate picture of the position of the National Debt. On the one hand, it takes no account of assets acquired against the debt, and on the other omits interest accrued on Savings Certificates, for this interest is only charged in the accounts as repayments are made. There are also other capital liabilities of the State, amounting to £123 millions in March, 1938, but as there are physical assets against these liabilities, it seems proper to exclude them entirely from an estimate of net indebtedness. Payments of interest and principal on War debts have virtually ceased since the Lausanne conference of 1932, and official statements of assets exclude all War debts due from foreign countries or the Dominions to this country. It is thus logical to exclude also our own external debt to other countries, chiefly to the United States of America.

In the accompanying table a figure of the State's net

The 1939-40 estimates for broadcasting (technically included in the education votes) are double the 1934-35 expenditure. An increasing share of gross wireless licence revenue, which was £4,269,000 in 1937-38, goes to the B.B.C., and for 1938-39 the Exchequer share is estimated at no more than £400,000.

indebtedness is estimated. The assets shown are of a financial character only, and do not include the value of physical assets such as Government buildings or Crown lands. No

NET INDEBTEDNESS OF THE STATE (£ millions)

	Mar. 31, 1935	Mar. 31, 1936	Mar. 31, 1937	Mar. 31, 1938
Net total deadweight (as above).....	7,800.4	7,795.8	7,797.2	8,026.1
Deduct External debt	1,036.5	1,036.5	1,032.6	1,032.5
	6,763.9	6,759.3	6,764.6	6,993.6
Add accrued interest on saving certificates	107.3	116.3	124.0	130.9
	6,871.2	6,875.6	6,888.6	7,124.5
Deduct estimated assets	517.1	510.1	499.7	669.1
	6,354.1	6,365.5	6,388.9	6,455.4
Deduct Exchequer balances	2.5	2.7	2.7	2.4
Net total	6,351.6	6,362.8	6,386.2	6,453.0

account is taken, on the one hand, of contingent liabilities such as guaranteed loans, or on the other of advances (so far unrepaid) to certain colonial Governments.

Changes in the National Debt, 1938-39.—The effect of the year's transactions can be summarised in the form of a balanced statement, as follows:—

Receipts		Issues	
Bullion adv. (net repay.)	50	Year's deficit	12,714
Title Act adv. (net change)	65	Issues under Def. Fin. Act	128,050
Land Settlement repayments	139	Assist. Act. to Czechoslovakia	10,029
	265	N. Atlantic Shipping	100
		Assist. Turkish Arms credit	14
		Old sinking fund	135
		Inc. in Exch. balances	153,737
Met by increase in debt*	153,422		153,737
	153,737		
Debt Raised		Debt Repaid	
3½% Nat. Defence Loan	79,596	Nat. Savings Certs. (net)	4,350
Treasury bills (net inc.)	63,806	Nat. Savings Bonds (net)	334
Ways & Means adv. (net inc.)	14,799	Repayments, under War Fin. Acts	46
			4,730
		Net increase in gross debt*	153,472
	158,202		158,202
Receipts, etc. (Self-balancing)		Issues (Self-balancing)	
Receipts from Fire	10,000	Iss. under Fire Agreement	10,000
Post Office cap. expend.	22,600	To P.O. for cap. expend.	22,600
Def. int. recd. from depts.	1,946	Defence L. int. paid	1,946
Suez Canal shares drawn	39	Suez Canal shares drawn	39
	34,585		34,585

* This is before debt reduction due to sinking funds, as sinking fund payments cannot yet be allocated.

None of the year's transactions was comparable in size with the Exchange Equalisation Account increase of

FLOATING DEBT (£ thousands)			
	March 31, 1938	March 31, 1939	Change
Ways and Means Adv. outstanding:—			
By Bank of England	13,095	27,885	+ 14,790
By Public Departments	828,660	892,425	+ 63,765
Treasury Bills outstanding†	841,755	920,310	+ 78,555
Total Floating Debt outstanding	841,755	920,310	+ 78,555
† Including Treas. bill proceeds not carried to Exch. within period of the act.	66	15	— 51

1937-38. The amount received from Eire under the Agreement, in discharge of all her liabilities, has been re-issued, mainly for Irish stocks debt redemption.

The Debt Charge.—In the 1937 Budget no alteration was made in the fixed debt charge, but during the year 1937-38 the total cost of interest and management (as

we show in the following table) rose by about £5.3 millions. This increase was due to the charge of a full year's interest on the 2½ per cent. Funding Loan 1956-61, to the issue of the 2½ per cent. Funding Loan 1952-57, and to the payment of interest (though not for a full year) on the 2½ per cent. National Defence Bonds 1944-48. As a result, the fixed debt charge was not quite enough to meet the statutory sinking funds as well. Partly for this reason Sir John Simon in April, 1939, raised the fixed debt charge from £224 to £230 millions. The cost of armaments borrowing

NATIONAL DEBT INTEREST (£ millions)						
	Treasury Bills	Savings Certificates	Total of (1) & (2)	Other Interest Charges	Management and Expenses	Total Interest, Management, etc. (3) to (5)
	(1)	(2)	(3)	(4)	(5)	(6)
1932-33 ...	5.9	15.0†	20.9†	259.2	2.1	282.2†
1933-34 ...	4.1	11.1	15.2	200.0	1.1	216.3
1934-35 ...	3.5	9.0	12.5	188.1	1.0	211.7
1935-36 ...	3.5	8.9	12.4	198.1	1.0	211.5
1936-37 ...	3.8	9.4	13.2	196.6	1.1	210.9
1937-38 ...	3.6	10.6	14.2	201.0	1.0	216.2

† In 1932-33, excluding £2,655,995 Savings Certificates' interest in excess of Permanent Debt Charge.

however, is not, and will not be, reflected in the Consolidated Fund payments. The Defence services are paying 3 per cent. on the sums from loans issued to them in preceding years, so the charge is carried in the Supply Votes.

Debt Redemption.—The composition of the nominal sinking fund during the six years ended 1937-38 is shown in the next column. But issues to the New Sinking Fund are far from representing a net redemption of debt. New loans for general purposes are raised from time to time. Budget surpluses or deficits reduce or increase debt. Sometimes there are special maturities to be provided for, such as £27.3 millions of 2½ per cent. Treasury bonds in February, 1937. Then each year there is some net change in the principal of outstanding National Savings Certificates, and nearly always a number of special transactions.

On a cash basis, there was a net redemption of debt of £13.5 millions in 1935-36 and £5 millions in 1936-37, but an increase of £226.7 millions in the course of 1937-38. Since March, 1938, there has been an issue of £79.6 millions (cash) of 3 per cent. National Defence Bonds, but an increase in the floating debt of £78.6 millions has been

necessary to meet the Budget deficit of £12.7 millions, issues out of Defence Loans in excess of sums actually borrowed (£48.4 millions), and various other payments (in particular the £10 millions placed at the disposal of (000's omitted)

	1932-33	1933-34	1934-35	1935-36	1936-37	1937-38
Specific Sinking Funds						
Principal of Terminable Annuities	£ 909	£ 920	£ 928	£ 922	£ 933	£ 948
Sinking Fund for:—						
3½% Conversion Loan	7,503	...	...	...	...	...
4% Consolidated Loan	2,310	...	...	...	...	...
4% Funding Loan	3,581	3,726	3,868	4,002	4,141	4,286
3% Funding Loan	...	...	...	1,135	1,039	1,783
4% Victory Bonds	2,836	3,053	3,175	3,302	3,431	3,572
U.S.A. Government Loan	9,081*	...	...	...	...	...
Total of above	26,330	7,699	9,106	9,865	10,196	10,544†
Balance	...	51	3,237	2,991	2,931	Nil
Nominal Sinking Fund ..	26,330	7,750	12,343	12,466	13,127	10,544

* This represents proportion of total payment made on December 15, 1932, which would normally count as repayment of capital, although the right was reserved to treat the whole sum on this occasion as a capital payment. † Of this £2,777,000 fell outside the fixed debt charge.

Czecho-Slovakia) amounting to about £17½ millions net. On the other hand, sinking funds will have reduced debt by £13.2 millions and net repayments of Savings Certificates and Bonds were £4.7 millions. Thus the deadweight debt is

THE NATIONAL DEBT, 1913-1938 (£ millions)			
Financial Year	Net nominal total of Deadweight Debt outstanding at end of Financial Year	Interest Management, etc.	Col. (2) as % of col. (1)
	(1)	(2)	
1913-14	649.8*	19.3	2.97
1932-33	7,643.8	282.2	3.67
1933-34	7,822.3	216.3	2.77
1934-35	7,800.4	211.7	2.71
1935-36	7,795.8	211.6	2.71
1936-37	7,797.2	210.9	2.70
1937-38	8,026.1	216.2	2.69
1938-39	8,166.0†	216.8	2.66

* Debt at beginning of year. † Provisional estimate including reduction in debt effected by sinking funds.

probably £140 millions higher at £8,166 millions. The accompanying table summarises for a series of years the nominal debt total, and the cost of interest and management, with the latter expressed as a percentage.

Other Topics

LOCAL AUTHORITIES

THE latest year for which detailed Local Government accounts are available is 1935-36, and we have estimated that in that year expenditure incurred in Great Britain and Northern Ireland, by the Central Governments, Road Fund and local authorities combined, was about £1,163 millions, against £1,113 millions in 1934-35. For later years the estimated revenue from rates was £171.5 million in 1936-37 and £176 million in 1937-38 respectively in England and Wales, and £20.3 and £20.5 millions in Scotland. The table and other information which follow refer to England and Wales only.

Rate fund services in 1935-36 cost £287.6 millions for general expenses, plus £62.9 millions for loan charges, on revenue account, and £75.0 millions on capital account, against £277.2, £63.1 and £62.1 millions respectively in 1934-35. On revenue account (including loan charges) elementary and higher education cost £92.2, against £86.9 millions; all public health services, including mental treatment, £64.9 against £61.6 millions; poor relief, £37.8 against £36.2 millions; police, £23.9 against £22.3 millions; and roads, £48.6 against £47.5 millions. Housing schemes (including the acquisition of small dwellings) cost £7.9 against £12.8 millions for general expenses, plus £31.6 millions (about the same) for loan charges on revenue account, while capital expenditure was £37.9 against £29.4 millions. Housing is the largest item of capital expendi-

Local Authorities England and Wales £ millions				
	1932-33	1933-34	1934-35	1935-36
Income*				
Total on Revenue Acc.	441.6	446.6	461.4	481.2
Of which rates	146.3	148.6	154.8	164.9
Of which grants	120.5	121.6	125.0	132.9
Receipts from loans	80.8	62.8	64.8	82.3
Expenditure*				
Total on Revenue Acc.	430.3	433.2	454.8	470.9
Of which loan charges ...	100.0	100.5	101.0	100.2
Total on Capital Acc.	84.8	89.3	80.6	96.8
Of which sinking funds†	7.9	18.6	8.9	9.0
Rateable value at start	269.9	274.2	285.3	293.6
Gross loan debt at end	1,393.6	1,404.4	1,421.5	1,451.3
Of which education	75.0	75.6	76.4	79.0
Sewers, etc.	74.8	78.1	79.3	81.6
Housing	466.7	480.8	492.4	551.6
Trading and water ...	475.6	470.7	472.3	475.7
Others	301.5	299.2	301.1	263.4
Bices. in sinking funds, etc.	93.2	98.2	99.9	98.7

* Including Trading Services. † Including repayments.

ture, but in addition £6.3 millions was spent on education, £12.5 millions on public health and hospitals, and £9.1 on roads, against £4.7, £11.2 and £8.1 millions respectively. Of the total spent for capital purposes, £66.6 against £53.8 millions was for new works and £8.4 millions (about the same) for sinking fund or repayments.

On revenue account expenditure on the rate fund services was met to the extent of £51.4 against £56 millions from fees, rents and other recoupments, and £85.4 against £77.1 millions from Government grants, so that a balance of £213.7 against £207.2 millions was met out of rates. Housing contributed £22.1, against £27.5 millions in rents, etc. Of the specific Government grants, £43.4 millions were for education, £13.8 for housing and £11.5 for police, against £40.4, £13.4 and £10.7 millions respectively. Of receipts on capital account of £74.6 millions in all (compared with £59.3 millions in 1934-35), £58.6 against £43.8 millions came from loans and £12.3 against £12.0 millions from other capital receipts.

For the trading services (electricity, water, gas, transport, etc.), working expenses in 1935-36 amounted to £81.0 millions, loan charges to £35.2 millions, income of service to £124.1 millions, and capital expenditure to £28.7 millions, against £76.5, £35.5, £117.9 and £25.1 millions respectively in 1934-35. Measured by the revenue it produces electricity supply is the most important trading service; transport, which comes next, is half as large. Water supply is a close third, but its loan charges bear the highest proportion of all to income of service.

Of gross loan debt outstanding in March, 1936, £967.7 millions were for rate fund, and £483.6 millions for trading, services. But towards these sums, £63.3 and £35.6 millions respectively stood to the credit of sinking funds.

SOCIAL SERVICES

TOTAL expenditure in Great Britain upon the social services in 1936-37 and earlier years is summarised in the first of the accompanying tables. The gross cost is shown

EXPENDITURE ON SOCIAL SERVICES (£ millions)					
GREAT BRITAIN	1924	Year ending March 31,			
		1934	1935	1936	1937
Unemployment Acts ...	48.0	101.5	99.1	99.0	86.3
Health insurance ...	30.9	36.0	36.7	38.3	39.8
War pensions ...	69.6	42.8	41.2	40.5	39.5
Old age and other pensions	24.0	83.2*	85.6*	88.4*	90.1*
Education ...	86.6	102.3	106.3	112.4	115.2
Working-class housing...	16.6	44.8§	46.1	48.2	43.8
Poor relief ...	41.9	46.1	49.2	51.8	51.5
Health services† ...	14.5	22.6	23.8	25.2	27.9
Total	332.1	479.3	488.0	503.8	494.1
Total, less War Pensions	262.5	436.5	446.8	463.3	454.6

* Includes widows', orphans' and old age contributory pensions.
† Hospitals, maternity, lunacy, etc. || Calendar years.
§ Year ended March 31, 1933, for England and Wales.

—that is, total disbursements, no matter from what revenue the expenditure is met. Loan service (including provision for repayment and amounting to £47.6 millions in 1936-37) is included, but capital disbursements are excluded.

Social Services in Great Britain, 1936-37	Expenditure	Receipts from			Total Receipts	Persons benefiting (a) (Millions)
		Rates and block grants	Parliamentary Votes	Other Sources (Fees, etc.)		
Unemployment :—						
Insurance	44.4	...	21.6	43.5	65.1	13.5
Allowances	41.9	...	41.9	...	41.9	
Health Insurance	39.8	...	7.5	36.0	43.5	19.8
Pensions :						
Widows, etc.*	45.4	...	...	30.9*	30.9*	2.2
Old Age	44.8	...	44.8	...	44.8	1.9
War	39.5	...	39.5	9.1	39.5	0.9
Education	115.2	51.9	54.2	...	115.2	8.0
Housing	43.8	4.2	16.3	23.3	43.8	...
Poor relief	51.5	42.5	5.4	3.6	51.5	1.7
Health services	27.8	24.1	0.7	3.2	28.0	...
Total	494.1	122.7	231.9	149.6	504.2	...

* Exchequer contribution was £15,000,000 in 1936-37. (a) Unemployment and Health Insurance: insured persons.

Receipts in 1936-37 from various sources (Government grants, rate funds, and contributions, rents or fees) are shown in the second table. Expenditure out of the rate funds cannot be allocated between local rates and Government block grants, as the latter are not earmarked for specific purposes. The health services are still financed locally for the most part. In normal times this is also true of poor relief. In 1936-37 capital expenditure for all purposes was about £45.5 millions, of which £32.2 millions was for housing and £9.0 millions for schools, etc.

ASSISTANCE TO INDUSTRY

In July, last year, the Chancellor of the Exchequer told the House of Commons that in about seven years from October, 1931, some £55 millions had been spent from public funds in subsidies to industry and agriculture. In the accompanying table we set out particulars of some of the main forms of assistance that can be brought under this head. The figures refer to the whole of the Votes in question, and as they include miscellaneous expenses in some cases, they may overstate the direct subsidies actually received by producers. The Civil Aviation Votes especially for 1938-39 and 1939-40 are much influenced by the Defence programme.

It will be seen from the table that in the six years to March, 1940, about £67 millions will have been spent in direct subsidies. This is essentially a minimum amount, for

ASSISTANCE TO INDUSTRY AND AGRICULTURE

(£ thousands)

Years beginning April 1st

	1934	1935	1936	1937	1938*	1939†
Wheat levy†	6,810	5,640	1,340	1,933	...	...
Beet sugar subsidy	4,450	2,286	2,981	1,218	2,550	3,000
Livestock and cattle fd.	2,957	3,955	4,056	4,283	4,575	4,402
Land fertility	...	...	...	657	1,430	1,540
Oats and barley subsidy	...	...	...	...	203	930
Bacon industry	...	...	...	...	150	425
Milk	1,385	1,855	1,045	760	720	491
Total Agriculture, from votes	7,892	8,086	8,082	6,918	9,637	10,788
Herring industry	600	12	47	47	23	73
Assist. to Brit. shipping	...	1,998	2,000	4	...	...
Civilian aviation	509	419	692	1,693	2,568	4,787
Grand Total from votes	9,001	10,525	10,731	8,662	12,226	15,648

* 1938 latest, 1939 Budget estimates. † Paid to growers, years beginning August 1st. ‡ A five-year scheme, not provided for in the Estimates, is under consideration.

in addition to these provisions from Votes, there are many other forms of indirect assistance through protective duties or levies, whose value can be guessed at with varying degrees of success. For the sake of comparison we show the amounts paid to growers under the wheat scheme, though the figures are not brought into the totals. Then the beet sugar industry has, in addition to the direct subsidy, a revenue advantage which is shown by the *Agricultural Register* to have been of the order of £2½ millions to £3 millions a year. Oil produced in this country from coal is entirely relieved of the 9d. a gallon Customs duty, and the concealed subsidy it receives is thus about £3¼ millions, assuming an annual production of 100 million gallons of light oil.

Even among the direct subsidies, the ultimate amount of assistance in 1939-40 is likely to be much larger than the £15.6 millions indicated in our table. Since the Estimates were published, details have been issued of the proposed scheme for aid to the shipping and shipbuilding industries, which will cost over £3,250,000 a year.

The significance of these subsidies, indeed, is not their absolute size, but the fact that they have tended to increase through the introduction of new forms of assistance, and that they present an incomplete picture of the help of all kinds given through legislation.

THE BUSINESS WORLD

“Open Covers” in Gold Insurance

THE recent acceleration in the flow of gold from Europe to the United States has served to bring into greater prominence than ever before the thoroughly unsound principles on which the market for insuring the marine risk on gold shipments operates in such abnormal circumstances. Whenever the rush to ship gold across the Atlantic is stimulated either by the arbitrage profit to be made on such shipments or by the search for greater security, or as was recently the case, by a combination of these two factors, the concentration of gold on single vessels becomes such as to render the insurance of that gold too big a mouthful for the market to digest. One need only instance in illustration of this fact the case of the “Manhattan,” which, on its last voyage from this country to the United States carried gold to the value of about £12,000,000, at least three times the value of the ship and all the rest of its cargo. The premium paid by the shippers for the marine risk on this gold can have been a total loss of this shipment the insurance market would have had to allocate for this purpose the whole of the premium collected on international gold shipments since at least the beginning of the present century. At the normal rate of 1s. per cent., it would be necessary to insure £24,000,000,000 of gold or about four times the aggregate monetary reserve of gold in the whole world to collect in premiums the amount required to meet the potential loss on this single shipment. It is not surprising that the marine insurance market should in the face of such experience have come to the conclusion that such business is thoroughly bad underwriting. The system which produces such results cannot be allowed to remain in operation, and but for the glamour of the word specie in underwriters' eyes it would have ceased long ago.

The circumstances that are capable of producing abnormalities such as those symbolised by the “Manhattan” case derive from the “open cover” system under which the bulk of the marine risk on gold leaving this country is insured. An open cover is a contract, terminable at specified notice, giving shippers of gold the right to have up to a given amount of metal on any one vessel covered against the ordinary marine risks. There are between twenty and thirty of such open covers granted to banks and bullion dealers in London. The facilities they offer in one bottom range from about £200,000 to a top figure of around £1,250,000. Assuming that the available covers provide facilities averaging £500,000 per steamer per cover, it follows that if every open cover in London is being utilised in respect of a particular vessel that vessel will be called upon to carry between £10,000,000 and £15,000,000 of gold. On this assumption the “Manhattan” when it carried £12,000,000 of gold across the Atlantic was in fact carrying nearly the potential maximum feasible under the existing open cover facilities. The fault with this system is that it should be possible for this potential maximum ever to be realised in practice.

In the normal course, not more than five or six of these open covers are used with any regularity. Among the twenty to thirty banks and bullion houses to which such facilities have been granted there are very considerable variations in the efficiency with which they undertake gold arbitrage business. Certain institutions have the experience, aptitude and facilities which enable them to work

on a price which would leave others no profit margin whatsoever. The more efficient are the houses which provide the normal gold arbitrage machinery in this centre and which are working with some regularity. Their open covers are therefore being consistently used to the profit both of themselves and of the underwriters. The same cannot, unfortunately, be said of the large majority of open covers. These are granted to firms which only begin to arbitrage gold when the profit margin becomes abnormally large. It may, therefore, be assumed that when these marginal open covers become utilised the facilities available to the better-placed firms are already being operated to capacity. Therefore, these marginal covers merely increase the congestion both of gold being shipped on each available vessel and therefore of the gold insurance market. For it must not be assumed that underwriters, faced with the inordinate piling up of their gold commitments on a single vessel, have done nothing to protect themselves. They have under such circumstances endeavoured to restrict their commitments to reasonable proportions by re-insuring part of the gold in question. But whereas the premium received by them from the shippers was fixed in advance by the terms of the open cover contract—and has ruled for some time at 1s. per cent.—the rates paid for reinsurance have moved freely and in accordance with the degree of gold congestion on each individual vessel.

Thus the twelfth £1,000,000 of the £12,000,000 of gold recently shipped by the “Manhattan” was being reinsured at 20s. per cent., i.e. at 20 times the premium paid by the shippers and received by the original underwriters under the open cover policies. On such a shipment, needless to say, the original underwriters had to pocket an appreciable loss. The bullion market has in recent months been particularly vocal in its criticism of the insurance market. One well-known firm in its annual review of the gold market for 1938 did not hesitate to assert that “no institution made more money out of the (September) crisis than the insurance market or lost more prestige.” But the boot is sometimes on the other foot and the insurance market could well respond with the assertion that part of the substantial profits made by the bullion market out of arbitrage of gold with New York has in fact been made at the direct expense of certain interests in the insurance market. It is probable that the majority of the rarely used open covers involve their underwriters in loss. They are only utilised at times when the channels of gold arbitrage are already congested and when the gold insured under these covers has therefore to be reinsured—always at a loss—by the underwriter.

It should be possible to devise means whereby this obvious defect in the gold insurance machinery could be remedied. One way of doing this would be to make open cover policies subject to a minimum annual premium, which would ensure their utilisation only by interests which operate them with fair regularity. This minimum need not be high enough to involve any real restriction in the freedom with which the efficient banks and firms in the gold market would arbitrage gold with overseas centres. But it would not have to be particularly high in order to rule out the marginal open covers, which, on the few occasions on which they are used, are likely to involve the underwriters in loss. It might also be possible to cancel all existing open covers and only reinstate them subject to an overriding clause limiting the aggregate amount of gold to be carried by any one vessel and cancelling the

facilities provided by the cover once that limit had been reached. There should certainly be no need to abolish the open cover principle from the gold insurance system. It has justified itself by providing a firm basis on which the delicate calculations of arbitrage costs can be made in advance of any intended operation and is thus essential to the functioning of the whole arbitrage machinery. On

occasions the open cover system has led to the development of abnormal and unsatisfactory conditions in the gold insurance market. But the responsible defects can be eradicated without tampering with essential features of the machine. The real problem is that of preventing hungry underwriters, when offered these gold covers, from swallowing the bait of "specie."

Market Gardening

THE need for the provision of a more plentiful supply of cheap fresh fruit and vegetables has been emphasised in almost every report on nutrition. In particular, stress has frequently been laid on the necessity for the extension of market gardening. So far, however, progress has been slow. According to the Occupational Census of 1931, only 115,000 persons were then engaged in market gardening, and in July, 1938, there were only 78,000 insured persons in this branch of activity. The average size of the individual business unit is small; in 1931, for example, there were only three insured persons per independent worker. Apart from its role as a supplier of fresh fruit and vegetables, the importance of the industry is derived mainly from its local concentration.

Since December, 1931, the industry has enjoyed the protection of comparatively high import duties. But asparagus growers round Evesham, owners of tomato houses in the Lea Valley, broccoli growers in Cornwall, the flower farmers in the Scilly Isles, and the soft fruit growers in Kent, Norfolk, Cambridge, Worcester and Lincolnshire, had clamoured for a tariff for years before the Horticultural Duties Act of December, 1931, and the Import Duties Act of March, 1932, were placed on the statute book. The effect of these import duties, which amount in some cases to 100 per cent., can be seen from the following table, which gives the value of imports of various types of horticultural products:—

	1930	1931 (£'000)	1936	1937	1938
Raw fruit	29,333	30,177	22,525	23,719	25,198
Vegetables*	7,849	8,010	7,018	6,945	7,773
Cut flowers	765	1,064	539	637	635
Bulbs	1,680	1,470	1,566	1,617	1,816

* Excluding potatoes.

There has been a fall in imports of fruit and cut flowers; but the total value of imported vegetables, as a group, has not been much affected, and imports of bulbs have increased both in value and in quantity. There has also been a very considerable shift in the source of our imports of fruits and vegetables. An index of the volume of fruit imports, including eight types of fruit, calculated by the Agricultural Economics Research Institute at Oxford, fell from 100 in the base period 1927-29 to 86 in 1937; but while the index for Empire shipments had risen to 174 in 1937, the figure for the volume of imports from foreign countries had fallen to 47. As the duties are usually highest in the season when home production is available, there has also been a shift in the timing of foreign imports, towards very early or very late supplies; this has been very marked in the case of tomatoes.

Broadly, there has been a steady decline in the acreage under small fruit, but a marked increase in the output of vegetables, and in the acreage under orchards. It is probable that import duties have been partly responsible for the latter phenomenon, but they have clearly not saved the growers of small fruit from an unprofitable enterprise. In all forms of horticulture and in the case of small fruits, particularly, where imports, even in 1931, provided only a small proportion of total supply, the vagaries of the weather and of pests have the determining influence on the grower's financial returns, and in fact the fall in the acreage under small fruit is due very largely to the rapid spread of disease. Hampshire, for example, which used to be one of the main suppliers of strawberries, has been so infected by "yellow-edge"

and "crinkle" that the industry is now dying out in that locality. The heavy cost of spraying (which has to be done several times a year with different washes to deal with different pests), of orchard heaters, or of soil sterilisation in the case of greenhouse crops, has also been a serious handicap to the small growers. The trade in cut flowers, however, has undoubtedly benefited by protection, and there has also been a considerable expansion in the acreage of bulbs, and in green-house crops.

The next table shows changes in the acreage under various crops grown on holdings of more than one acre in the United Kingdom:—

	1921 (Acres)	1930	1937
Orchards	...	241,779	258,575
Small fruit	75,587	65,432	52,103
of which—			
Strawberries	19,364	23,032	21,242
Raspberries	6,741	6,137	5,401
Currants and gooseberries	21,617	28,714	22,965
Carrots	8,224	9,430	13,924
Onions	2,973	1,534	1,656
Brussels sprouts	12,507	35,580	32,245
Cauliflower and broccoli	8,583	15,783	18,843
Celery	4,211	7,310	6,063
Rhubarb	5,333	7,843	7,376
Beans	...	13,218	13,194
Peas, for market	...	57,445	45,616
Cabbage, for human consumption	...	35,702	38,245

Vegetable growing has suffered from a peculiar form of internal competition. As the table shows, the acreage under carrots, cabbages, cauliflower and broccoli has noticeably increased since 1930, but this increase has been due largely to the activities of the general farmer, and not to an extension of market gardens. The slump in cereal prices since 1929, and the need of many arable farmers to grow more cash crops, has resulted in the adoption of cabbages or other vegetables as part of the crop rotation of arable farms, with a consequent revolution in the methods of cultivation. Tractors, manure spreaders and other machinery have been adapted to the cultivation of vegetables, and the number of such crops which can be grown in fields is still increasing; even asparagus, which has been regarded as essentially the small man's crop, is being taken up by arable farmers. Consequently, the small market gardener has found the market for many of his products swamped by the cheaper if somewhat inferior output of large farms.

The very steady import of many kinds of fruit shows, however, that there is still a large market available if only the home grower can tap it. Apart from a limited quantity of luxury products, the imports of bananas, oranges and apples supply mainly the cheapest and out-of-season market, so that an expansion in home production can now occur, not by pushing up still further the price of the foreign product, but only by cheapening the price to the consumer of the home production. Technical progress in cultivation will help, but undoubtedly the greatest economies could be secured by a reform in the methods of marketing. Since the Linlithgow Committee in 1923 criticised the distribution of agricultural produce, little has been done to improve wholesaling and retailing methods. The railways have, indeed, improved their fruit and vegetable services, and co-operative selling by producers has made modest advances on earlier efforts. Ever since 1895 the Scilly Isles Bulb and Flower Association has been developing the sale of early flowers grown on the Scillies with remarkable success; it is only com-

paratively recently, however, that other growers have followed this example. For some years the Pershore Co-operative Fruit Market and the Littleton and Badsey Growers' Association have been working co-operative development schemes. More recently Devonshire violet growers and Cornish anemone growers have set up organisations to supervise sales, which have in addition been conducting publicity campaigns in the national press, using in some cases the "National Mark." Efforts have been made by English tomato and Scottish raspberry growers to introduce marketing schemes on the lines of the Agricultural Marketing Act, so far without success. Despite all this the improvements are piecemeal; co-operative selling organisations, with a few exceptions, lead a fitful life at the best, while the proper grading of supplies sent to the ordinary markets is still a rare event.

The inefficiency of present methods of fruit and vegetable retailing has been shown by a prominent chain of variety stores. This concern approached fruit and vegetable farmers in districts near some of its principal branches and guaranteed to take all their produce at agreed prices; then, by organising its own transport, it has been able to sell fruit and vegetables at prices well below those of independent retailers. Similar success has attended the sale of tomatoes from the Scilly Isles by the same concern. There is no doubt that prices could be lowered and consumption of fruit and vegetables increased by an extension to all large towns of these methods of sale by contract, but such an improvement involves either the substitution of small units by large, or co-operation between groups of producers and retailers.

Such developments are hindered, not only by the individualistic outlook of many horticulturists and shopkeepers, but also by the highly seasonal nature of many of these products. The home grower can in a normal season keep the British housewife supplied with vegetables of one kind or another throughout the year, but the season for British fruit is still limited to the six months from June to December. An extension of the home production of fruit involves, therefore, not only the eradication of disease and an improvement in marketing methods, but also the development of the comparatively new industry of fruit preservation. It is worth noting that in 1938, Britain imported preserved fruits to the value of £8 millions, together with tinned tomatoes valued at £1 million.

Fruit preservation in the form of jam is, of course, an old industry, which uses a considerable quantity of home-grown fruit and of imported fruit pulp. Canning in Great Britain is still applied largely to vegetables,

such as peas and asparagus, but increasing quantities of fruit and of tomato juice are being preserved in this way. Both these operations must be conducted on a large scale in order to be commercially possible, and consequently, both jam making and canning firms must be able to obtain regular supplies of good quality produce near at hand. Here, again, therefore, if production is to be expanded, small growers must either co-operate in growing the same variety of fruit and vegetables, in grading and in transport, or they must give way to market garden farms.

The making of fruit juices and fruit syrups is a rapidly growing industry in America and on the Continent. In England, these methods of using fruit came into prominence only with the growth of milk bars in the last few years, and the use of these products directly by the housewife is still very rare. Much research has been done at Long Ashton, the Ministry of Agriculture's research station for fruit and vegetable preservation, and commercial production is now carried on by a number of firms. These products have the great advantage, not shared by jam or canned goods, that they can be made out of the second grade fruit (provided it is not diseased) which provides the bulk of the seasonal glut. Consequently, this industry could well be taken up as a side-line to schemes of co-operative marketing, if growers could raise the necessary capital and co-operative spirit, though the problems of retail distribution are admittedly difficult.

The latest development in this field is the appearance of "frosted" fruit and vegetables, which have been preserved, sometimes for many months, by storage at low temperatures. At present the commercial possibilities of this process are limited by the difficulties of selling; "frosted" foods deteriorate very quickly when thawed, and consequently distribution is still limited to those wholesalers, retailers and housewives who have refrigerators.

But technical progress in these new industries is very rapid, and with the greater attention now paid to nutrition there should be scope for a greatly increased production of fruit and vegetables in this country. But tariffs are of little use in this development, since the possibilities for expansion lie in tapping the poorer markets, in which these products are still largely unknown. Science applied to cure disease and to preserve temporarily unwanted produce, and a radical overhaul of the methods of marketing to the urban centres of population—on these two factors depend the future of the market gardeners in this country.

Finance and Banking

The Money Squeeze.—The coincidence of the Albanian crisis and of the Easter holidays has rendered the impact of political events on the money and discount markets rather more severe than it would otherwise have been. This is because the precautionary calling in of funds and raising of rates, which international developments would in any case have caused, occurred on a credit position already strained by the withdrawal of currency for holiday purposes. Supplies of credit have also been contracted by the continued intervention of the Exchange Equalisation Account in the foreign exchange market in support of sterling and by the consequent immobilisation of credit in Public deposits. The weakness of the forward sterling rate in terms of dollars has, moreover, made further headway this week, and the attractive yield to be earned on the dollar swap has withdrawn from the money market a certain amount of outside money which would otherwise have been available to relieve the tension. The demand for money has expanded simultaneously with the temporary contraction in its supply. This is because the discount market has recently had a run of big allotments at the weekly Treasury bill tenders and has found the outlet for bills with the clearing banks much more restricted than usual. The outcome of this combination of factors

acting on the supply of and demand for short term credit has been a considerable hardening of all money rates. On Tuesday one of the clearing banks increased its rate for fresh money against bills from $\frac{1}{2}$ to $\frac{3}{4}$ per cent. On Wednesday another bank made this higher figure apply to the whole of its "night money"—whether for old or new loans—and in addition increased by $\frac{1}{4}$ its rate on Treasury One's and short term bonds, bringing these up to 1 per cent. and $1\frac{1}{4}$ per cent. respectively. In the pressure of Tuesday up to $1\frac{1}{8}$ per cent. was paid for loans against bills secured from lenders other than the clearing banks. Considerable relief has been given to the discount market by special purchases of bills, the authorities taking up substantial amounts of early June bills at $1\frac{1}{8}$ per cent. These are reflected in the latest Bank return, which shows an expansion of £8,315,000 in Government securities. By Wednesday afternoon the effect of these open market operations was beginning to make itself felt and this factor, together with the increasing momentum of the reflux of notes from holiday circulation, gave a distinctly easier appearance to the short loan position. None the less, discount rates, which were immediately adjusted to the more stringent money conditions at the beginning of the week, have remained firm with the three months' bill at $1\frac{1}{2}$ to

1½ per cent., and six months' paper quoted at a nominal 2 per cent., and only placed at this figure with some difficulty. At this level of open market discount rates the traditional margin between these rates and the official Bank rate has about been restored.

* * *

Brazilian Exchange.—Following the granting of the American credits, the Brazilian authorities have announced a reversion to the system of exchange dealings in force up to the end of 1937. The arrangement then in existence was that 35 per cent. of the proceeds of export bills had to be sold at the official rate to the Bank of Brazil, which applied it to the service of the external debt, and the remaining 65 per cent. could be disposed of in the free market. Since the end of 1937, however, all foreign exchange has had to be sold to the Bank of Brazil. The new arrangement is that the central bank takes 30 per cent., while 70 per cent. can be disposed of in the free market. The hope is that the 30 per cent. will yield enough foreign exchange to cover the service of the American portion of Brazil's external debt, amounting to about £2,400,000 a year, though nothing has been said about the claims of the British bondholders. The real crux is the state of Brazil's trade balance. Last year the export surplus was negligible, and unless there is an improvement, either part of the 30 per cent. will have to be released to pay for imports—so that it will be impossible to cover even the American debt—or else accounts due to foreign exporters will become blocked. The terms of the new arrangements, however, are tantamount to a moderate depreciation of the milreis. In November, 1937, the Bank of Brazil's official buying rate was 56\$700, and the free rate was 85\$000. On this basis, exports worth £1,000 yielded 75,095 milreis. Last month the central bank's buying rate was 80\$980, and it applied to all foreign exchange, so that £1,000 yielded 80,980 milreis. According to recent advices, the new official buying rate is to be 77\$240, and the free rate is 86\$600, which means that exports of £1,000 will yield 83,792 milreis, or 3.5 per cent. more than under the recent regime. Conversely, imports will now have to be paid for at the free rate, plus 5 per cent. tax, whereas the Bank of Brazil had been prepared to sell exchange at 82\$980 plus 5 per cent. tax. This increases the cost of imports by 4.4 per cent., and it must also be remembered that the tax was only raised to 5 per cent. a short time ago. The intention is to improve the trade balance by giving exporters a better price in milreis, while penalising the importer, but the net result is an exchange depreciation of about 4 per cent. It is not expected that the alteration in the exchange system will have much effect on German trade with Brazil, for business in aski marks flourished under the 1937 general exchange regime. The American long-term credit of \$50 millions, for the provision of capital goods, is a much more direct move against the aski mark, when it is remembered that Germany has been buying Brazilian coffee and cotton against sales of railway material. On the whole, this new arrangement is to be welcomed as a return to freer dealings in exchange, but it remains to be seen if any advantage accrues even to the American bondholder; while so far the British bondholder is left completely out in the cold.

* * *

National Bank of Egypt.—Following the hints dropped recently by Sir Edward Cook at the general meeting of the National Bank of Egypt, the Egyptian Government have now revealed twelve points which they think should be embodied in the bank's new charter. In deciding to take advantage of the experience and high traditions of the National Bank rather than to operate a new institution, and many of the twelve points relate to normal central banking practice. Thus the bank is to continue to act as Government banker, and apart from its remuneration in respect of the note issue to perform all ordinary Government banking business free of charge as hitherto. Special duties such as the service of the public debt and the floating of new loans are to be subject to remuneration to be arranged by mutual agreement, and the bank is to make

from time to time advances to the Government on the usual terms of interest. The remaining points deal with the transformation of the bank into a mainly Egyptian institution. Thus the board should have an Egyptian majority by 1945. Future Governors, subsequent to the present incumbent, shall no longer be *ex-officio* President of the board. So long as the function of President and Governor are combined, the board shall appoint an Egyptian Vice-President, but the appointment of neither President nor Vice-President shall be subject to Government sanction. The board is to co-opt three new Egyptian directors as soon as the new statutes are voted. No person in receipt of a Government salary is to be a director of the bank. Part of the shares are to be nominative, but the exact relation between nominative and bearer shares is still under discussion. The local recruiting of the bank's staff is to be confined to Egyptians, and recruitment from abroad in exceptional cases is to be subject to the approval of the Finance Minister. Finally, the London committee of the bank is to be replaced by a body with residence abroad whose object is to maintain the international relations of the bank. The statement adds that the Government will in due course supplement these arrangements by legislation to confirm the legal tender status of the bank's notes, to maintain the stability of the piastre-sterling exchange, and to systematise the general banking position. *Prima facie* these proposals appear reasonable, nor do they conflict with Sir Edward Cook's plea that the bank's efficiency of personnel must be maintained and that the bank must remain free from political influence. The real test is the practical application of the principles laid down in these twelve points, but there seems no ground for serious apprehension on this score.

* * *

March Clearing Bank Averages.—The March returns of the ten English clearing banks reflect the completion of the spring revenue collection. Deposits are reduced since February by £24.1 millions, while the redemption of Treasury bills out of the quarter's revenue surplus explains the contraction of £21.7 millions in discounts. Advances have risen by £11.1 millions. There is some disposition to ascribe this last movement to a further expansion in business, but a similar increase of £15.5 millions occurred a year ago when business was certainly not improving. A more mundane but more likely explanation is that of temporary borrowing by bank customers for the purpose of making income tax payments.

(In £ millions)

	March, 1938	Nov., 1938	Dec., 1938	Jan., 1939	Feb., 1939	March, 1939
Capital and reserves	136.0	136.0	136.0	136.1	136.1	136.1
Acceptances, etc.	111.7	128.5	128.0	124.9	126.4	123.4
Deposits (including undivided profits, etc.)	2,216.7	2,212.2	2,217.5	2,194.3	2,140.8	2,116.7
Total liabilities	2,464.4	2,476.7	2,481.5	2,455.3	2,403.3	2,376.2
Cash	240.8	229.3	240.1	245.1	239.5	229.2
Cheques, balances, and items in transit	63.4	62.1	70.7	62.3	61.6	60.1
Money at call	146.2	144.9	155.9	139.5	134.4	138.3
Discounts	237.0	271.0	248.9	251.2	210.6	188.9
Investments	619.7	628.0	620.8	610.6	602.5	596.7
Loans and advances	978.1	944.6	949.1	950.9	960.5	971.6
Investments in affiliated banks	23.9	23.9	24.0	24.1*	24.1	24.1
Cover for acceptances, premises, etc.	155.3	172.9	172.1	168.5	170.1	167.3
Total assets	2,464.4	2,476.7	2,481.5	2,455.3	2,403.3	2,376.2

* Amended figure.

The past month's contraction in deposits and discounts has reduced the banks' "liquid asset" ratio to 29.2 per cent. This is just below the normal 30 per cent. minimum, but as it is a purely seasonal reduction, which is likely to be rectified this month, it did not call for any special measures such as a general restriction of credit. A year ago the ratio was down to 31.1 per cent. This 29.2 per cent. ratio, however, lends point to the argument that an increase in the supply of Treasury bills must precede the issue of Defence Loans. The tender issue, however, has already risen by £48 millions since the low point of £346 millions touched at the beginning of March.

Gold by Parcel Post.—The device of using the French parcel post facilities to arbitrage gold from this country to the United States—a procedure which was explained in *The Economist* of March 18th—has at last succumbed to the repeated assaults which it has had to withstand from adversely interested parties. Its demise has been ensured by an order from the U.S. postal authorities prohibiting the import of gold by air mail or parcel post in amounts exceeding \$50. The order was issued on Wednesday of this week and became immediately effective. One of the results of the disappearance of this parcel post gold arbitrage will be to make for greater uniformity in the dollar shipping parities at which various arbitrage houses are able to undertake gold shipments to New York.

MONEY MARKET NOTES

Foreign Exchanges

ONCE again a considerable amount of intervention has been necessary by the different Controls to keep exchange rates steady in face of a renewed flow of funds to New York. Fortunately, the fact that many markets were closed from Friday to Monday inclusive tended to restrict purchases of dollars, and on Saturday in London little difficulty was experienced in keeping the sterling-dollar rate at 4.68½. When the market reopened on Tuesday, however, much stronger support for sterling was needed, although the closing rate was unchanged. The following day the selling pressure abated somewhat, but overnight dealings in New York had made the rate open ½c. lower at 4.68¼, at which level it was firmly held throughout the day. On Thursday in a very quiet market it showed little change. In the forward market an interesting feature of the week has been the forward rate which has given the best indication of the capital outflow to New York, and on Tuesday the premiums for one month and three months widened at one time to 1c. and 3c., respectively. Official intervention then caused a contraction to ½c. and 2½c., while on Thursday the three months' premium was back to 2½c. The belga has tended to appreciate against sterling, showing a gain of 1c. on Wednesday at 27.81½. The discount on the three months' belga widened sharply on Tuesday to 90c., compared with 60½c. on Saturday, but contracted again on Wednesday to 77½c. as a result of bear covering operations. Swiss francs have been fairly steady except for an initial period of weakness on Saturday morning when the rate rose to 20.89. They have since been quoted at around 20.87-87½. Forward French francs have not escaped the weaker tendency apparent in other European forward rates, and on Tuesday the discounts widened to ¾f. for one month and 1½f. for three months. Registered marks were firmer on Thursday after being at a discount of 63 per cent. on Wednesday.

The Bank Return

RATHER surprisingly the note circulation shows a fall of £1.7 millions this week. This follows an expansion of £9.4 millions last week, but usually the week including Easter witnesses a further small increase as the notes do not as a rule return immediately. Last

week there was no sign of any action to offset the note expansion, and Government securities were actually £2 millions lower. This week, however, they are up by £8.4 millions, which is the result of special bill purchases to relieve the abnormal situation in the money market. The net rise in bankers' deposits is only £5.7 millions. The return of notes from circulation and the

	Apr. 13, 1938	Mar. 29, 1939	Apr. 5, 1939	Apr. 12, 1939
Issue Dept.:				
Gold	326.4	226.2	226.2	226.2
Value per oz. fine	65s. 148s. 6d.	148s. 6d.	148s. 6d.	148s. 6d.
Notes in circulation	497.2	482.0	491.4	489.7
Banking Dept.:				
Reserve	30.0	45.2	35.8	37.5
Public Deps.	17.7	21.8	16.0	17.7
Bankers' Deps.	104.0	98.5	91.9	97.6
Other Deps.	36.0	36.3	40.5	40.9
Govt. Secs.	116.1	102.3	100.3	108.7
Discounts & Advances	9.6	4.8	8.5	6.3
Other Secs.	19.6	22.5	21.5	21.5
Proportion	19.0%	28.9%	24.1%	24.0%

increase in Government securities have been offset by a switch-over to public deposits owing to Exchange Account support of sterling and a fall in discounts and advances which last week rose by £3.7 millions as a result, presumably, of a special transaction for a private customer. The rise in other deposits last week by £4.2 millions is attributed to the creation of the Chinese Stabilisation Fund.

The Money Market

LAST week's Treasury Bill tender resulted in a further rise in the average rate of allotment to 26s. 2.83d. per cent. The total amount applied for showed a small rise at £58 millions, but the market syndicate felt confident to make another reduction in its bid to £99 13s. 5d. In the event, it only

	Apr. 13, 1938	Apr. 5, 1939	Apr. 12, 1939
Bank Rate	2%	2%	2%
London Deposit Rate	1½	1½	1½
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	1½-5*	1½-1	1½-1
Discount Rates:			
Treasury bills	1½	1½	1½
Three months' bank bills	1½-9.6	1½-5.6	1½-5.8

* 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.

secured a 44 per cent. allotment, against 71 per cent. in the previous week; this was owing to a fall in the total amount allotted from £42 millions to £32 millions. The amount on offer this

week is again to be reduced, being only £30 millions. The accumulation of sterling funds by the Exchange Account is presumably the cause of the reduction in the tender issue of Bills. Maturities next week will only be £22 millions, so that with the outlet for bills at the banks still very restricted the syndicate will doubtless not worry if it again gets a smaller allotment. The rise in other money rates and credit conditions are described in a Finance Note.

*

The Bullion Market

WHEN the market reopened on Tuesday after the Easter holidays, there was a noticeable increase in the amount of unhoarding from Continental sources, as is usual nowadays in a time of international tension. At the fixing the turnover was only £557,000, for in spite of the weaker trend of sterling the Exchange Account did not release any gold to arbitrageurs who would have doubtless readily absorbed more in view of the absence of any premium in the price over the American shipping parity. Subsequent unofficial dealings,

Date	Gold		Silver price per oz. standard	
	Price per fine oz.	Prem. or Disc. *	Cash	Two Mths.
1939	s. d.	d.	£'000	d.
April 6 ...	148 6	par	476	20 1911.8
" 11 ...	148 6	par	557	20 1913.6
" 12 ...	148 6½	2pm.	600	20 1913.6
" 13 ...	148 6	par	704	20 1914

* 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.

however, were large, and are estimated to have brought the day's turnover up to at least £1,000,000. On Wednesday, the authorities again refrained from supporting the pound by sales of gold for arbitrage. The fixing turnover was larger, but unofficial dealings were much smaller. A big shipment of Transvaal gold, amounting to £794,843, is due to arrive in this country on April 21st. The four large consignments of gold that were to have been made to Canada at the end of last week were cancelled. The silver market has been quiet. There has been a certain amount of covering by bears which has offset any speculative selling, and prices have hardly changed.

INSURANCE NOTES

pense ratio, at 19 per cent. of the premium income, is higher than is usual for life offices and is in part explained by the low premiums under the Association's deferred bonus scheme. Death claims, which fell from £353,000 to

£281,000 in 1937, showed little change last year at £277,000. Assets increased from £8,438,000 to £8,625,000. Loans on Public Rates were 50 per cent. higher at £1,261,000, and policy loans were

(Continued on page 168)

Investment

London.—It is idle to speculate on what the London market might have done had it been open last Saturday morning. Unquestionably, the reaction to the invasion of Albania by Italy would have been severe. But having had the advantage of a week-end to absorb the shock, investors on Tuesday wisely decided that no new positive policy was open to them. Indeed, the latest episode, and the week of tension which has followed, is only different in degree from the leaden political atmosphere to which investors have already become inured. Measured by price movements, the market's response to a critical situation has been stoical. In terms of turnover, there has been no suggestion of panic selling, and the price-making machinery, though apparently working normally, has become a matter of semi-automatic reflex action. The following table sets out the movements of leading gilt-edged and industrial securities, after Munich, at the January "low," after the invasion of Czecho-Slovakia, and during the past week:—

	Sept. 30, 1938	Jan. 27	Mar. 20	Apr. 6	Apr. 11	Apr. 12	Apr. 13	Fall this week
Consols 2½%	74	69	67	67½	66½	66½	66½	1½
War Loan 3½%	101½	96½	95½	95½	94½	94½	94½	1
Conversion 3%	100½	96½	96½	95½	95	95	94½	1
German 4½%	42½	22½	24½	24	23	23	23½	½
Czech 8%	63	45	37	38½	36½	35½	33½	5
Courtaulds	29/9	23/6	25/7½	24/4½	24/-	24/-	24/-	-4½
Dunlop	27/9	22/6	27/7½	26/-	25/-	25/-	25/-	1/-
General Electric	78/-	71/-	76/3	77/6	77/6	76/6	76/6	1/-
I.C.I.	31/3	28/-	29/-	28/6x	27/6x	28/-x	28/3	-½
Turner & Newall	78/9	69/4½	74/4½	76/3	75/-	75/-	75/-	1/3
West Wits.	4½	4½	5	5	4½	4½	4½	½
Rhokana	9½	9½	10	10x	9½x	9½x	9½	½
"Shell"	4½x	3½x	4	4½	4	4	4½	½
Financial News Indices								
Fixed Interest	125.8	120.0	119.6	117.9	117.3	117.1	117.0	0.9
Ordinary shares	83.5	73.7	82.7	80.8	79.1	79.1	79.3	1.5

The market's aplomb can be measured by the fact that equity shares stand higher to-day than last January. The *Financial News* index, at 79.3, is some 3½ points above the low level of September 28, 1938, and January 27th last. In other words, the process of discounting industrial improvement is still evident in to-day's prices. Unfortunately, it is an improvement which depends very considerably upon expansionary arms finance, and prices are still counting on the avoidance of war, and perhaps of industrial regimentation short of war. Under these conditions it becomes virtually impossible to offer the investor any useful counsel. But it is evident that a less propitious selling opportunity than the present could hardly be found.

— And Wall Street.—Before the London market had registered its political concern on Tuesday with falls, moderate in the circumstances, of up to ½ in undated gilt-edged stocks, Wall Street had given full weight to the Easter crisis. On Thursday last week the American market was seized with alarm at rumours of the Albanian invasion, as a result of which the Dow Jones industrial average

slumped four points. The actual event was marked by a fall of nearly 5 points last Saturday in the average, which reached a new "low" since June 21st last year of 121.44. "Chartist" selling has been a feature of Wall Street dealings, for the index on Thursday last week broke decisively through the September "low" of 129.91. The course of leading rail, industrial and utilities stocks at important points since that date, together with the corresponding Dow Jones averages, is shown in the following table:—

	Sept. 26, 1938	Jan. 26	Mar. 10	Apr. 5	Apr. 6	Apr. 8	Apr. 11	Apr. 12	Apr. 13
Atchafalpa	29	32	38½	28½	26	24½	25½	26½	26½
N.Y. Central	14½	16½	21½	15	14	12½	13½	14	13½
Pennsylvania	16½	18½	23½	18½	17½	16½	16½	17½	17½
Chrysler	66	66½	85½	65	61½	56½	57½	58½	58½
Du Pont	130	142½	155½	138	133½	128½	131	133½	133½
Gen. Electric	37½	37½	42½	35	33½	32	33½	33½	34½
Gen. Motors	40½	42½	51½	41½	40	37½	38½	40	40
Johns Manv.	90	88	98½	72	70½	65½	71	72½	71
U.S. Steel	51½	53½	64½	50½	48	45½	46½	47½	46½
Amer. Tel.	134½	150½	167	155½	153	150	149½	152½	152½
Cons. Edison	23½	29½	34½	29½	28½	27½	28½	28½	29½
Dow Jones Averages									
Rails	23.03	27.93	33.37	26.87	25.76	24.14	24.73	25.35	25.49
Utilities	17.49	22.30	26.52	22.38	21.57	20.71	21.20	21.91	22.31
Industrials	129.91	136.42	152.21	130.21	126.32	121.44	123.75	126.15	127.51

After Saturday's hectic selling, some technical respite was to be expected, and Wall Street supplied it on Monday. The following day, however, found the market in erratic mood, and at the end of the second hour the Dow Jones industrial average had fallen to 120.83, while U.S. Steel were no higher than 44½. These falls, however, were recovered, and in mid-week the market was disposed to the view that political news was more favourable, and staged a broad recovery. As in London, the first response to the Prime Minister's speech, with its guarantees of Greece and Roumania, was favourable. At the end of the third hour's trading, indeed, the Dow average had reached 128.88. Whether the closing reaction to 127.51 is indicative of second thoughts, or whether it merely marks a natural halt to a rapid recovery has yet to be seen.

Stock Exchange Report.—The reduction, for the second year in succession, of the Stock Exchange dividend, from £14 to £12 10s. per share, is the consequence of a difficult year. The full report shows that total receipts were reduced by £27,728, to £506,186, principally owing to a reduction in clerks' subscriptions from £132,785 to £119,755, and in entrance fees from £87,685 to £72,382. Members' subscriptions actually showed a slight increase from £233,777 to £235,809. On the expense side, tax provision required £10,250 more at £19,250, but N.D.C. (which was an operative factor in last year's dividend reduction) was reduced from £17,000 to £8,000. In the result, net revenue was reduced from £323,017 to £266,213. The net membership at the end of the year was 4,053 against 4,048, but the total number of members and clerks having entry to the "House" shows a fall from 6,206 to 6,048. The repayment of the £294,800 3 per cent. debentures in January is reflected in a fall in Treasury Bill holdings from £379,536 to £79,896.

Union Castle Setback.—Although some fall in Union Castle earnings was expected last year, the 55 per cent. drop is distinctly severe and the market showed its disappointment last week by marking the ordinary stock down from 12s. 6d. to 8s. 6d. The explanation of the adverse results is probably to be found in a lower volume of traffic rather than reduced freight rates. The control exercised by the South African Government prevented the company from enjoying material benefit from higher

freight rates in 1937. Hence, it is to be expected that last year's reduction did not affect Union-Castle severely. A decline in cargo earnings is recorded and a further substantial loss arose in the latter part of 1938 through the cessation of gold shipments from South Africa, when gold was retained under car-mark in South Africa. Total profits have fallen from £620,166 to £278,031, and although full preference dividends have been paid they are covered only by bringing in a special credit of £105,685 from taxation reserve no longer required. A comparison of profits in the past three years is given in the following table:—

	Years ended December 31, 1936	1937	1938
Voyage profits	£ 473,450	£ 510,258	£ 196,505
Total profits	593,728	620,166	278,031
General interest	52,541	66,988	106,357
Deb. interest and fees	105,360	106,345	105,470
Earned for dividends	435,827	446,833	66,204
Preference dividends	133,916	295,296*	132,945
Special provisions	200,000§	150,000§	Cr 105,685†
Carry forward	149,355	150,892	189,836

* Includes payment of 1½ years' arrears on 6 per cent. "A" preference shares. † From taxation no longer required. § For re-engining.

The company is undertaking an extensive replacement and re-engining programme which has enabled it to calculate its depreciation provisions (at the usual rate of 5 per cent.) on a somewhat longer life for the re-fitted vessels. Outstanding advances on this work, however, have risen from £3,063,020 to £4,482,903, and the interest charge has been mounting steeply year by year. In the course of the next few years, heavy annual repayments will fall due, and the directors are still keeping in view the desirability of putting this finance on a more permanent basis, although so far no definite proposals have been advanced. In 1937, no less than 15.7 per cent. for the ordinary stock was earned (assuming normal preference requirements) and in addition to the payment of all dividend arrears on the 6 per cent. "A" preference shares, £150,000 was specially provided for re-engining. The satisfactory progress of the replacement programme may remove the need for further provision on a similar scale, but the brute fact remains that preference dividends last year were short-earned by £66,741. The resumption of gold shipments has been welcomed by ordinary stockholders, although in itself it hardly warrants undue optimism regarding the prospects for the current year. The £1 ordinary stock units are now quoted at 9s. 3d.

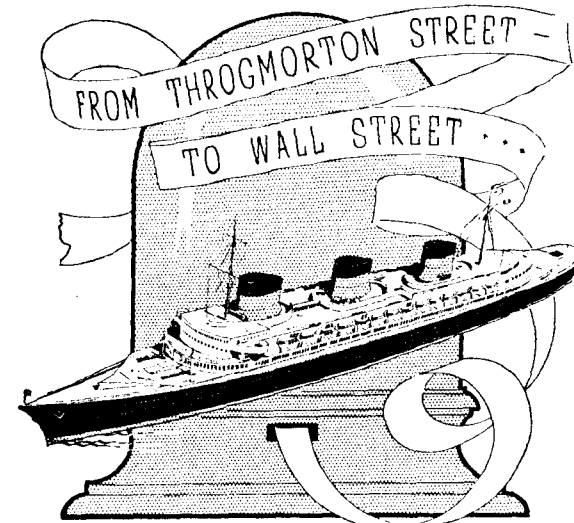
"Three Counties" Electric.—The 1938 accounts of Shropshire, Worcestershire and Staffordshire Electric (an important subsidiary of Edmundsons Electricity) are not readily comparable with those of previous years. The bill promoted by the company to consolidate its Acts and Orders was passed during the year, and as from July 1, 1938, it absorbed a number of undertakings in its area of power supply. The accounts give effect to these acquisitions. The main change in the balance sheet is an increase in capital expenditure on plant, etc., of £766,338, which is largely offset by a fall in "loan to associated company" of £725,000, leaving total assets practically unchanged. The profit and loss account shows a more surprising trend. The net revenue from the sale of current, etc., is up by £35,540, but interest and dividends received from subsidiary and associated companies are lower by £57,771. After providing an extra £20,000 for reserve (or, properly speaking, depreciation), the earnings available for the "B" capital show a fall of no less than £35,847. Hence, the dividend of 5½ per cent. is short-earned by 1 per cent., a deficiency which is made up by a transfer of £27,500 from income tax reserve. On the increased capital expenditure account, the appropriation to reserve of £260,000 is some £50,000 below depreciation calculated according to our standard scale. Results for the past three years are analysed in the next column.

	1936	1937	1938
Units sold (millions)	234	269	...
Increase %	17.0	16.5	...
Net profit	£ 596,068	£ 618,611	£ 654,151
Transfer to reserve	225,000	240,000	260,000
Operating surplus	371,068	378,611	394,151
Interest, etc., received	151,670	131,954	74,183
Net income	522,738	510,565	468,334
Interest payable	203,372	206,883	200,499
Preference divs.	135,000	135,000	135,000
"A" ordinary divs.	24,000	24,000	24,000
"B" ordinary shares:—			
Earned	160,366	144,682	108,835
Paid	159,250	134,750	134,750
Earned %	6.5	6.0	4.5
Paid %	6½	5½	5½
Carried forward	55,411	65,343	66,927*

* After transferring £27,500 from income tax reserve.

The sharp drop in earnings is presumably not attributable to any falling off in sales of current, although the report, unfortunately, does not include particulars of units sold as in previous years. It is more likely that the company's new charter has involved reductions in prices and more restricted scope for the payment of dividends. It will be hoped that the chairman will throw some light on this point at the forthcoming meeting.

Colvilles' Prospects.—Colvilles' output in 1938 was slightly below that of the previous year, but trading profits were slightly higher at £919,596, compared with £911,004. The movement in profits is not important, but it is significant. Last year was not, in fact, the first which derived benefit from the large-scale reorganisation programme which the group is now carrying out, but the new plant at Glengarnock and Motherwell provided further production economies. The subsidiary companies were less fortunate,



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for their profits, after contingencies, show a decline from £791,505 to £648,856, before providing taxation and depreciation at somewhat higher rates than in 1937. By reducing their allocations to free reserves, however, the subsidiaries have broadly maintained their net dividend payments to the parent company, which total £129,005, compared with £135,126 for 1937. Hence, the parent company has, in fact, maintained its distribution without employing the subsidiaries' profits, for its appropriation to reserve is maintained at £150,000. Profits for the past three years are analysed below:—

	Years to December 31		
	1936	1937	1938
Trading profits	658,638	911,004	919,596
Dividends from subsidiaries	80,516	135,126	129,005
Total	739,154	1,046,130	1,048,601
Depreciation, etc.	185,000	295,000*	300,000*
Taxation	135,000	240,000	285,000
Fees	2,000	2,000	2,000
Preference dividends	84,219	82,844	80,437
Ordinary stock:—			
Earned	332,935	426,286	381,164
Paid	209,206	235,173	227,335†
Earned %	11.1	14.5	13.4
Paid %	7	8	8
To reserve	Nil	150,000	150,000
Carried forward	247,137	288,251	292,080†

* Includes supplementary depreciation: 1937, £110,000; 1938, £100,000.

† Estimated, on basis of tax at 5s. 6d. in the £.

By reckoning additional depreciation as a charge, and making an estimate of the net cost of the final 5 per cent. dividend on the basis of tax at 5s. 6d. in the £, the rate of earnings for Colvilles' ordinary stock has declined only slightly from 14.5 per cent. to 13.4 per cent. Meanwhile, certain improvement schemes have still to be completed. These include the new coke ovens and blast furnaces and the melting plant extension at Clydebridge Steel Works. Already part of the plant is in commission, and the full schemes should be ready for operation within the next few months. When the coke ovens and blast furnaces are completed, the company will be able to meet a reasonable proportion of its pig iron requirements from its own up-to-date plant, instead of relying, as hitherto, upon outside supplies, largely from English sources. These extensions involve the provision of £1,000,000 on loan from an insurance group, of which £500,000 had been taken up at the end of the year. The alterations at the Mossend works, at Government expense, for treating and machining steel plates, are now in operation. Thus, the group should obtain further production economies during the current year, and it should have a useful share of armament and shipbuilding steelwork. Hence, the ordinary stock units, which yield £11 14s. per cent. on earnings and £7 5s. 6d. per cent. on dividend, at the current level of 23s. seem reasonably priced.

Amalgamated Metal Corporation.—An unexciting report for the year to March 31st measures Amalgamated Metal's success in an unfavourable year for the metal markets. For only a slight trace of the year's difficulties is to be found in total earnings, which are merely 1½ per cent. below 1937-38. The year 1938, in fact, brought a lower level of prices, but fluctuations were less violent, and in that respect 1938 was more satisfactory than its predecessor. The net earnings of the constituent companies of British Metal Corporation and Henry Gardner and Company, of course, show greater variations, but the decline

from £397,091 to £359,288 between 1937 and 1938 is less severe than between 1936 (when net profits amounted to £461,299) and 1937. The comparative stability of Amalgamated Metal profits is, however, partly due to changes in provision made for contingencies by the constituent companies. The following table shows the division of the group's profits over the past three years:—

	Years ended December 31,		
	1936	1937	1938
Constituent cos.' earnings	£461,299	£397,091	£359,288
To contingencies (constituent cos.)	40,000	20,000	...
Amalgamated Metal Corp'n.*:—			
Prof. divs. from constituents	54,000	54,000	54,000
Ord. divs. from constituents	310,375	310,375	304,781
Total profits	364,672	364,690	359,126
Management expenses	3,861	3,935	3,606
Preference dividends	54,000	54,000	54,000
Ordinary shares:—			
Earned	306,811	306,755	301,520
Paid	310,505	310,505	310,505
Earned %	6.9	6.9	6.8
Paid %	7	7	7

Income tax credited

Carry forward

* Years ended March 31, 1937, 1938 and 1939.

As in the previous two years, the 7 per cent. ordinary dividend is slightly short-earned, and the distribution is maintained by crediting a moderate sum from income tax provision no longer required. The parent company does not carry reserves, but the two constituent companies show unchanged reserves of £886,000. The chief changes in the combined balance sheet are a rise in stocks from £1,584,456 to £3,009,865 (91 per cent. against 87 per cent. being offset by forward sales, and therefore valued at net sale price), and a reduction in cash from £1,311,011 to £297,223. The rise in stocks may be due partly to a return to a more normal level, partly to increased demand for re-armament, and partly to the rather better prices prevailing at the end of 1938 than at the end of 1937. The Corporation's ordinary shares are quoted at 20s. 6d. to yield £6 16s. 9d. per cent.

London and Thames Haven Developments.—Sir Vernon Thomson's candid review of the present predicament of London and Thames Haven Oil Wharves at last week's meeting fully satisfied the demand made in these columns for fuller information regarding the position of Parent Petroleum Interests. This unfortunate adventure has failed in two major respects—its Mexican oil interests have been expropriated, though, to be sure, that is no fault of its past or present directors. Secondly, its Irish refinery project (which was the original justification for the Mexican investment) failed for lack of promised finance, to say nothing of open opposition of certain large oil distributors, whose withdrawal of custom from Thames Haven led to the serious situation that half the tankage capacity was empty. The financial consequences of this dilemma were reviewed in *The Economist* of April 1st. It now remains to build up what is left of the resources of this once substantial company on a new basis of trading. Originally, Thames Haven was interested to the extent of only 40 per cent. in Parent Petroleum Interests, but as a result of the transfer of the W. R. Davis interests in June, 1938, Thames Haven increased its holding to two-thirds, while the remainder is represented by the Inverforth interests. A large part of the P.P.I. capital is now unrepresented by assets. Hence, the task of the present directors of Thames Haven is to reduce the bank overdraft, which stood at £978,007 at the end of 1938, either by the issue of prior-charge capital or by the sale "as and when possible" of extraneous assets. But to revert to a normal basis of trading means a resumption of the original wharfing business, at a time when the large oil companies have now installed their own tankage installations in other areas, and when, in the official view, Thames Haven is too vulnerable to aircraft attack to afford

adequate storage facilities for petrol stocks for time of war. Sir Vernon, having frankly described the company's problem, then accepted an amendment that the accounts be received but not adopted, and that a committee of five, including representatives of the Prudential and Pearl assurance companies, should be appointed to make a full investigation into the affairs of the company and its subsidiaries. This amendment was supported by the board and carried. It can at least be said that an unfortunate affair was properly handled at last week's meeting—and without the outbursts of recrimination which so often mar such proceedings.

Mining Reports

Government Areas.—The chief feature of interest in the Government Areas report is the consulting engineer's reference to the Kimberley Reef and Black Reef prospects. Both these deposits have been accorded wide market attention and have served as the basis of reports implying an unexpected and considerable extension to the likely life of the mine. Prospecting on the Kimberley Reef again yielded discouraging results; only a minor amount of development was accomplished, and it is now plain that, as a factor in the future of the mine, it can be virtually written off. On the Black Reef a good deal of work was carried out. About two-thirds of the total mining area is underlain by these strata, and of this some 40 per cent. has been investigated to a certain extent by boreholes. They have been disappointing and disclosed few payable values. One payable lens was located, and an estimated amount of 300,000 tons of an average value of 5 dwt. was available at the end of the year. To expedite development, a small vertical shaft in the western portion of the property, and an inclined winze on the southern rim, are being sunk. While it is not yet possible to estimate the payable tonnage which will be extracted from this reef, the fact that values, when they occur, are at differing horizons on the reef body—which in itself varies from a few inches to forty feet thick—shows that costs must necessarily be high and that the discoveries are of secondary importance in relation to the scale of operations. Ore milled during 1938 amounted to 2,498,000 tons, a decline of 54,000 tons, while recovery declined by 0.883 dwt. to 4.99 dwt. and working costs were fractionally higher at 18.109s. Hence, working profits were reduced by £826,641 to £2,190,135. The maintenance of the dividend at 70 per cent., absorbing £980,000, was covered with a margin of £74,527. Ore reserves at the end of the year were 635,000 tons lower at 9,612,000, the value being 0.3 dwt. lower at 5.7 dwt. At the present price of 26s. 3d., the 5s. shares can only be considered as virtually a liquidation proposition, but on this footing they are probably not over-priced.

Randfontein.—The Randfontein problem is to feed the mill at the tremendous rate of approximately 400,000 tons per month without encroaching on the reserve position. Partly owing to a shortage of labour and partly to more fundamental mining considerations, some difficulty is being experienced in attaining this object. The report for 1938 shows that ore reserves at the end of the year amounted to 13,550,000 tons, representing a further decline of 550,000 tons on the year and a decline of 1,345,000 tons from the peak reached in 1935. Moreover, the average value has declined and is now only 3.8 dwt., which, however, is still fractionally higher than the grade of ore sent to the mill. As much as 210,283 feet of development was accomplished during the year. The total footage sampled in all sections was 98,580 feet, of which 53,875 feet, or 54.651 per cent., were payable, and averaged 8 dwt. over 33 inches. Notwithstanding the loss of 450 claims of Main Reef series as a result of the Witpoortje fault, the resources of the property are still tremendous, though by no means excessive in relation to the high scale of milling.

Ore crushed last year reached the new record of 4,670,000 tons, but the yield per ton was lower at 3.17 dwt. and costs were slightly higher. As a result, working profit was £251,920 lower at £1,357,630. After providing for total dividends of 4s. 6d. per share, and after appropriating £148,205 for capital expenditure, the balance carried forward was £20,002 lower at £381,360. At the present price of 35s. the shares yield £12 16s. 6d. per cent., a return which reflects the rather uninspiring technical position and the somewhat lower rate of current profits.

New State Areas.—The 1938 report brings out the fact that New State Areas, after "bumping along the top" for several years, is now gradually entering the period of decline. The major development programme has been virtually completed, and though considerable exploratory work in areas of lower payability remains to be done, it is clear that accretions of ore from such sources can hardly keep pace with crushing. Ore reserves at the end of the year were 146,000 tons lower at 4,057,000 tons, while the development accomplished was the lowest for many years at 22,036 feet. Of this total, 20,465 feet on the Reef were sampled, and 8,075 feet proved to be payable, showing an average value of 17.6 dwt. over a channel width of 17 inches. Though ore crushed showed an advance of 7,000 tons to the new high level of 1,482,000 tons, and working costs were 0.4d. lower at 18.28s. per ton, working profits were £116,025 lower at £1,696,810 owing to a reduction in recovery from 6.08 dwt. to 5.763 dwt. Two dividends, each of 3s., were paid on the £1 shares, as in the preceding year, and after appropriating £30,351 for capital expenditure the balance carried forward was increased by £9,541 to £180,713. The immediate outlook suggests that profits and dividends should be maintained, but the fact that the grade of ore sent to the mill last year was somewhat above the average grade of the reserves provides a pointer to longer term prospect.

Vogelstruisbult.—Vogelstruisbult is taking rather a longer time to get to the dividend stage than was originally expected, owing to the additional capital expenditure necessitated by the poor ground at first encountered at the bottom of the No. 1 shaft. Although the working profit for 1938 showed an improvement of £206,422 to £361,946, the greater proportion was absorbed by expenditure on equipment and advanced development, and no Government taxation or State's share of profits was payable. Ore milled totalled 807,900 tons, an increase of 151,850 tons. Outputs are now being secured at the enhanced rate of 70,000 tons per month, and these will be increased by minor additions to a rate of about 74,000 tons per month, which should become effective in the second half of the current year. A further improvement in profits can thus be anticipated and, while the revenue account will have to bear the burden of further capital expenditure, the prospects of a maiden dividend in June seem promising. Expectations, however, should not be pitched too high, for the capitalisation of 5,028,571 10s. shares is large in relation to the scale of operations. Ore reserves at the end of the year showed an improvement of 300,000 tons at 1,451,000 tons, and the average value of 5.7 dwt. was 0.1 dwt. lower. A larger amount of development footage was accomplished with improved results. Some 74,748 feet were advanced, compared with 56,859 feet, of which 55,050 feet were sampled and 26,100 feet (or 47.4 per cent.) proved payable, indicating the high average value of 20.1 dwt. over a reef width of 13.6 inches. Development disclosures in the No. 2 shaft showed a definite improvement, increases being registered in footage sampled, percentage payability, width and value. These results should mitigate the disappointing 1937 results in this area. The technical position as a whole is reasonably satisfactory, though it appears that the high hopes originally entertained of the property may prove to have been somewhat excessive. The 10s. shares stand at 19s. 4½d.

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

Palmietkuil Gold.—The approach of this mine to the producing stage is indicated by the decision to increase existing nominal capital from £1,700,000 to £2,750,000, and an offer will be made to shareholders in due course. Shaft sinking was virtually complete by the end of 1937, and satisfactory development work subsequently has made possible an estimate of ore reserves totalling 1,000,000 tons at the end of December last, with an average value of 4.2 dwt. over 37 inches. Capital expenditure in 1938 at £353,192 was smaller than in 1937, when £116,001 was spent on shaft sinking. Development in 1938 cost £277,543 against £151,578, the total footage being 49,805, against 21,003 feet; the balance sheet shows expenditure on development to date of £429,122 and on shaft sinking £631,597. To finance the company's requirements pending the issue of fresh capital, the controlling companies have arranged to make a loan up to £100,000, and at the end of 1938 £38,000 of this had been provided. The 10s. shares now stand at 9s.

Western Reefs.—As the results of further exploratory work carried out during the year were not encouraging, the prospecting ventures of this company in the Transvaal and Orange Free State have mostly been abandoned, though the options over the Wit Extensions area are being maintained pending the outcome of work in progress on neighbouring prospects. Interest, therefore, is mainly confined to the mine itself. Good progress was made in shaft sinking and development, with satisfactory results, though it is still far too early to assess mining potentialities. The No. 1 shaft was sunk 1,181 feet during the year and was completed at a depth of 2,820 feet. Preparatory work was sufficiently advanced by October to permit development to be commenced on four levels, but the only horizon where work was done in the vicinity of the Reef was the No. 23 level, where the Nos. 1 and 2 Reefs are so close together that they may be regarded as a composite body. Some 200 feet were sampled, showing 77.5 per cent. payability, and the values were 9.69 dwt. over 71.32 inches. In the No. 2 shaft, results were less promising. The shaft was sunk 3,035 feet, making the depth at the end of the year 4,211 feet. Ore horizons were sampled at depths ranging from 3,425 feet to 3,916 feet, but disclosed nothing of payable value. Actual development from this shaft, however, is not expected to start until the second half of 1939, when the necessary constructional work will have been completed. The decision to open up this property

as a large mine was reached entirely on borehole results and the fulfilment of expectations must await further development results.

The Week's Company Profits.—Our usual analysis of profit and loss accounts, which appears on page 178, contains 66 companies, of which rubber companies form by far the largest group. Total net profits recorded amount to £4,790,000 against £5,572,000, and show a drop of 14 per cent. Aggregate net profits of the 769 companies reporting to date in 1939 are £98,522,000, a decrease of 8½ per cent. as compared with £107,683,000 earned by the same companies a year earlier. The week's results are discussed in preceding Notes and on page 160 under the heading "Shorter Comments."

Company Meetings of the Week. Reports of company meetings commence on page 165 of this issue. Mr Sidney Skinner, addressing the meeting of *John Barker* shareholders, frankly remarked that the current year was likely to be as difficult as any the company had experienced for some time, but he emphasised the directors' determination to obtain improved results. The directors' report presented to the shareholders' meeting of the *Bank of Athens* recorded that, despite the difficulties created by restrictive measures, the turnover of the bank had been satisfactory last year. Mr Walter Woodbine Parish pointed out that the mortgage loans and properties in Buenos Aires now accounted for only 19 per cent. of the total assets of *River Plate Trust Loan and Agency*. Members of the *Leeds City and District Building Society* this week approved the recommendation of the directors to amalgamate with the Brighton and Sussex Building Society. This merger is the sixth which the latter society has undertaken during the past two years. At the *Eagle Star Insurance* meeting, Sir Edward Mountain referred with satisfaction to the steady decline in the expense ratio over the past four years to 13 per cent. of premium income. Sir James Lithgow, at the *William Beardmore* meeting, emphasised the financial obligations which had been assumed in the national interest by the company. Shareholders of *United Glass Bottle Manufacturers* were informed by Sir Max Bonn of a broad understanding for a technical liaison with the Owens Illinois Glass interests. Shareholders of *Oreogum Gold Mining* were informed that the high-grade reserves had been increased last year by mining 46 per cent. of tonnage from stopes outside the payable reserve.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET ACCOUNT
APRIL 25 APRIL 27

THE London market, having had a week-end to consider the implications of the Italian invasion of Albania, reacted by lowering prices of undated gilt-edged stocks by ¼ and of leading industrial shares by 9d. to 1s. These movements were unaccompanied by any serious selling pressure, for although the political crisis was fully appreciated in the "House," the reaction both of professional operators and of the general investor showed commendable calm. In mid-week the tone of the market was distinctly steadier, although business was reduced to even smaller proportions. During the greater part of the day on Thursday the market showed scarcely any movement in anticipation of the Prime Minister's statement of policy. In closing dealings gilt-edged were a shade firmer, although the market's first impression of the speech was not enthusiastic.

Initial falls in gilt-edged stocks were of the order of ¾. The undated list opened half a point lower on Tuesday, and after a slight midday recovery the net loss on the day was approximately ¾ for War Loan, or ¾ compared with the pre-Easter close. Almost equal falls were registered by the dated list, which, with the exception of the obvious "shorts," showed general losses of ¼. The mid-week improvement was limited to about ¼ in War Loan, but Old Consols and Local Loans were merely maintained and the dated list showed further declines, following the further rise in short money rates. A fair amount of selling was reported in the Dominion list, Australian stocks in particular being affected.

The European bond market showed sharp falls, particularly for the Italian 20-year bonds and Dawes and Young Loans. Greek and Roumanian issues were depressed and Polish 7 per cents. were at first marked down two points to 49. Belgian bonds were also a weak feature. Brazilian bonds made no response to the so-called "freeing" of the exchange. Japanese issues were

weak, but the Chinese group became steadier after the initial fall.

Dealers in home rail stocks marked prices down fairly sharply at first, but there was no pronounced volume of selling. The stimulating traffics assisted the tone of the market on Wednesday, and the ordinary and the marginal preference stocks showed modest gains on the day. London Transport "C" stock showed no improvement after its fall to 68. Argentine rails were dull and featureless.

As the result of the Easter crisis, the industrial markets reopened moderately lower. But as the week went on, fair resistance was shown, and only small further losses occurred. The volume of business, however, remained very small throughout. On Tuesday, iron and steel shares were marked down as a precautionary measure, and though movements were irregular later, the tone became steadier. The Colvilles results were well received, and on Thursday some interest was shown in locomotive shares on the news of the receipt of orders. Coal shares were

neglected and tended to sag. Electrical equipment issues shared in the general tendency when the week opened and then turned dull. British Insulated reacted after early strength, and Siemens were affected by news of the strike. Movements in the motor section were irregular, but downwards for choice. Fords reacted on profit-taking after a display of strength. Aircraft issues were quiet and prices reacted. Most textiles lost a few pence, though rayon shares showed some resistance in mid-week. Provincial sales affected breweries, while tobacco shares were sensitive to taxation fears. The stores group became firmer after early weakness in common with all sections. Movements among provision and catering issues were irregular. Miscellaneous shares gave way on Tuesday, though the marking down of prices was precautionary rather than the result of any selling pressure. The tone became irregular later and then steady. Lever Bros. and Unilever were particularly sensitive, and lost ground on Tuesday and Wednesday on sales from Amsterdam.

Oil shares provided no exception to the general trend, and Continental sales on Wednesday acted as an additional cause of irregularity. Rubber shares weakened, although in common with other sections a more resistant tone was shown in mid-week. Selling never assumed large proportions, but there was a complete lack of buying support. Tea shares were inactive, and any changes in quotations were downwards.

The mining market was equally idle. Prices were marked down all round on Tuesday, and although they became steadier they showed little recovery, except for some revival in Kafirs in mid-week, when the Cape lent some encouragement. There was little business passing, but Paris was a seller of the dividend-payers. Rhodesian copper issues tended to improve on Wednesday on Wall Street's firmer opening, but became uncertain on the cut in the American domestic metal price.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains†	Corres. Day 1938	Security Indices	
			30 ord. shares*	20 fixed int.†
April 6	4,660	6,545	80.8	117.9
" 7		Good Friday		
" 10		Bank Holiday		
" 11	5,160	7,345	79.1	117.3
" 12	4,470	8,030	79.1	117.1
" 13	5,115	7,295	79.3	117.0
1939 High ..	...	...	88.0	123.5
Low ...	...	...	73.7	117.0
			Jan. 10	Jan. 3
			Jan. 27	Apr. 13

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

ACTUARIES' INVESTMENT INDEX

The Actuaries' index of 160 industrial ordinary share prices stood on Tuesday, April 11, 1939, at 60.5, compared with 61.7 a week ago and 66.0 a month ago. The corresponding average yields are 5.91, 5.83 and 5.48 per cent. A selection of the separate indices follows.

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Prices 1939 High
	Mar. 14, 1939	Apr. 4, 1939	Apr. 11, 1939	
Insurance 101	116.8	107.8	106.0	116.8
Aircraft mfg. 5 †	86.1	83.5	80.3	90.7
Bldg. mfg. 6	75.6	70.6	69.4	70.6
Cotton 25	27.6	23.4	22.7	27.6
Oil 4	85.1	76.5	73.4	85.0
Shipping 7 ‡	15.4	14.3	13.1	15.4
Misc. 20	62.4	58.6	57.2	62.7

Group	Yield (%)			Price 1939 Low
	Mar. 14, 1939	Apr. 4, 1939	Apr. 11, 1939	
Insurance	3.68	3.99	4.05	106.0
Aircraft mfg.	9.11	9.40	9.80	80.3
Bldg. mfg.	7.16	7.31	7.36	69.4
Cotton	3.36	3.68	3.76	20.6
Oil	7.01	7.84	8.17	73.4
Shipping	4.24	4.43	4.58	13.1
Miscellaneous	4.71	4.99	5.11	55.7

† December 30, 1938 = 100.

New York

WALL STREET'S reaction to the Albanian invasion is set out in detail on page 154. The Dow industrial average having lost four points on Thursday of last week, lost nearly five points on Saturday after its fears had been confirmed. This week's movements, apart from a flurry during the early hours of Tuesday, have shown greater steadiness. Monday's partial recovery took the Dow average 2½ points higher compared with Saturday's low level, and the erratic movements on Tuesday were reflected in a fall of more than three points in the first two trading hours, which was almost fully recovered by the close. In midweek a general advance took the average up nearly 2½ points. There have been few specific market pointers in this week's trading, for operators remain obsessed by political fears. The estimate of the American Iron and Steel Institute shows a fall in steel activity from 54.7 per cent. of capacity to 52.1 per cent. in the current week. This estimate depressed the steel group at first, but, with this exception, the bulk of domestic business news was regarded as somewhat better. Foreign bonds were a very weak feature, and some second-grade rail issues were also depressed on Tuesday. The bond market, however, shared in the mid-week recovery.

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Enable comparatively small sums to be spread over a considerable number of market leaders arranged in carefully planned groups.

Completely Flexible Management Powers INVESTORS' FLEXIBLE TRUST 124	SPREAD No. of Stocks and Shares in Portfolio	YIELD Gross Approx. Last Dividends Current Prices	51%
A General Portfolio HUNDRED SECURITIES TRUST 102			51%
Unique Savings Facilities SAVINGS UNIT TRUST 28			41%
Protection against possible Currency Inflation INVESTORS' GOLD SHARE TRUST 15			81%
Household Goods and Services PROVIDENT INVESTORS' TRUST 30			51%

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.

New York Prices

	Close Latest April 5, 1939	1939	Close Latest April 5, 1939	1939
1. Rails and Transport				
Atchafalpa	28½	27½	20½	195½
Balt. & Ohio	5½	5	65½	65½
B.M.T.	8½	10½	28½	26½
Can. Pacific	4½	3½	41½	40½
Ches. & Ohio	32	30	5½	5½
G.N. Ry. P.	20½	19½	6½	6½
Illinois Cent.	12½	11½	3½	3½
N.Y. Central	14½	14½	2.0	2.0
Northern Pac.	8½	8½	21½	21½
Pennsylv. R.	18½	17½	60½	61½
Southern Pac.	13½	12½	35	36½
Southern Ry.	14½	13½	47	50
Union Pac.	92½	87½	160½	161½
Greyhound	17½	16½	81	77½
2. Utilities and Communications				
Am. W. Works	9½	9½	137½	136
C. & S.	1½	1½	71½	71½
Con. Edison	29½	29½	15½	15½
Col. Gas & El.	6	6	33½	32
El. Bond & Sh.	8½	8½	34	34
Nat. Elec. L.	7½	7½	101	101
N. American	20½	20½	88½	88½
Pac. Gas & El.	29½	29½	85	85
Pub. Serv. N.J.	33	33½	20½	20½
Stan. Gas & E.	24	24	42½	42½
United Corp.	2½	2½	35½	35½
Un. Gas Imp.	155	153	162	162
Amer. Tel.	155	153	162	162
Inter. Tel. For.	71½	71½	16½	16½
West. Union	18½	18½	16½	16½
Radio	6½	6½	19½	19½
B. Pref.	57½	57	13½	13½
3. Extractive and Metal				
Am. Mol. Mill	14	14½	19½	19½
Beth. Steel	59	59½	19	19
Beth. Steel P.	107	103		
Republic Steel	16	15½		
U.S. Steel	49½	47½		
U.S. Steel P.	114½	111½		
Alaska Indus.	8½	7½		
Am. Metal	29½	28½		
Am. Smelting	38½	39½		
Anacosta	23½	23½		
Bohn Alum.	19½	20		
Cerro de Pas.	39	38		
Int. Nickel	46½	45½		
Kennecott	31½	31½		
Patina Mines	9½	9½		
Tex. Gif. Sul.	28½	27½		
U.S. Smelt.	53½	51½		
Vanadium	20	19		
Atlantic Refg.	19½	19½		
Phillips Petr.	34½	34		
Shell Union	117½	117½		
Shell U.P.	105½	105½		
Secony Vac.	11½	11½		
Stan. Oil Cal.	26½	26½		
Stan. Oil N.J.	46	45½		
Texas	38½	38½		
4. Manufacturing				
Briggs	20½	20½		
Chrysler	65½	65½		
Elec. Autolite	23½	23½		
Gen. Motors	41½	40½		
Nash Kelynt.	6½	6½		
Packard Mtr.	3½	3½		
Bendix Avtn.	2.0	2.0		
Boeing Airplan	21½	21½		
United Aircr.	35	36½		
Air Reduction	47	50		
Allied Cheml.	160½	161½		
Col. Carbon	81	77½		
Dupont	137½	136		
Un. Carbide	72½	71½		
U.S. Ind. Ale.	15½	15		
Alis Chalmers	33½	32		
Gen. Electric	34½	34		
West. Elec.	101	88½		
American Can	85	85½		
Addressograph	20½	20½		
Caterpillar	42½	43		
Cont. Can.	35½	35½		
Ingersoll Rnd	87½	95½		
Int. Harvester	54	44½		
Johns Manvil	72	72½		
Am. Radiator	11½	12½		
Corn Prods.	59½	60½		
J.I. Case & Co.	72	72		
Ghadden	16½	16½		
G. Am. Trans	45½	43½		
Allied Stores	7½	7½		
Celanese of A.	16½	16½		
Ind. Rayon	19½	20½		
Colgate Palm.	13½	13½		
Eastm'n Kdk.	149½	144½		
Gillette	6½	6½		
Loews	39½	37½		
20th Cen. Fox	19½	19		
5. Retail Trade, etc.				
Mont. Ward.	46	45½		
J. C. Penney.	77½	76½		
Sears Roebck.	66½	69½		
Waldgreen	21½	21½		
Woolworth	46	44½		
Borden	18½	18½		
Gen. Foods.	40½	41½		
Kroger Grcy.	22	22½		
Nat. Biscuit.	25½	24½		
Nat. Dairy	14	13½		
Am. Tob. B.	81½	81½		
Reyn. Tob. B.	38	36½		
Dis. Disillers	25	25½		
Schenley Dis.	13½	13		

5. Retail Trade, etc.

Mont. Ward	46	45½
J. C. Penney	77½	79½
Sears Roebck	66½	66½
Walgreen	17½	17½
Woolworth	46	44½
Borden	18½	18½
Gen. Foods	40½	41½
Kroger Grcy.	22	22½
Nat. Biscuit	25½	24½
Nat. Dairy	14	13½
Am. Tob. B.	81½	76½
Reyn. Tob. B.	38	36½
Nat. Distillers	25	25½
Schenley Dis.	13½	13

6. Finance

Comel. Credit	47½	43½
Atlas Corp.	7½	7½
Com. Inv. Tr.	47½	46½

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. 29, 1939	Apr. 5, 1939	Apr. 12, 1939
	Low Apr. 12	High Jan. 4			
347 Ind's.	92.8	114.5	102.9	95.8	92.8
32 Rails	23.6	32.5	27.8	25.0	23.6
40 Utilities	77.8	88.3†	83.3	79.6	77.8
419 Stocks	79.3	95.6	87.6	81.8	79.3
Av. yield *	4.05%	3.31%	3.89%	3.91%	4.05%
	High	Low			

* 50 Common Stocks. † March 8th.



changes Gross Dividends already distributed exceed £1,400,000.

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FIFTEEN MOORGATE UNIT TRUSTS LIMITED

15 Moorgate, London, E.C.2

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

Mar. 30	Mar. 31	Apr. 1	Apr. 3	Apr. 4	Apr. 5
111.8	107.0	109.3	109.4	107.0	107.5

Apr. 6	Apr. 7	Apr. 8	Apr. 10	Apr. 11	Apr. 12
103.5	*	98.8	101.6	101.2	104.0

1939 High: 130.3 January 4th. Low: 98.8 April 8th. * Closed.

TOTAL DEALINGS IN NEW YORK

1939	Stock Exchange		Curb Shares
	Shares 000's	Bonds 5000's	
Apr. 5	880	5,540	131
" 6	1,310	7,280	245
" 7	1,640	6,600	265
" 8*	1,650	7,470	271
" 10	1,660	7,680	269
" 11	1,070	6,470	172

* Two-Hour Session.

Capital Issues

CAPITAL ISSUE TOTALS

Week ending April 15	Nominal Capital	Conversions	New Money
To the Public	Nil	...	Nil
To Shareholders	60,000	...	60,750
By S. E. Intro.	Nil	...	Nil
By Perms. to Deal	443,587	...	2,562,342
Sav. Certs. 8 days to April 8	Dr150,000	...	Dr150,000

Year to date	Including Conversions	Excluding Conversions
1939 (New Basis)	37,001,741	35,770,676
1938 (New Basis)	58,415,558	45,110,091
1939 (Old Basis)	19,311,760	19,095,695
1938 (Old Basis)	26,458,672	26,458,672

Destination
(Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1939 (New Basis)	24,843,603	10,727,073	200,000
1938 (New Basis)	35,799,901	6,830,961	2,429,229
1939 (Old Basis)	15,408,339	3,487,356	200,000
1938 (Old Basis)	19,884,449	4,175,039	2,399,124

Nature of New Borrowing
(Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1939 (New Basis)	16,130,169	2,300,796	17,330,711
1938 (New Basis)	19,730,390	4,108,277	21,271,424
1939 (Old Basis)	12,857,435	928,447	5,309,813
1938 (Old Basis)	14,430,122	2,260,722	9,767,828

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 TENDER

Farnham Gas and Electricity.—Offer for sale by tender of £10 ordinary shares to produce £5,926 and £10 5 per cent. perpetual preference shares to produce £6,345. Minimum price for ordinary is £13, and for preference £11 per share.

TO SHAREHOLDERS ONLY

Newall Engineering.—Shareholders are offered 60,000 6 per cent. cumulative redeemable £1 preference shares in this company at 20s. 3d., free of stamp. Montrose Trust makes the offer, after acquiring issue at par less 3½ per cent. and paying £250 expenses.

UNIT TRUSTS

Orthodox Unit Trust.—Managers, Orthodox Unit Trusts, Ltd. (a subsidiary of Parfield Trust, Ltd.). Cumulative trust, 20-year life. Proportions of portfolio fixed: 20 per cent. gilt-edged, 15 per cent. debenture and preference, 10 per cent. bank and insurance, 5 per cent. in each of nine industrial equity groups, 10 per cent. gold. Securities fixed, but flexible within each sub-section. Cash fund basis of management. Initial charge, 6½ per cent.; half-yearly charge, ½ per cent.

SHORTER COMMENTS

Company Results of the Week.—Total profits of PRIMITIVA GAS CO. OF BUENOS AIRES have risen from £447,192 to £482,117, and even allowing for higher expenses, net profits have slightly increased. Severe falls in profits continue to be recorded by rubber companies. BIKAM RUBBER ESTATE, for instance, which obtained an average net sale price of 7.65d. against 8.50d. a lb., has halved the dividend, at 5 per cent. Satisfactory results are reported by two shipping companies. ANCHOR LINE gross profits rose slightly, and net earnings at £37,764, are little below the 1936-37 level, but no preference dividend was paid in February owing to the maturity of temporary loans. KING LINE total profits amount to £228,061, against £215,748, and the dividend is raised from 8 per cent. to 13 per cent. Several profitable voyages coming into the 1938 accounts, however, were begun in 1937. BRITISH DRUG HOUSES total profits have fallen moderately, from £77,230 to £71,775, owing to the unsettled state of Europe and to exchange and other restrictions. The 6 per cent. dividend is maintained. Recession in revenue continues to be shown by investment trusts. AMERICAN INVESTMENT & GENERAL TRUST, whose total income for 1938-39 is £186,220, have reduced the dividend from 6½ to 6 per cent. DAILY MIRROR NEWSPAPERS total profits have fallen from £444,693 to £419,967. The 15 per cent. dividend is repeated, but the directors' report contains no recommendation of a special tax-free payment out of capital profits, such as was made in previous reports. The drop in SUNDAY PICTORIAL NEWSPAPERS total profits from £218,882 to £155,726 is rather more severe. Good results for 1938 are shown by cement producers. RUGBY PORTLAND CEMENT trading profits are over £16,000 higher at £55,300, but capital has been increased during the year, and most of the increase is absorbed by additional debenture interest. TUNNEL PORTLAND CEMENT also have maintained output, and net profits are £325,485, against £279,862. But in view of the outlook for the current year, the dividend is reduced from 25 per cent. to 22½ per cent. Combined general trading profits of the subsidiaries of JOHN THOMPSON ENGINEERING CO. are as much as 38 per cent. higher at £327,756. The parent company's dividend remains at 17½ per cent. WALSALL CONDUITS trading profit is practically maintained at £155,623, though net profits show a small decrease. ALBION MOTORS have had a satisfactory year, and are paying 15 per cent., against 12½ per cent. A setback has been experienced by BRITISH TIMKEN. Total profits are £116,999, against £154,562, but the dividend is maintained at 15 per cent.

INSURANCE

Royal Exchange Assurance Company.—Total premium income 1938, £10,360,635, an increase of £260,749. Total assets at December 31, 1938, £32,080,320, a rise of £1,644,366. Ordinary dividend maintained at 30 per cent. Tax and N.D.C. £17,000 (£65,000). To pension fund, £25,000 (£25,000). Written off office property, £20,000. Carry-forward reduced from £1,230,604 to £1,027,821.

General Accident, Fire and Life Assurance.—Final dividend, 40 per cent. on ordinary shares, making 70 per cent. for 1938, as before. Net profit (before £25,000 to fire additional reserve, £50,000 to staff pensions and £200,000 to depreciation of investments, etc., reserve) was £555,974. For 1937, profit was £444,505 before £10,000 to staff pensions and £1,388 to depreciation of investments.

Royal Insurance Company.—Final dividend 3s. 3d. per share, making 6s. 6d. for 1938. Capitalisation is proposed of £699,991 (part of undivided net profits), to discharge 2s. 6d. of amount uncalled on each share, thus reducing liability to 7s. 6d.

Atlas Assurance Company.—Total profits for 1938, £417,637, against £384,297. To reserves, £100,000 (same); to staff

pensions, £25,000 (£20,000). Dividend again 32 per cent. tax free. Carry forward, £359,572 (£326,821). In life department in 1938, total value of new assurances, £1,221,930 (£1,681,833); number of new policies, 6,752 (6,264); department's total revenue, £2,574,692 (£2,201,672).

MISCELLANEOUS

Barry and Staines Linoleum.—Preliminary statement shows profits for 1938 of £159,687, against £213,359. Total ordinary dividend again 12½ per cent.

Laurence, Scott and Electromotors.—Dividend maintained at 15 per cent. for 1938, but is payable on increased ordinary capital of £400,995. Profits increased by £12,620, to £123,300; £6,258, against nil, goes to preference redemption reserve.

Albion Motors.—Net trading profits for 1938, £198,689, an increase of £14,140, after depreciation and all charges, including loss incurred by a subsidiary company. To reserve, £55,000 (£50,000). Preference dividend requires £8,032. Ordinary dividend, 2½ per cent. higher, at 15 per cent., less tax. This will absorb £74,610; carry-forward, £76,165, an increase of £20,047. For tax and N.D.C., £41,000 (£38,000).

John Thompson Engineering Company.—Trading profits year 1938, £335,610, against £242,289. Ordinary dividend, 17½ per cent., as before. To dividend reserve, £45,000 (£25,000). To investments reserve, £5,250 (£4,250). Loss on sale of investments, £1,533 (nil). Special tax provision, £24,350. To deferred repairs, etc., £20,000 (nil). To pension fund, £10,000 (nil). Carry forward, £44,962 (£44,973).

Daily Mirror Newspapers.—Trading profits for year to February 28, 1939, £419,674 (£444,249). Debenture interest, £106,407 (£108,109). To reserve, £20,000 (£20,000). To pensions, £10,000 (£10,000). Carry-forward raised from £131,515 to £141,075. Ordinary dividend maintained at 15 per cent. (In previous year a special distribution of 10 per cent. out of realised surplus from sale of investments was paid.)

Sunday Pictorial Newspapers.—Profits for year ended February 28, 1939, £155,726, after tax, N.D.C., etc., against £218,882. For pensions, £5,000 (same). Net profits are down from £213,882 to £150,726. Total distribution for year is reduced by 2½ per cent., to 10 per cent.; £20,000 again goes to reserve. Carry-forward, £125,896 against £140,170.

Rugby Portland Cement Company.—Trading profits for 1938, after depreciation, £55,300, against £45,814. Debenture interest, £12,313 (£647). Ordinary dividend, 11 per cent., as before. Employees' profit sharing, £1,500 (£1,500). Carry-forward raised from £33,889 to £35,326.

Walsall Conduits.—Profit for 1938, £155,323, against £156,084. To tax and N.D.C., £48,472 (£44,000). Ordinary dividend maintained at 55 per cent. Carry-forward raised from £27,077 to £46,803.

Anchor Line.—Total profit for year to September 30, 1938, £252,505 (£248,604). General expenses, £200,475 (£201,218). Net profit, £37,764 (£39,313). Preference dividend paid to July 31, 1938. Carry-forward raised from £22,504 to £43,310.

Ideal Boilers and Radiators.—Trading profits 1938, £295,597 (£363,149). Written off preliminary expenses, £10,000 (£10,000). Net profit, £190,643 (£266,914). Ordinary dividend raised from 10 to 22½ per cent., tax free. Carry-forward reduced from £414,517 to £397,661.

Hope Brothers.—Ordinary dividend reduced from 8 per cent. to 6 per cent. for year to February 28, 1939. Net profit fell by £13,591 to £39,461. To staff fund, £1,000 (£1,000). Carry-forward reduced from £64,743 to £62,704.

Horne Brothers.—For year to January 31, 1939, profits fell from £86,173 to £75,492. For depreciation, tax, N.D.C., £34,433 (£34,865). The year's preference dividend has been paid. Carry-forward raised from £60,920 to £63,179.

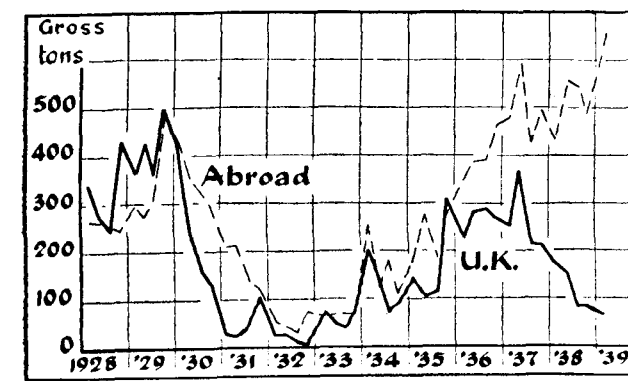
(Continued on page 173)

Industry and Trade

Need for Preventing Steel Shortage.—The rapid expansion of the activity of the iron and steel industry continued last month, when the output of crude steel was only 7,400 tons below the record established in November, 1937. The increased output, moreover, reflects a genuine expansion in demand, for there appears to have been no appreciable accumulation of stocks. Nor can the revival in the intake of steel be ascribed solely to increased defence requirements, for the recovery in the motor and other consuming industries suggests that commercial demand has shown a substantial improvement, assisted by the reduction in prices at the beginning of the year. With the speeding-up of defence work and the recovery of the commercial section of the shipbuilding industry, moreover, demand is likely to show a further increase. It is quite possible, therefore, that the iron and steel industry will soon have to face problems similar to those of two years ago, when, partly owing to lack of foresight, there was a scramble for supplies. At the end of last year the steel furnace capacity of the industry was estimated at 14,483,000 tons per annum. On the basis of last month's output, the margin of unused capacity is already small. In order to prevent a shortage of supplies, it will be necessary to make provision before it is too late both for adequate supplies of

the United Kingdom was less than 10 per cent. of the world's total. Nor, as the Fact-finding Enquiry of the Chamber of Shipping showed, do foreign subsidies explain the whole of the decline. At the end of last month only 18.1 per cent. of the tonnage under construction in British

TONNAGE OF MERCHANT SHIPPING COMMENCED



shipyards was intended for registration abroad or for sale. Moreover, apart from Germany and Italy, Denmark, Holland, Norway and Sweden all had ships on the stocks for registration in this country. The Government's proposals to assist the shipbuilding industry in this country may stimulate activity—many contracts have already been placed—and prevent British orders from being placed abroad; but, if the industry is to flourish again it must be able to attract foreign orders by competitive prices.

* * *

Comprehensive Cotton Yarn Price Scheme.—After protracted negotiations, the committee which was empowered to formulate a comprehensive cotton yarn price agreement has published its proposals. The details of the scheme, which covers all yarns spun from American and Indian cotton, have been sent to nearly 250 spinning companies controlling about 20 million spindles. In a circular to the trade signed by the chairman of the committee, Mr Frank Platt, all spinning employers are invited to approve the terms of the proposed agreement and they are asked if they would be prepared to sign it, provided that the committee is able to satisfy them at a later date that the scheme has the support of a sufficient number of the firms concerned. The scheme divides the section of the industry concerned into four groups, according to the counts spun, and a membership of not less than 90 per cent. of any of the groups will be necessary before the agreement can operate. An executive council will fix the minimum prices for the individual American-type yarns. If, in the opinion of the executive council, the business of members in export markets is being adversely affected by the operation of the minimum prices or by unfair prices of foreign competitors, they may allow the members concerned to make specified or general reductions from the minimum prices in such manner that there shall be no discrimination between one member concerned and another. The whole of the proposals are contained in a pamphlet of twenty-four pages, which has been drawn up with the assistance of Messrs

* * *

Shipbuilding at Home and Abroad.—The accompanying diagram, based on Lloyd's Register Shipbuilding Returns, shows the trend of new orders for merchant shipping tonnage at home and abroad since 1927. It clearly reveals the relative decline in the British shipbuilding industry in recent years. Ten years ago shipbuilders in this country obtained more than one-half of the world's total new orders for merchant shipping tonnage; in the first quarter of this year the tonnage of vessels commenced in

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John Taylor and Company, solicitors to the cotton industry organisations. It is urged by the committee that the agreement should be brought into force in order to cover the period of time which must elapse before the Cotton Industry (Reorganisation) Bill, now before Parliament, becomes law. Spinning employers have been requested to consider the scheme and give their reply not later than April 29th.

* * *

Germany's War Stocks.—To what extent has Germany been building up stocks of essential raw materials? Despite the secrecy with which such information is naturally guarded, some information is inevitably provided by the official import statistics. Between 1936 and 1938 there were big increases in Germany's imports of nearly all vital industrial materials, despite the increase in home supplies. Clearly large stocks were being accumulated last year. Between 1937 and 1938 the value of Germany's total imports increased, whilst total exports declined; an export surplus was turned into an import

NET IMPORTS OF GERMANY (OLD REICH)					
	1936	1937	1938	1938	1939
				Jan.-Feb.,	
				(000 metric tons)	
Crude oil	978	1,193	1,324	155	144
Refined oil	3,026	2,967	3,513	399	514
Rubber	82.1	122.9	108.2	17.6	16.8
Cotton	310	347	351	71	53
Wool	122	127	165	32	31
Iron ore	18,460	20,610	21,920	3,330	3,010
Manganese ore	228	553	425	103	28
Copper ore	477	551	648	115	112
Lead ore	99.3	126.8	141.0	30.7	33.6
Zinc ore	101.8	101.4	138.0	11.9	7.6
Chrome ore	123.0	132.2	176.4	24.8	28.2
Nickel ore	17.7	20.0	34.2	2.1	9.6
Bauxite	981	1,313	1,184	125	107
Aluminium	5.93	5.82	15.94	1.76	3.25
Copper	189.2	252.8	356.3	53.3	45.0
Tin	8.48	10.24	11.84	2.06	1.42
Lead	67.7	72.9	74.9	9.7	5.7
Nickel	3.33	3.28	3.90	.88	.69

NOTE.—The figures for 1936 and 1937 include, and those for 1938 and 1939 exclude, imports from Austria. These are, however, very small.

surplus. Taking the trade of the old Reich with countries other than Austria, Germany's visible imports in 1937 were 93 per cent. of her visible exports; in 1938 they were 104 per cent. And as exports have continued to decline this year, by 7½ per cent. comparing the first two months of 1939 with the same period of 1938, Germany has been forced to restrict imports. In fact, imports have continued this year, as last year, at a level of about four per cent. above exports. The curtailment in the import of certain materials may be seen in the last column of the table. Unless Germany succeeds in securing larger foreign markets for her exports, she will be compelled not "to die," but at least to refrain from augmenting her already large stocks of war materials.

* * *

Germany's Purchases of Nickel.—Imports of nickel ore during the first two months of 1939 were nearly five times as great as during the corresponding period last year. The value of nickel as a constituent of armaments is well known, and there is no need to emphasise the significance of this spurt; but it is worth recalling that an equally spectacular rise occurred in the early months of 1914. A more puzzling point is the origin of these exceptional imports. In the first two months of 1938, of total German imports of nickel ore amounting to 20,773 quintals, 15,233 came from Canada, and 4,936 from Burma. In January and February of this year Canada's share rose to 20,190 quintals, while Burma's fell to 1,977; but as to the origin of the other imports—no less than 73,601 quintals—the German trade returns preserve a discreet silence. It is, however, reasonable to suppose that the bulk of them must have come originally from Canada; for Canada produces about 90 per cent. of the world's nickel. Most of the remainder is produced in New Caledonia—a French island in the Pacific—while small quantities are produced in Burma, the U.S.S.R., Greece and Norway;

but in no case is the total annual output of any of these countries equal to more than a fraction of the amount which Germany has imported in two months. Canada is therefore presumably the origin of the main part of the mysterious 73,601 quintals; but as German imports from Canada are specifically given as 20,190 quintals, it would seem that the remainder must have come indirectly through other countries. In this connection the rise in Canadian exports of nickel matte to Holland from 36,982 cwt. in April-September 1937 to 65,161 cwt. in April-September 1938 may be significant, although even if the surplus was subsequently passed on to Germany it would only account for a small part of her abnormal imports.

* * *

Italy's Imports.—Italy has been suffering perhaps even more than Germany from a shortage of foreign exchange. In 1937 Italy had a large deficit in her balance of payments, in part due to the milliard lire spent on wheat imports. In 1938 Italy was compelled to reduce her imports, despite a slight increase in exports and an actual export surplus of cereal products. This year the total of imports from foreign countries is only half what it was a year ago, whilst exports are down by 5 per cent. The decline in imports has been mainly but not exclusively in food and other consumption goods.

ITALY'S NET IMPORTS					
	1936	1937	1938	1938	1939
				Jan.-Feb.,	
				(000 metric tons)	
Coal	8,713	12,461	11,807	1,747	1,511
Iron and steel scrap ..	365	537	604	102	111
Crude oil	296	936	1,474	214	257
Petrol	185.7	194.0	34.5	4.2	8.6
Rubber	16.0	24.0	28.3	3.7	4.1
Cotton	101.4	166.4	157.1	29.8	19.3
Wool	16.3	39.2	32.6	5.4	5.8
Cellulose	220.2	247.6	263.2	69.8	48.1
Copper	83.2	76.1	77.3	15.9	19.6
Nickel	2.83	2.82	3.69	0.82	0.42
Lead	8.38	10.89	8.61	1.66	1.09
Tin	3.72	3.64	4.44	0.97	0.76

But imports of capital goods and materials are also down, including coal, cotton and iron and steel (though not scrap). The accompanying table suggests that Italy has found it difficult to replenish stocks dispersed during the sanctions period. Indeed, she has probably found it difficult to keep up the supply of materials to sustain the increased activity of her metallurgical and engineering industries. Caution must however be exercised. For example, more than a third of Italy's oil requirements, being used by the fleet and air force, do not appear in the trade returns. Nor does the export of war material to Spain appear. The big reduction in imports this year may therefore be purely statistical, the substitution of direct military purchases for purchases by civilians recorded in the official trade returns.

* * *

A New Shellac Contract.—From the beginning of next week futures trading in shellac on the London market will be reorganised. In the past, the lowest unit of a contract was 100 packages (144 cwt.). No deposit was required and no settlement took place until the maturity of the contract. This practice facilitated the big shellac speculation of 1933 to 1935, which ended in a disastrous breakdown; also a minor failure on the London market early last month, which forced down the price from 41s. 6d. per cwt. at the beginning of March to 37s. per cwt. at present. To prevent such breakdowns the London Shellac Trade Association is now to subject futures trading in shellac to the London Produce Clearing House system, as from April 17th. Under this system both buyers and sellers will have to deposit £15 per lot of 50 packages (72 cwt.) with the Clearing House. At the present price this deposit exceeds 10 per cent. of the value. If major price fluctuations occur during the period of the contract the deposit must be increased accordingly. Failing such an increase, settlement takes place at once. This practice has proved very satisfactory on the sugar and cocoa markets.

INDUSTRIAL REPORTS

THE flow of new orders to industry has been interrupted by the Easter holidays and, in some trades, by the increase in political tension. The heavy industries remain active. The demand for house coal has declined with the rise in the temperature, but the industrial intake is increasing. The production of iron and steel has shown a sharp increase, and the expansion in demand is likely to continue with the speeding-up of defence work and the revival in commercial shipbuilding. The volume of new business in the principal textile trades has been less satisfactory, and the setback in the cotton industry has been accentuated by the downward trend in raw cotton prices.

Coal

Sheffield.—There has not been much activity this week. Good deliveries of industrial fuel were made before the holiday, and for the moment buying is on a small scale. Demand for household coal is moderate. A slightly better inquiry exists for blastfurnace coke, but domestic sorts are not very brisk.

Export demand for prompt delivery is poor, and there is a very limited forward inquiry. Best hards and washed trebles are the best features. Both inland and export prices are unchanged.

*

Newcastle-on-Tyne.—As both inland and foreign demand for industrial coal has continued to expand, most collieries in the Durham section are now fully stemmed for several weeks ahead. A number of collieries producing the prime grades of coking coal have sold their potential output for the next three or four months. Northumberland collieries experience a good demand for their large coal, but there is still difficulty in disposing of smalls. Patent oven coke is a steady market, the feature last week being the purchase by Sweden of approximately 60,000 tons for stocking purposes in case of emergency.

*

Glasgow.—The Scottish market remains very steady in tone, with business well maintained in all directions. The political developments have not so far had any notable effect on the trend of business, although in various directions more inquiry has been reported. Industrial demands are on a good scale, and this is offsetting to some extent the seasonal contraction in the household trade. Shipping business is moving steadily, and last week's tonnages despatched from the ports showed a good increase. While there is no stringency in regard to supplies, the market tone is firm for all classes of coal.

*

Cardiff.—Work was suspended only on Easter Monday under the holiday-with-pay arrangements, but absenteeism on Tuesday was considerable, and the output for the week was approximately 25 per cent. below the

recent weekly average. On the Cardiff coal market there have been very few inquiries, and the collieries have been almost exclusively employed in the execution of contracts. Prices are nominally unchanged. At the South Wales docks of the Great Western Railway Company last week shipments in the foreign and coastwise trades totalled 337,800 tons, compared with 372,700 tons in the previous week and 398,870 tons in the corresponding week of last year.

Iron and Steel

Sheffield.—The holiday has slowed down business on the iron and steel market, and turnover this week has been very limited. A few parcels of foundry iron have changed hands, but forge is almost neglected. Basic iron, on the other hand, is in steady demand, and hematites are in somewhat better request. Business in finished iron continues meagre.

The lull in the demand for basic steel billets and steel bars is merely temporary. Government requirements are bringing substantial inquiries for structural steel, and a steady business is being done in wire rods.

The holiday suspension made little difference to the iron and steel scrap market. There is heavy buying of most classes of material, and where prices are not controlled they are tending to rise. There is a shortage of heavy basic steel scrap for melting, and the official prices are firmly maintained. Foundry heavy cast iron is quoted up to 80s. per ton, with a heavy demand, and heavy wrought shearing iron is fully taken up at around 72s. 6d. per ton.

At most of the works here the holiday has been as short as possible. There is pressure of Government work, but a satisfactory flow of ordinary commercial orders continues to come in, and every effort is made to prevent the delivery of these falling into arrears.

*

Middlesbrough.—Although there was no market this week on account of the Easter holidays, this has not affected the position. Orders already placed for semi-finished and finished steel, sheets, etc., will keep these departments running at full capacity for some time. The demand for Cleveland foundry iron has slightly improved. Heavier deliveries of East Coast hematite are being called for under existing contracts. The production of basic iron is being steadily increased, but none of this comes on to the market, as it is all required by the steelworks in this area. Heavy melting steel scrap is still scarce, while the demand remains strong. Imports of iron ore are increasing, being now approximately double those for the corresponding period in March. The placing of orders for new ships on the East Coast is resulting in additional contracts being placed with the steelworks for plates, angles, etc., and as these departments were slack, the new orders are particularly welcome.

Glasgow.—Already there is an improved demand for shipbuilding material, and there is no doubt that this will further improve within a very short time as a result of the recent shipbuilding orders placed with Clyde and other shipbuilders. In addition to the six escort vessels which, it has just been announced, have been placed with Clyde yards, there is every prospect of substantial additional Admiralty orders. Now that the further order for air-raid shelters has been placed, sheet re-rollers and galvanisers are assured of steady employment till the end of July at least. Plant will be taxed to the utmost to meet all the requirements of users of both black and galvanised sheets during the period. Re-rolled steel bars are also in greater demand. Business continues to improve in the tube trade, and makers in this district are busy, and have several months' work on their books.

*

Cardiff.—Owing to the Easter holidays, production has fallen substantially during the current week, but in other respects the position in the tinplate and other departments of the iron and steel industry remained unchanged. In the week ended April 1st the output under the tinplate pooling scheme was 51.68 per cent. of capacity, compared with 46.58 per cent. in the corresponding week last year. The pressure of demand in the heavy branches is greater than at any other period since the recovery, and local supplies of scrap for the smelting furnaces have now been almost exhausted.

*

News from Abroad.—A slight improvement was perceptible on international steel markets before the Easter recess. A number of consumers in a good many countries entered the market, and although the tonnages actually purchased were not particularly large, there was a favourable reaction on prices. Since, however, previous revivals during the last few months proved short-lived, having been interrupted by the recurrent political tension, there are no definite prospects of a continuation of this improvement. It is, on the other hand, quite possible that, once the ice is broken, coverings for requirements over a longer period and speculative purchases will assume very substantial dimensions.

The recent reaffirmation of official Cartel prices was largely responsible for the better tone, but a contributory factor was doubtless the stronger position of steel producers on account of large armament orders. The Far Eastern market, which was dormant during recent weeks, lately showed signs of a slight revival. Several South American countries, particularly Argentina and Brazil, bought quite sizeable tonnages, whereas the Scandinavian countries and Holland were interested only in medium quantities. British purchases of semi-finished products have remained on a satisfactory level. After Easter, owing to the new crisis, no definite tendency has yet developed.

Concessions on official prices, which

were spreading until recently, are less easily made. Nevertheless, thin sheets are offered at 5s. to 10s. (paper), galvanised sheets at 6s. to 7s. and thick plates at 10s. to 15s. per ton below Cartel prices, but actual contracts at these reduced prices are comparatively small. An official price reduction has been made for Cuba in order to meet American competition. As regards the alleged American infringements of the export agreement, a detailed statement of the facts is now being prepared and will shortly be submitted to the London Bureau.

Textiles

Cotton (Manchester).—Holiday influences have prevailed on the market, but the chief disturbing factor has been the political news from the Continent, and the trade outlook remains very unsettled. Buyers and sellers have not been prepared to enter into important negotiations. Raw cotton prices have tended to decline, and are now on a lower level than for about six months. A good deal of interest has been taken in the proposal that the United States should exchange cotton and wheat for rubber and tin on a barter basis. Exports of cotton from America so far this season are over 2,000,000 bales less than a year ago.

There has not been much activity in the yarn market. Most users of American and Egyptian counts have purchased from hand to mouth. All spinners of yarns made from American and Indian cottons have been supplied with details of the comprehensive yarn price-fixing agreement. Demand in the cloth section has been patchy, the turnover consisting, for the most part, of miscellaneous lots. Some fairly substantial contracts have been put through for the Services, and firms engaged on this class of work are being urged to expedite delivery. The more active demand for India has been maintained, and free buying has taken place in a variety of cloths. Fancies have attracted some attention for Java and Singapore. A fairly encouraging turnover has been reported in standard makes for South America. Order lists of manufacturers remain irregular.

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Wool (Bradford).—There has been little change in the position of wool markets during the past fortnight. Although the international political outlook is not satisfactory, the balance of the British Dominions' clips is expected to be sold at about current prices. There remain about 400,000 bales to sell in Australia before the end of the current wool year, and two more auctions will mark the termination of the New Zealand season. The principal offerings at present in South Africa are short clothing wools, which are selling very well, notwithstanding the fact that Germany's quota is about exhausted. Since Italy's invasion of Albania export business has suffered a setback. Prices have remained firm, but turnover on home account is not satisfactory, due to the uncertainty regarding future clothing requirements. The War Office has placed substantial orders.

THE COMMODITY MARKETS

OWING to the Easter holidays the turnover on the commodity markets has been limited during the week ended last Wednesday. Prices, moreover, have shown little change, despite the growth of political tension.

Wheat prices, which rose during previous international crises, are scarcely changed on the week, probably because supplies remain very heavy. Raw sugar prices, on the other hand, continued their upward trend, initiated by the poor European crop. Raw cotton was again marked down on fears of heavier American exports, but wool prices remained practically unchanged. The market in rubber was dull, and its price is again slightly below 8d. per lb. The prices of the principal non-ferrous metals varied within narrow limits.

In the United States Moody's index of the prices of sensitive commodities fell from 139.8 (December 31, 1931-100) to 138.7 during the week ended last Wednesday.

Metals

Copper.—The official domestic price in the United States was reduced from 11.25 cents to 10.75 cents per lb. on Monday. This followed the previous week's cut by the American Smelting and Refining Company, and on Wednesday this company announced a further reduction to 10.50 cents per lb. It is expected that the other producers will again have to follow suit. The price reductions are aimed at stimulating domestic buying, and it is hoped that export pressure will relax. In London the standard cash price of copper closed at £42 2s. 6d. per ton on Wednesday, 2s. 6d. lower on the week.

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Tin.—After falling back to £214 per ton, the lowest level for nearly a month, standard cash rallied and closed £1 higher on the week at £215 15s. Demand was not active, but on Tuesday a considerable selling pressure was noticeable, a fact which suggests that speculators still hold supplies. The market is now waiting for the International Tin Committee's meeting on April 27th, which will probably clarify the position of over-exports. Before that date no major change in the situation is to be expected.

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Lead and Spelter.—Both lead and spelter closed 2s. 6d. higher on the week, at £14 1s. 3d. per ton and £13 3s. 9d. per ton, respectively. Offerings of lead and spelter were smaller than those of other metals, but the position in these markets is still unsatisfactory. According to the Metallgesellschaft, production of zinc outside the United States was 99,830 metric tons last month, against 99,781 metric tons in February. These figures compare with a monthly average of 96,873 tons for the record year 1938. Production of lead outside the United States

amounted in January, according to the same source, to 97,303 metric tons, against 100,546 tons in December and a monthly average of 105,649 tons in 1938. This decline is solely due to the strike in Mexico and does not indicate that restriction of output has become effective.

Grains

Grains.—The wheat market has maintained a generally steady tone, and prices, helped by the political crisis, have advanced 1½d. to 9d. a quarter. The United States Bureau estimate of the production of winter wheat was published on Monday, and, at 549 million bushels, was about 11 million bushels higher than the average of private forecasts. The agricultural situation in Southern Hemisphere countries is considered quite favourable. The maize market has been generally steady, though conditions were rather dull. Trading in barley has been restricted by the holiday.

Other Foods

Provisions.—Business in most classes of provisions was restricted after the holiday, but the markets were steady. Butter prices were slightly lower, but other commodities showed little change.

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Colonial Produce.—The raw sugar market was firm and prices of all grades advanced, largely owing to the political tension. Tea prices were also higher, though sales at the London auctions were small.

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Fruit and Vegetables.—The market was quiet after the holiday, but business was good throughout last week. Prices remained firm, and supplies of most of the regular seasonal lines were limited. Vegetable supplies were heavier than expected on Saturday and prices weakened.

Miscellaneous Commodities

Oils and Oilseeds.—The price of linseed is higher on the week, though the market was not very active. Crushers have ample supplies of oilcakes, and there is still a large quantity on passage to Europe. The demand appears to have fallen below normal, though American buying is expected to be maintained until the domestic crop becomes available in the autumn.

★

Rubber.—The market has been dull, and prices fell on account of political tension. Standard ribbed sheet on the spot closed at 7½d. per lb. on Wednesday, ½d. lower on the week.

COMPANY MEETINGS

UNITED GLASS BOTTLE MANUFACTURERS, LIMITED

SUCCESSFUL TRADING RESULTS

SIR MAX BONN'S SURVEY

The twenty-sixth ordinary general meeting of the United Glass Bottle Manufacturers, Limited, was held, on the 13th instant, at 8 Leicester Street, London.

Sir Max J. Bonn, K.B.E. (the chairman), said:—The directors' report and accounts have been in your hands for some time—owing to the Easter holiday intervening—and I trust you have studied them with a sense of satisfaction, having regard to the difficult political and trading conditions during 1938.

You will notice from the assets side of the account that fixed and loose plant and machinery (after writing off £101,206, our normal rate of depreciation, and wear and tear of moulds) at £645,071 compares with £647,192. Shares in subsidiary companies are increased to £1,150,280 from £1,134,314; but trade investments show a reduction from £13,758 to £1,252, due to an associated company having become a subsidiary, by the purchase of further shares. Stocks, stores, packages, etc., have risen from £647,329 to £688,473. Debtors, after making ample provision for doubtful items, amount to £471,619, against £513,623. Cash at bankers and in hand is increased to £148,684 from £139,937.

PROFIT AND DIVIDENDS

The net profit for the year amounts to £257,592 (as against last year £280,811), to which is added the balance from last year, £44,738; after making allocations to reserves previously referred to, the amount available is £204,760. The full year's dividend, less income tax, on the preference shares, £65,324, and an interim dividend, less income tax, on the ordinary shares, £28,344, have been paid, and it is now proposed to pay a final dividend on the ordinary shares of 6 per cent., less income tax, making 9½ per cent. for the year (same as last year) and a cash bonus of 2½ per cent., less income tax (same as last year), £68,836, and to carry forward a balance of £42,255. Again we have received a satisfactory contribution by way of dividends from British Bottles, Limited, identical with last year, apart from the increased income-tax deduction. You would wish me to emphasise that a substantial surplus of the profits earned by the Northern Group has again been retained and added to the reserve of British Bottles and/or operating companies. As the merger terms were based on earning power (as distinct from valuation of assets), the issue of the new U.G.B. shares, exchanged by way of purchase consideration, automatically created a large goodwill item. Whilst we have every confidence in the earning power of the Northern Group, we are anxious to continue for some years to come a conservative policy on the same lines as we have pursued in the U.G.B. accounts proper.

SUBSIDIARY ACTIVITIES

Our other main subsidiary, Kork-N-Seal, Limited, has had another satisfactory year. Further extensions to the buildings have been completed; the new layout of the factory has resulted in greater efficiency and economies. The company has installed a number of fully automatic moulding presses for the production of Phenol and Urea mouldings. These presses, together with the injection moulding machines mentioned in my speech last year, enable us to cater for a greater variety of moulded articles.

I should also like to refer to the excellent results of our St. Helens box manufacturing department; sales of beer, mineral water and similar types of boxes and cases have been well maintained.

WAREHOUSING AND TRANSPORT

In 1930 the late chairman explained our policy of establishing "outside" warehouses, apart from any enlargement within the factories. By 1938 we had no less than 23 points ensuring first-class delivery services. When during the height of the Christmas season many roads were icebound, and some impassable to long-distance traffic, the test had come. I am proud to tell you that not one single customer was held up in his Christmas trade owing to any default on our part. Your directors had great pleasure in congratulating Mr C. A. Roberts, the excellent head of our transport department,

on behalf of every driver in our service. Quite recently we have secured additional facilities (subject to completion) outside the London area, and yet well placed from our Charlton base, which should relieve congestion, and at the same time secure a further spread of risks. In this connection the Southern Railway gave us every possible assistance.

The bulk of our traffic continues to be carried by rail, and whilst we are critical of any abuse of powers—whether in regard to transport, fuel or any raw material—we appreciate the service and facilities we receive from the main lines.

PRICES AND COSTS

Last year I spoke of the greater price stability within the industry. Detailed comparisons of the increase in our extraneous costs, i.e. fuel, raw materials and labour, during the last two years are most significant. Assuming that the incidence of these burdens is more or less identical throughout all glass bottle concerns, I am satisfied that customers have had a very square deal; equally so, that at the price levels prevailing up to the moderate increases since 1936, we should have found it impossible to pay reasonable dividends and yet build up adequate reserves.

A.R.P.

Before I turn to the future, I wish to look back at the special difficulties encountered during the summer of 1938. Earlier in the year your board decided to prepare for an emergency, as quickly as possible according to the special needs and within the possibilities of our factories both in England and Scotland. Mr Alexander and Mr Tipping—the mechanical assistant to the general manager—became a most competent committee of two. Thanks to the encouragement received from the authorities, we obtained for Mr Haig (of Charlton) admission to a course at Falfield Anti-Gas School and thus secured specialised knowledge at an early date. By the middle of September I had the satisfaction of seeing Charlton clearing the entire working floors within four minutes. After our board meeting in November at Sherdley we witnessed a most efficient display in all the activities which legislation is about to impose by way of compulsion on industry. Nevertheless, it would be idle to pretend that there are no marked differences as regards voluntary service, both as between localities and individuals. All reasonable preparations for "blackout" had been made throughout the whole organisation; some of these measures were of a temporary nature and have since been improved, and will, I trust, satisfy the present official standards. The actual expenditure under this heading will have to be dealt with in next year's accounts.

THE OUTLOOK

You would hardly expect me to hazard any forecasts for 1939. Up to date, business on the whole has been well maintained, but you know my reluctance to generalise from any short-period experience.

Early this year I visited the United States, largely for the purpose of making personal contact with our friends in Toledo. I am grateful to Mr William E. Levis, the head of the Owens Illinois Glass interests, and his associates for their kind reception and their interesting and informative hospitality.

Subsequently Mr Moorshead spent some time in the United States—he is only just back—and as the result of our talks we have arrived at a broad understanding for a technical liaison as regards containers and closures. From the very size of their research work and the larger scope of their manufacturing operations we should be the gainers; nevertheless, I am confident that, thanks to our technique and new developments, it will not be an entirely one-sided arrangement.

You, my lords, ladies and gentlemen, will readily appreciate the practical advantages and intangible safeguards of such an arrangement; the very lack of any formal tie-up enhances, in my opinion, the value of this prospect. It is some comfort to be able to conclude my observations on this happy note.

The report and accounts were unanimously adopted.

EAGLE STAR INSURANCE COMPANY, LIMITED

SUCCESSFUL YEAR'S OPERATIONS

STRONG FINANCIAL POSITION

DIVIDEND 30 PER CENT.

Presiding at the annual general meeting of the Eagle Star Insurance Company, Limited, held in London, on the 13th instant, Sir Edward Mountain, Bart, J.P., in moving the adoption of the report and accounts, said that in the life department 3,097 new policies were issued for £10,522,804 gross, of which £209,543 was re-assured, and the premium income in the current funds had increased by over a quarter of a million pounds. The expense ratio now stood at 13 per cent. of the premium income, and it was a matter of satisfaction that during the past four years it had shown a steady and continuous decline. The gross rate of interest earned by the current funds was £4 18s. 11d. per cent. A transfer of £40,000, as an interim payment, had been made from the current fund non-participating life business to the shareholders' profit and loss account. The total assets of the life department (including both current and closed funds) now exceeded £16½ millions, being an increase of £541,160 during the year. The current sinking fund and capital redemption account had expanded during the year by approximately £85,000 and now stood at over £644,000.

"STAR" AND "SCEPTRE" FUNDS

The valuation of these two closed funds was made at the end of 1938 on the same stringent basis as on the last occasion. In the Star Fund a surplus of £705,677 was shown, which enabled the directors to maintain the reversionary bonus of 4 per cent. per annum. In the Sceptre Fund the surplus was £145,178 and they were able to repeat the record rates of bonus declared five years ago.

FIRE DEPARTMENT

The premium income was £808,464 and showed a profit of £54,447.

ACCIDENT DEPARTMENT

The premium income from ordinary personal accident and sickness insurance showed an increase from £81,258 to £89,565, while the premiums on special contracts, the liabilities under which terminated at the close of the year, amounted to £14,536. An amount of £12,995 was transferred to profit and loss account.

GENERAL INSURANCE

In the general insurance account, which includes various miscellaneous classes of business now shown separately, there was an increase in premium income which now exceeded half a million. The results had again been very satisfactory, a profit of £94,973 being carried to profit and loss account.

EMPLOYERS' LIABILITY ACCOUNT

The premiums increased to £247,242 and a profit of £1,407 was carried to the profit and loss account.

MOTOR DEPARTMENT

Despite the difficult conditions obtaining in motor car insurance, last year's results showed an improvement on the previous year. The premium income was £1,607,231. The claims paid and outstanding amounted to £918,715 and after providing for expenses, a sum of £18,401 was transferred to profit and loss account.

MARINE DEPARTMENT

In that account £320,485 was brought forward, which, with the net premiums for 1938, £275,060, gave a total of £595,545. Claims paid during the past year and for all previous years amounted to £220,905. Expenses, including taxes, amounted to £56,532, and they were able to carry forward £318,108, which represented 115.65 per cent. of the premium income.

PROFIT AND LOSS ACCOUNT

With the credit balance brought in of £294,521, net interest from investments of £358,392 and transfers from the various trading accounts, there was available a total of £954,055. Of that the payment of the dividends absorbed £328,204 (which it would be observed was more than covered by the net interest earnings alone), and after making provision for taxation, expenses and transferring £50,000 as an additional claims reserve to the motor insurance

account, there was carried forward a balance of £402,134 against £294,521 brought in.

In conclusion, he wished to thank all the members of the staff and agents for the support they had given to the company during the past year and to add that he thought they might all look forward to the future with confidence, subject, of course, to the international situation.

The report and accounts were unanimously adopted, and the proposed dividend of 30 per cent. was approved.

BANK OF ATHENS

RESULTS OF A DIFFICULT YEAR

The directors' report for 1938 was presented at the annual shareholders' meeting on March 24, 1939.

The following were among the more salient points:—

World economic activity, already so tested by the new crisis arisen since 1937, has had to face during the past year disturbances provoked by the anomalies of the international situation. These anomalies, which have followed on one another for several years, in 1938 have become acute. These unfavourable conditions have been further accentuated by the alarming events of September, which have upset the European *status quo* which was the outcome of the war of 1914. In spite of this troubled atmosphere, which has perforce exercised its influence on Greek affairs, the economy of the country has again shown appreciable progress.

The disquieting turn taken by the European political situation, especially during the last half of the past year, has imposed a cautious policy on banking. Despite difficulties which result from restrictive measures in force, the turnover of the bank has been satisfactory, as is shown by the balance sheet submitted to-day for your approval.

The results obtained have been neutralised by the application of collective contracts in Greece. We are the first to recognise the timely nature of this measure, which, in present circumstances, creates new conditions. We hope, however, that the bank will soon be able to adapt itself to these new conditions. We base our hope on the vitality of the bank which, with the help of its shareholders, has already been able to face numerous new charges imposed on it successively in the course of a relatively short lapse of time.

Furthermore, the strong position of the bank has been clearly proved by the increased turnover of various items of the balance sheet during the last three years.

The profits for 1938, after deducting the usual provisions and amortisations, amount to Drs.18,920,242, as against Drs.20,958,659 for the preceding year. This allows us to propose the distribution of a dividend of Drs.12 per share, leaving a balance to be carried forward of Drs.3,231,502.

OOREGUM GOLD MINING COMPANY OF INDIA, LIMITED

INCREASED ORE RESERVES

The ordinary general meeting of the Ooregum Gold Mining Company of India, Limited, was held, on the 13th instant, at Southern House, London.

The Hon. A. T. J. Fraser, D.S.O., the chairman, who presided, said that the results of the year's working had been very similar to those of the previous twelve months. The total recovery of gold had amounted to 51,301 ounces, an increase of some 600 ounces, and the average selling price had been £7 2s. 2½d.—an increase of 2s. 10½d. per ounce. The profit was £56,742, and after sundry allocations there was now available £28,665 or almost exactly the same as last year, from which the proposed final dividend of 6d. per share on the preference and ordinary shares would leave to be carried forward £10,266.

The principal event of the year had been the completion of the air conditioning plant on the mine. Ooregum was one of the half-dozen deepest mines in the world, with the deepest point no less than 8,361 feet vertically below the surface, and some 5,400 feet below sea level. The plant had been working well and the results appeared to be coming fully up to expectations or even beyond them. There was no doubt that the lowering of temperature would have a very considerable effect on the efficiency of the native labour and still more of the white supervision; indeed, that had already taken place to a marked degree.

During the year the intensive scheme of development had been continued. The Central and Northern portions, especially Bullen's section, were the areas on which any real prosperity for

WILLIAM BEARDMORE & COMPANY, LIMITED

ARMAMENT COMPANY'S OBLIGATIONS

The ordinary general meeting of William Beardmore and Company, Limited, was held, on the 13th instant, in London.

Sir James Lithgow, Bt. (the chairman), said that effect had now been given to the scheme of arrangement accepted by the shareholders last June and duly approved by the Court. The figure of £8,000,000 of authorised capital simply represented the amount of capital upon which duty had been paid and which, if required, was available for issue without further expense of that nature. The directors had in view nothing which would appear to call for the issue of any of the unissued capital, and the present position might, therefore, be regarded as fully covered by the issued capital of £950,000 5½ per cent. cumulative preference stock and £950,000 ordinary stock. The 4½ per cent. mortgage debenture stock, which had been issued in satisfaction of the old income debentures was largely held by certain banks and by interests controlled by him. A certain portion was in public hands. The stock was repayable in ten years as it was thought quite probable that within that time moneys realised from the sale of surplus assets might be available towards reduction of this obligation.

Under the heading of sundry creditors and credit balances there was carried a substantial amount of income tax deducted on the redemption of Interest Certificates and from other payments which would eventually require to be accounted for to the Inland Revenue. Apart from that, the figure of £496,429 was made up of normal trade creditors and credit balances. The total was considerably less than it was twelve months ago. The directors had thought it wise to create immediately a reserve to cover the dividend on the cumulative preference stock for a certain number of years in which profits might not be earned. The sum suggested of £160,000 was, he thought, fully in line with good practice in such matters.

THE ASSETS

On the assets side of the balance sheet, land, buildings, plant, machinery, etc., included all the assets belonging to the company situated at the Parkhead Works, which were all at present in full production as well as three small properties adjacent to Parkhead which were let to outsiders and also the old railway wheel works now leased to the Glasgow Railway Engineering Company. The value of the fixed assets had been ascertained and adjusted under the scheme of arrangement.

Their subsidiary companies were Newton Mines, Limited, the Dowson and Mason Gas Plant Company, the British Ljungstrom Marine Turbine Company, John Broadfoot and Sons, and Beardmore Diesels, Limited. Associated companies consisted of a half-share in the Glasgow Iron and Steel Company, a half-share in Beardmore Motors, Limited, and a number of sundry investments.

Current assets showed a substantial increase owing to the increased activities and work in progress, less instalments received, was substantially up and was accounted for by the greater volume of work. Sundry debtors and debit balances included the purchase price of a part of the Dalmauir property but was otherwise made up of normal trade debtors and debit balances.

DEFENCE REQUIREMENTS

The company's resources of plant and staff had been heavily strained throughout the year to meet the requirements of the Defence Departments of the Government. These requirements were not always fully understood by the public, particularly that aspect of them concerned with the careful designing and preparation necessary for their execution. The public was apt to forget that during many years the plant of their company, like others designed primarily for armament work and quite unsuitable for anything else, was allowed to languish by reason of a national policy which had unfortunately proved to have been mistaken. It was no easy task looked at either from the financial or the physical point of view to repair rapidly major errors of this kind—errors for which no one connected with the company could in any sense be responsible.

It did not seem to be so easy for the general public to appreciate the sacrifices that had been made and the debt that had been accumulated in the national interests. He hoped that in public discussion of the profits of those companies who had laid themselves out specially to support the country in a crisis of this kind, some consideration might be given to the huge financial obligations they had undertaken and upon the stability of which the ultimate fate of the country still depended.

The report was unanimously adopted.

the mine depended. Owing to continued intrusions of pegmatite no stopping ground had been opened up there of any importance since the 82nd level, but on the 88th level, though no actual ore shoot was as yet showing, pegmatite was now very largely absent, and judging from the past history of all the Kolar Mines, that indicated a very distinct possibility of ore shoots making at a lower horizon. Ore reserves at December 31st stood at 260,346 tons, averaging 10.11 dwts., and showing an increase of 26,634 tons. In addition there was approximately 80,000 tons of low grade ore profitable at the present price of gold. It had been possible to maintain and even increase the high grade reserves by mining a considerable tonnage from outside known ore reserves and from reclamation work in the higher levels where it had been possible to win ore from the fringes of stopes formally considered worked out, but now, with the high price of gold, distinctly payable.

Mr S. Taylor, describing the operations on the mine during the year, said that reclamation work had been continued energetically and more ground had been made available for stoping in the middle and upper sections of the mine. In fact, some 46 per cent. of the mine output last year had come from stopes outside the payable reserve. The indications were that, provided no unforeseen contingencies occurred, they ought to be able to maintain the current rate of output from those sources for some years to come. It was particularly pleasing to be able to report that the ore reserves showed a further increase.

The report was unanimously adopted.

JOHN BARKER & COMPANY, LIMITED

DIVIDEND MAINTAINED AT 15 PER CENT.

The 46th ordinary general meeting of this company was held, on the 12th instant, in London.

Mr Sydney M. Skinner, J.P. (chairman and joint managing director), after expressing regret at the death of Mr Francis Barker, brother of Sir John Barker and one of the original directors of the company, said that the year covered by the accounts had been a particularly difficult one. The major happenings since they had last met were a matter of history; the frequently recurring crises were fresh in their memories; and he was sure that shareholders would readily understand what a seriously adverse effect they had had upon the trade of the country and, indeed, upon the trade of the world generally. In view of that, together with the unavoidable inconveniences and restrictions caused by their rebuilding arrangements, he thought it would be agreed that, with a final net profit of £347,941 as compared with £344,817 for the previous year, or an increase of £3,124, they had emerged from a troubled year reasonably well.

The item of freehold and leasehold properties in the balance sheet showed an increase of £251,333, which in the main represented part of the finishing costs of the western section and the demolition and rebuilding costs of the central section.

The item of fixtures, fittings, etc., showed an addition during the year of approximately £129,000, a very heavy but necessary outlay.

Stock-in-trade was fairly steady at £546,393, as compared with £533,135. Watchful eyes were kept throughout the year on the most vital factor in their trading. At every stocktaking each department was taken on its merit and any necessary writings down or writings off were effected. By that process and by their ability—by reason of their cash resources—to buy in the cheapest market, they were able to keep their stocks constantly replenished and to give the fullest advantage to their customers, so maintaining their motto of "Value for money."

The final net profit for the year was £347,941, after making all necessary provision for current liabilities and providing for liability to income tax and N.D.C. The vexed question of taxation was one which was ever with them. Present indications showed no likelihood of relief, and that, coupled with the N.D.C. charge, made the outlook anything but encouraging.

In his judgment the current year was likely to be as difficult as any that they had had to face for some time. The view given by him and supported by his co-directors laid the obligation upon them to make every effort to steer the company's affairs towards a better result, if possible, for the coming year.

Summing up the position he said that the available balance was £459,099. The directors proposed to write off £25,000 from fixtures, fittings, plant and machinery, to place £100,000 to rebuilding and modernisation reserve, and £10,000 to the pension and benevolent fund, paying a final dividend on the ordinary shares of 10 per cent., making 15 per cent. for the year.

The report and accounts were unanimously adopted.

BRIGHTON AND SUSSEX BUILDING SOCIETY

AMALGAMATES WITH
LEEDS CITY AND DISTRICT BUILDING SOCIETY

At a meeting held, on the 11th instant, at the Philosophical Hall, Leeds, fresh history was made in the annals of building society history.

The occasion was the meeting of the Leeds City and District Building Society members, which was attended by Mr Lewis Cohen, managing director of Brighton's biggest building society, Mr C. J. M. Whittaker, the society's solicitor, and Major Milner, M.P.

The meeting was presided over by the chairman of the Leeds City and District Building Society, Mr George Wright, who, in his address to the large attendance of members, said that his board had very carefully considered the Brighton and Sussex Building Society's proposals of amalgamation and that they unhesitatingly recommended their members to endorse their action in agreeing to the union.

Mr Whittaker then read the deed of union and carefully explained the position, pointing out the advantages to be gained.

In his speech Mr Lewis Cohen stated that this was the sixth building society the Brighton and Sussex had amalgamated during the last two years, and he was convinced that this was the logical direction which building society policy should take. He referred to the action of the banks during the latter part of the nineteenth century when they took the pioneer step of strengthening themselves by union, and he said that it seemed reasonable and wise that to-day in view of the problems ahead, the great building society movement, with its assets of over £650,000,000, should travel the same road.

There were in all just on one thousand societies, and he was convinced that, if this number could be materially reduced by amalgamating their resources, it would give even greater stability to the movement. The path was clear, the Brighton and Sussex had shown them the way, and whilst they hoped to continue their successful policy, they sincerely trusted that other societies would follow their lead, for they felt it was beneficial both to the movement and to the public.

The Chairman put the motion to the meeting, and it was carried unanimously.

(Continued from page 153)

£50,000 smaller at £366,000. British Government securities fell by £142,000 and Colonial and Foreign Government securities by £23,000. Debenture stocks were practically unchanged at £1,523,000, while preference and ordinary stocks each showed moderate increases.

★

Merchants Marine Insurance Company.—The marine premium income of this company, which had been falling steadily for a number of years, increased from £150,000 in 1936 to £197,000 in 1937, and last year the total was £208,000. Generally speaking the marine results have been definitely bad and have resulted in a large profit and loss debit balance which now amounts to £468,000. There is a small fire account which has regularly shown good underwriting results. The results of the last two years are given below:—

	1937	1938
Marine	Dr. 18,909	Dr. 53,000
Fire	8,192	5,976
Investment profits	2,013	Dr. 692
Other profits	Dr. 8,704	Dr. 47,577
Interest	Dr. 6,263	Dr. 7,203
	Dr. 14,967	Dr. 54,780

The whole of the share capital is owned by the Employers' Liability, which guarantees the policies and which no doubt will sooner or later take steps to improve the balance sheet position of the Merchants Marine. Total assets amount to £954,000, including the debit balance at profit and loss of £468,000.

RIVER PLATE TRUST LOAN AND AGENCY COMPANY, LIMITED

CONDITIONS IN THE ARGENTINE

The meeting of the River Plate Trust Loan and Agency Company, Limited, was held, on the 12th instant, at the offices of the company, 211 Moorgate, London, E.C.

Mr Walter Woodbine Parish (the Chairman), who presided, said that though there had been a falling off of £34,200 in revenue, there had been a saving of £24,600 in expenses, due to a smaller charge for loss on exchange through reduced income remittances, and to a lessened provision for taxation, and the final result was a reduction in the net profit for the year of only £9,600 as compared with 1937. The moratorium law originally brought into force in October, 1933, and its subsequent extensions had had the effect of emphasising and increasing the rate at which the basis of the company's business was changing. To-day loans on first mortgage, properties purchased or taken over under foreclosure and the company's freehold premises in Buenos Aires together totalled only £1,127,000, or slightly less than 19 per cent. of their total assets, which amounted to £5,857,000.

For the six years to December 31, 1932, the average amount of outstanding loans on first mortgage of freehold properties had been £2,000,000; at December 31, 1933, two months after the introduction of the mortgage moratorium measure, the figure in the company's balance sheet representing loans was £1,980,026, but since then there had been an annual successive decline, and, in the balance sheet now before them, for the first time for many a year this figure of mortgage loans had dropped below the million mark and stood at £952,562.

With the ending of the extension of the mortgage moratorium law in October last, a new measure, the Mortgage Moratorium Liquidation Law, had come into force aiming at a gradual liquidation of mortgages, and the liquidation of those loans would be a matter of patience. The fact that the board had thought it best to face a capital loss and bring funds home had proved to be the wiser course. Had those funds not been remitted, a very much heavier loss would have had to be faced to-day.

The report and accounts were unanimously adopted.

Provincial Insurance Company.

—In these days of preparation for emergency evacuation of City offices to safer areas, it is of interest to note that the chief office of the Provincial has always been at Kendal. The company's results for the past two years are given below:

	1937	1938
Amount of % of Profit Premiums	43,783 20.1	39,593 17.7
Accident & Gen. Marine	57,759 5.6	57,093 5.1
	Dr. 7,004	Dr. 6,737
Items charged to profit and loss	94,538	89,949
	Dr. 65,432	Dr. 54,307
	29,106	35,642

Last year fire premium income increased from £217,000 to £223,000 and accident premiums from £1,027,000 to £1,110,000. The accident account shows alteration in the treatment of reinsurance recoveries on outstanding claims, as a result of which the reserve for outstanding claims at the end of 1938 has fallen from £391,000 to £354,000, although, as the report points out, the actual amount reserved per claim has increased. Marine premium income increased from £171,000 to £185,000 and the ratio of marine fund to premium income has increased from 102.4 per cent. to 103.1 per cent. No transfer was made from the marine fund to profit and loss, and the underwriting losses simply reflect interest credited to the fund in the two years. Assets total £2,405,000, and notwithstanding further depreciation of securities during the year the market value of investments on December 31st last exceeded book values. General reserve increased from £500,000 to £550,000. Interest income fell from £63,000 to £57,000.

Scottish Amicable Life Assurance.—In view of the Insurance Act in force, the Scottish Amicable decided to discontinue the transaction of new business in that country as from December 31, 1937, and thus severed a long and friendly connection extending over one hundred years. New sums assured last year, however, reached a new record of £2,131,000. Claims by death amount to £330,000, compared with £360,000 in 1937, and represented 83 per cent. of the amount expected according to the A1924-29 Ultimate Mortality Table. For the years 1935-37 the corresponding figures were 77 per cent., 87 per cent., and 93 per cent. respectively, and the average age at death was 66.1, 68.7 and 65.1; last year the average age worked out at 65.5. The net rate of interest on the life assurance and annuity funds fell by 2s. 5d. per cent. to £4 0s. 5d. per cent., and total assets increased from £13,146,000 to £13,332,000. Mortgages and loans of all kinds increased from £2,082,000 to £2,524,000. Mortgages of property increased from £72,000 to £230,000, while the loan to the Standard Property Investment Company increased from £493,000 to £767,000. The latter is an old-established and successful Edinburgh concern which lends on security of heritable property in Scotland, whose share capital is held in approximately equal parts by the Scottish Amicable and the Scottish Equitable Life offices. British Government securities were reduced from £3,013,000 to £2,726,000, but otherwise changes in investments were unimportant.

CURRENT STATISTICS

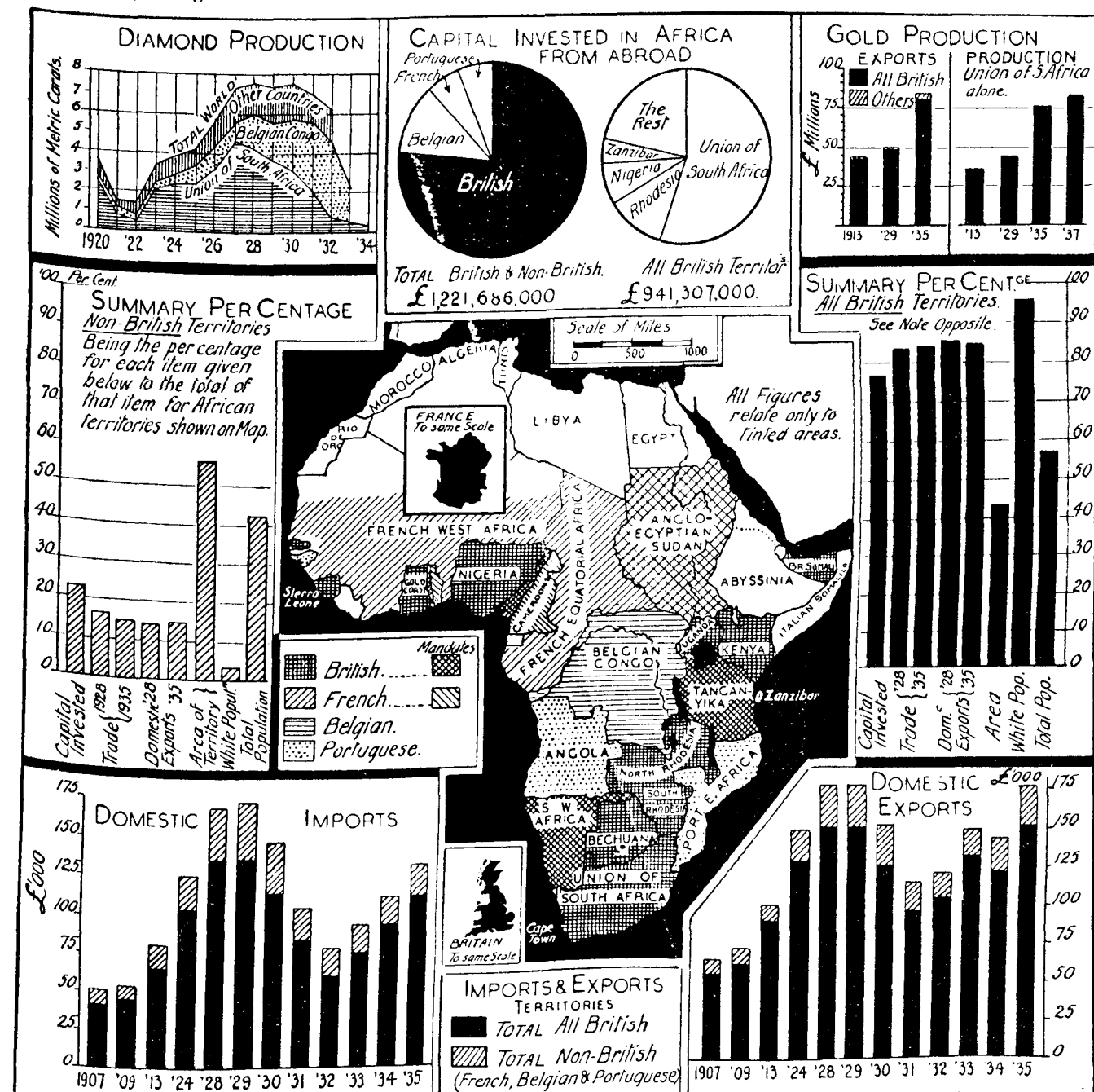
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue

African Survey

(All figures relate to Africa south of the Sahara, i.e. the area shaded on the map).



We are indebted for the figures used in this chart to "An African Survey" (by Lord Hailey, 1,837 pages, 21s.), and "Capital Investment in Africa" (by S. H. Frankel, 487 pages, 10s. 6d.), both published for the African Research Survey by the Oxford University Press.

Finance

GOVERNMENT RETURNS

For the 8 days ended April 8, 1939, total ordinary revenue was £17,560,000, against ordinary expenditure of £27,411,000 and issues to sinking funds of £245,000. Thus, including sinking fund allocations, the deficit for the 8 days is £10,095,000, against £8,288,000 for the corresponding 9-day period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)	9 days ended Apr. 9, 1938	8 days ended Apr. 8, 1939
ORDINARY REVENUE			
Income Tax	6,391	6,528	
Sur-tax	1,860	1,840	
Stamp duties	1,870	1,570	
Other Inland Revenue Duties	220	520	
	30	60	
Total Inland Revenue	10,371	10,518	
Customs	5,500	4,654	
Excise	1,200	900	
Total Customs and Excise	6,700	5,554	
Motor duties	1,450	1,446	
Sur-tax (Net Receipt)	100	Dr. 59	
Receipts from Sundry Loans	58	55	
Miscellaneous receipts	92	37	
Total Ordinary Revenue	18,771	17,560	
SELF-BALANCING REVENUE			
Post Office and Broadcasting*	1,400	1,300	
Total	20,171	18,860	
Issues out of the Exchequer to meet payments (£ thousands)			
9 days ended Apr. 9, 1938			
8 days ended Apr. 8, 1939			
ORDINARY EXPENDITURE			
Interest and Management of the National Debt	18,047	17,878	
Other Consolidated Fund Services	277	33	
Total	18,324	17,911	
Supply Services	8,500	9,500	
Total Ordinary Expenditure	26,824	27,411	
Sinking Funds	235	245	
SELF-BALANCING EXPENDITURE			
P.O. and Broadcasting	1,400	1,300	
Total	28,459	28,956	

After raising Exchequer balances by £42,787 to £2,542,199, the other operations for 8 days (as shown below), but excluding issues to Sinking Funds) raised the gross National Debt by £10,138,000 to about £8,311 millions.

EIGHT DAYS' CHANGES IN DEBT

NET INCREASES	NET REPAYMENTS, ETC.
Treasury Bills Adv. 5,349	Nat. Savings Certs. 150
Public Debt. 6,500	P.O. and Teleg. 550
Land Settlement 9	N. At. Shipping 35
	Tithe Act 960
	Bullion Adv. 25
11,858	1,720

AGGREGATE ISSUES AND RECEIPTS

Ordinary Exp.	Ordinary Rev.
27,411	17,560
Inc. in balances 43	Gross borr. 10,139
	Less
	Sinking Fds. 245
	Net borrowing 9,894
27,454	27,454

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
Twelve weeks to —		
March 26, 1938	8,398,114	6,298,585
March 25, 1939	7,870,496	5,902,872
Week to —		
March 26, 1938	600,811	450,608
March 18, 1939	613,779	460,335
March 25, 1939	540,916	405,687

FLOATING DEBT

Date	Tender	Tap	Public Depts.	Bank of England	Total Floating Debt	Floating Assets
1938						
Apr. 9	512.0	304.9	30.6	5.0	852.5	335.5
Dec. 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	537.1
Feb. 4	396.0	520.1	36.8	...	952.8	556.8
" 11	391.0	502.4	36.7	...	922.2	541.2
" 18	366.0	498.6	38.9	...	891.2	540.2
" 25	351.0	500.0	40.2	...	900.2	549.1
" 11	351.0	503.2	45.9	...	903.5	547.5
" 18	356.0	505.7	41.8	...	911.6	545.6
" 25	366.0	502.2	43.4	...	920.3	...
" 31	382.4	510.8	34.4	...	932.2	545.2

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

TREASURY BILLS

Date of Tender	Amount	Offered	Applied for	Allotted	Average Rate %	Per Cent. Allotted at minimum Rate
1938						
Apr. 8	50.0	85.2	50.0	10	2.65	56
Dec. 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	72.6	20.0	10	0.64	15
" 24	30.0	83.8	30.0	10	0.48	27
Mar. 3	40.0	81.3	40.0	10	1.01	34
" 10	40.0	73.8	40.0	10	1.32	42
" 17	45.0	57.9	45.0	14	7.44	73
" 24	35.0	55.8	32.0	25	6.72	71
Apr. 6	35.0	58.0	32.0	26	2.83	44

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 on Tuesday are 89-day bills, except those paid for each Tuesday, which are 88-day bills. On April 16th applications at £99 13s. 5d. per cent. for bills to be paid for on Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 44 per cent. and applications at higher prices in full. £30.0 millions of Treasury bills are being offered on April 14th.

BANK OF ENGLAND RETURNS

APRIL 5, 1939

Notes Issued:	Govt. Debt
In Circulation 491,451,493	11,015,100
In Bank, Department 34,708,512	288,083,961
	Other Secs. 87,889
	Silver Coin 813,050
	Am't of Fid. Issue 300,000,000
	Gold Coin & Bullion 226,160,005
	(148s. 6d. per oz. fine)
	526,160,005

BANKING DEPARTMENT

Props. capital	Govt. Secs.
14,553,000	100,351,164
Rest 3,088,897	Other Secs. 8,485,529
Public Depts. 16,041,715	Securities 21,508,614
Other Depts. 91,946,598	
Other 40,828,756	
	29,994,143
	Notes 34,708,512
	Gold & Silver Coin 1,105,147
	166,158,966

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

APRIL 12 1939

ISSUE DEPARTMENT

Notes Issued:	Govt. Debt
In Circulation 489,703,101	11,015,100
In Bank, Department 36,156,904	287,916,940
	Other Secs. 255,073
	Silver Coin 812,887
	Am't of Fid. Issue 300,000,000
	Gold Coin & Bullion 226,160,005
	(at 148 6 per oz. fine)
	526,160,005

BANKING DEPARTMENT

Props. capital	Govt. Secs.
14,553,000	108,666,164
Rest 3,124,707	Other Secs. 6,276,487
Public Depts. 17,738,715	Securities 21,521,642
Other Depts. 97,646,176	
Other 49,933,259	
	27,798,128
	Notes 36,456,904
	Gold & Silver Coin 1,077,660
	173,998,857

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

THE WEEK'S CHANGES

Both Departments	Am't. Apr. 12, 1939	Compared with Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	489,703	- 1,748	- 7,545
Deposits: Public	17,739	+ 1,697	+ 6,305
Bankers'	97,646	+ 5,700	+ 4,941
Others	40,936	+ 407	+ 9,902
Total outside liabilities	616,024	+ 6,056	+ 8,902
Capital and rest	17,078	+ 36	+ 7
COMBINED ASSETS			
Govt. debt and securities	407,508	+ 8,148	+ 91,624
Discounts and advances	6,270	+ 2,209	+ 3,322
Other securities	21,777	+ 180	+ 801
Silver coin in issue dept.	227,238	- 27	- 99,993
Gold coin and bullion			
RESOURCES			
Res. of notes & coin in banking department	37,535	+ 1,721	+ 7,552
Proportion of reserve to outside liabilities	24.0%	- 0.1%	+ 5.0%
(a) Bank's dept. only (proportion %)			
(b) Gold stocks to deposits and notes (reserve ratio %)	35.2%	- 0.4%	- 14.8%

* Revealed from Mar. 1, 1939, in accordance with the Currency and Bank Notes Act, 1939.

COMPARATIVE ANALYSIS*

	1938	1939
Apr. 13	Mar. 22	Mar. 29
Apr. 5	Apr. 12	Apr. 12
Issue Dept.	497.2	477.4
Notes in circ.	29.2	48.6
Notes in bank-	199.8	298.9
ing dept.	0.2	0.4
Govt. debt and securities	0.0	0.8
Other sec.	0.0	0.8
Silver coin	326.4	266.0
Gold, valued at s. per f. oz.	84.96	148.42
Deposits:	17.7	28.6
Public	104.0	92.2
Bankers'	36.0	35.7
Others	157.7	156.5
Bk. Dept. Secs.	116.1	99.4
Government	9.6	3.2
Discounts, etc.	19.7	22.4
Other	145.4	125.0
Total	116.1	102.3
Banking dept. reserve	30.0	49.7
" Proportion "	19.0	31.7
Reserve ratio %	50.0	35.7

* 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; International Settlements, of March 11th; Lithuania, of March 25th; Australia, Bulgaria, Iran and Norway, of April 1st; Argentina, Egypt, Estonia, Finland, Latvia, New Zealand, Roumania and Federal Reserve Reporting Members, of April 8th.

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

	Apr. 16, 1938	Mar. 31, 1939	Apr. 13, 1939
Total gold reserves	4624.6	5661.0	5979.7
Total bills discounted	2.6	1.2	0.5
Bills in open mkt.	0.2	0.2	0.2
Total U.S. Govt. sec.	745.8	724.6	722.0
Deposits	752.9	729.9	726.5
Reserve to depts. and F.R. notes	3443.0	4825.9	5073.9
	85.6%	89.8%	90.4%

U.S. FEDERAL RESERVE BANKS

	Apr. 14, 1938	Mar. 16, 1939	Apr. 13, 1939
12 U.S.F.R. BANKS			
Resources	9,245	12,254	12,573
Gold coin and bullion	9,706	12,666	12,943
Total bills discounted	452	403	361
Total bills in open mkt.	13	3	3
Total U.S. Govt. sec.	2,564	2,564	2,564
Total bills and sec.	2,594	2,582	2,582
Total resources	13,074	16,076	16,211
LIABILITIES			
F.R. notes in circ.	4,137	4,335	4,398
Aggregate of excess m. bank res. over reqs.	1,730	3,440	3,710
Deposits — Member-bank reserve account	7,472	9,077	9,318
Govt. deposits	141	1,059	1,103
Total deposits	7,613	10,136	10,421
Cap. paid in and surplus	309	311	311
Total liabilities	13,074	16,076	16,211
LIABILITIES			
F.R. notes in circ.	80.4%	84.3%	84.7%
U.S.F.R. BANKS AND TRUST CO. COMBINED			
Monetary gold stock	12,825	14,983	15,292
Treasury and Nat. Bk. currency	2,683	2,832	2,838
LIABILITIES			
Money in circulation	6,380	6,751	6,855
Treasury cash and deposits with F.R. Bks.	3,683	3,771	3,815

BANK OF FRANCE.—Million francs

	Apr. 1938	Mar. 1939	Apr. 1939
Assets			
Gold	55,807	87,266	87,266
Bills: Commercial	11,328	9,159	10,966
Bought abroad	790	726	726
Advances on securities	3,754	3,371	3,332
Loans to State without interest: (a) general	947	268	172
(b) provisional	3,200	10,000	10,000
Negotiable bonds	39,554	20,627	20,627
Other assets	5,575	5,470	5,470
LIABILITIES			
Notes in circulation	98,144	113,886	117,948
Deposits: Public	2,184	5,109	3,955
Private	21,308	19,105	16,538
Other liabilities	3,507	3,148	2,890
Gold to sight liabilities	45.8%	63.1%	62.2%

* Revealed Nov. 17, 1938, at 27½ milligrams.

REICHSBANK

	Apr. 1938	Mar. 1939	Apr. 1939
Assets			
Gold	70.8	70.8	70.8
Res. in foreign currencies	20.3	10.6	10.6
Bills and cheques	5.3	5.7	5.8
Silver and other coin	5520.1	708.8	818.0
Advances	181.0	179.5	149.3
Secs.: for note cover	47.6	37.9	57.6
Other assets	411.1	677.2	677.2
LIABILITIES			
Notes in circulation	1359.8	1539.8	1339.8
Deposits: Public	1245.1	1027.2	1249.4
Private	209.9	454.1	547.6
Other liabilities	1.39%	0.99%	0.92%

NATIONAL BANK OF BELGIUM

	Apr. 7, 1938	Mar. 7, 1939	Mar. 31, 1939	Apr. 6, 1939
ASSETS				
Gold	70 70	70 70	70 70	70 70
of which depdtd. abroad	20 3	10 6	10 6	10 6
in foreign currencies	5 3	5 7	5 8	5 6
and cheques	5520 1	7083 8	5180 0	7778 4
silver and other coin...	181 0	179 5	149 3	120 8
advances	47 6	37 9	67 6	37 8
for note cover	411 1	372 6	232 2	668 2
others	411 1	288 4	291 8	328 5
LIABILITIES				
notes in circulation	1359 8	1539 8	1339 8	1428 0
other daily maturing	5476 3	7737 3	8310 9	8165 2
obligations	1245 1	1027 2	1249 4	1059 8
other liabilities	209 9	454 1	547 6	544 6
cover of note circulatn.	1 39	9 99	92 6	94 4

BANK CLEARINGS

LONDON

(£ thousands)

	Month of March			Week ended Wednesday		Aggregate from January 1 to	
	1938	1939	Change	Apr. 13, 1938	Apr. 12, 1939	Apr. 13, 1938	Apr. 12, 1939
Number of working days:	27	27	%	6	4	88	85
Town	2,915,224	2,704,859	- 7.2	635,403	404,128	9,867,385	8,815,746
Metropolitan	183,063	176,519	- 3.6	40,169	28,748	637,029	594,122
Country	321,918	319,563	- 0.7	68,766	56,027	1,110,121	1,061,766
Total	3,420,205	3,200,941	- 6.4	744,338	488,903	11,614,535	10,471,634

PROVINCIAL

(£ thousands)

	Month of March			Week ended Saturday		Aggregate from January 1 to	
	1938	1939	Change	Apr. 9, 1938	Apr. 8, 1939	Apr. 9, 1938	Apr. 8, 1939
No. of working days:	27	27	%	6	5	86	84
BIRMINGHAM	10,583	10,631	+ 0.4	2,071	2,746	36,738	35,978
BRADFORD	3,593	3,783	+ 5.2	880	895	12,502	12,323
BRISTOL	5,913	5,754	- 2.6	1,271	1,093	18,729	18,496
HULL	3,977	3,605	- 9.3	854	869	13,172	11,980
LEEDS	4,341	4,734	+ 9.0	871	1,147	15,638	15,940
LEICESTER	3,309	3,287	- 0.6	691	791	10,809	10,636
LIVERPOOL	24,799	22,884	- 7.7	5,371	5,105	80,394	72,473
MANCHESTER	43,958	43,147	- 1.8	9,613	11,146	146,494	139,386
NEWCASTLE	6,865	7,102	+ 3.4	1,411	1,408	23,605	22,669
NOTTINGHAM	2,323	2,216	- 4.6	497	634	7,954	7,415
SHEFFIELD	4,857	4,922	+ 1.3	1,106	1,627	17,851	16,201
Total: 11 Towns	114,518	112,065	- 2.1	24,636	27,461	383,886	363,497
DUBLIN	...	...	...	6,957	7,044	84,941	92,755

MONEY RATES

LONDON

	Apr. 4, 1939	Apr. 5, 1939	Apr. 6, 1939	Apr. 8, 1939	Apr. 11, 1939	Apr. 12, 1939	Apr. 13, 1939
Bank rate (changed from 2½% June 30, 1932)	2	2	2	2	2	2	2
Market rates of discount							
60 days' bank drafts	3½-7½	7½-1	15½-7½	7½	7½	7½	1-1½
3 months' do.	15½-11½	14-15½	14-15½	13½-15½	11½-15½	11½-15½	11½-15½
4 months' do.	15½-15½	15½-15½	15½-15½	15½-15½	15½-15½	15½-15½	15½-15½
6 months' do.	1½	15½-15½	15½-15½	15½-15½	15½-15½	15½-15½	15½-15½
Discount Treasury Bills							
2 months'	15½	15½-7½	15½-7½	7½	7½	7½	1-1½
3 months'	11½	11½	11½-15½	13½-11½	13½-11½	13½-11½	11½
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 advances: Bk.	12	12	12	12	12	12	12
Discount houses at call	12	12	12	12	12	12	12
At notice	3½	3½	3½	3½	3½	3½	3½

Comparison with previous weeks

	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1939						
March 16 ...	1½-1	1½	1½	1½-3	2½-3½	3-3½
" 23 ...	1½-1	1½	1½	1½-3	2½-3½	3-3½
" 30 ...	1½-1	1½	1½	1½-3	2½-3½	3-3½
April 5 ...	1½-1	1½-15½	15½-15½	15½-15½	25½-3½	3½-4
" 13 ...	1½-1	1½-15½	15½-15½	15½-15½	25½-3½	3½-4

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Apr. 13, 1938	Mar. 15, 1939	Mar. 22, 1939	Mar. 29, 1939	Apr. 4, 1939	Apr. 12, 1939
Call money	1½	1½	1½	1½	1½	1½
Time money (90 days' mixed coll.)	1½	1½	1½	1½	1½	1½
Bank acceptances:—						
Member—eligible, 90 days	1½	1½	1½	1½	1½	1½
Non-member—eligible, 90 days	1½	1½	1½	1½	1½	1½
Commercial accept., 90 days	1½	1½	1½	1½	1½	1½

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges

(Range of the day's business)

London on	Par of Exch. per £	Apr. 5, 1939	Apr. 6, 1939	Apr. 8, 1939	Apr. 11, 1939	Apr. 12, 1939	Apr. 13, 1939
New York, \$	4-86½	4-68	4-68	4-68	4-68	4-68	4-68
Montreal, \$	4-86½	4-69½	4-69½	4-70	4-70½	4-70½	4-70½
Paris, Fr.	124-21	176½	176½	176½	176½	176½	176½
Brussels, Bel.	35-00a	27-81-85	27-81-84	27-81-84	27-81-84	27-81-84	27-81-83
Milan, L.	92-46	89-05½	89-05½	89-05½	88-97½	88-97½	88-97½
Zurich, Fr.	25-22½	20-86-89	20-86-89	20-86-89	20-86-89	20-86-89	20-86-88
Athens, Dr.	375	540-555	540-555	540-555	540-555	540-555	540-555
Amst'dam, Fl.	12-107	8-81-83	8-81-83	8-81	8-81½	8-81	8-81
Berlin, M.	20-43	11-65-69	11-65-68	11-63-66	11-64-68	11-65-69	11-66-69
Registered Marks							
Br. India Rup.	†18d	59-64	59-64	59-64	60-65	60-65	60-65
Hong Kong, \$	†...	14½-14½	14½-7½	14½-7½	14½-7½	14½-7½	14½-7½
Shanghai, \$	†...	8-8½	8-8½	8-8½	8-8½	8-8½	8-8½
Rio, Mil.	†5-899d	31½-31½	31½-31½	31½-31½	23½-31½	23½-31½	23½-31½
B. Aires, \$	11-45	23½	24½	23½	19½	13½	24½
Valparaiso, \$	40	17-13½	17-13½	17-13½	17-13½	17-13½	17-13½
Montevideo, \$	†51d	18-19	18-19	18-19	18-19	18-19	18-19
Lima, Sol.	†7-38	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.	†25-66d	25½-34	25½-34	25½-34	25½-34	25½-34	25½-34
Moscow, Rbls.	...	24-81	24-81	24-81	24-81	24-81	24-81

Usance: T.T., Rio de Janeiro, Lima, Valparaiso (90 days). * Sellers. † Pence per unit of local currency. ‡ Par 8-23½ since dollar devaluation on February 1, 1934. (a) Prior to devaluation on April 2, 1935. (c) Per cent. discount. (e) Latest "export" rate. (g) Official rate is 8½ sellers. (h) Average remittance rate for importers. (i) Rate for payments to the Bank of England, for account Controller of Anglo-Italian debts. (l) Nominal. (m) Official.

(b) Other Exchanges

London on	Par of Exch. per £	April 6, 1939	April 12, 1939	April 13, 1939
Helsingfors, M.	193-23	226½-227	226½-227½	226½-227½
Madrid, Pt.	25-22½	42½	42½	42½
Lisbon, Esc.	110	110-110½	110-110½	100-110½
Budapest, Pen.	27-82	23½-24½	23½-24½	23½-24½
Prague, Kc.	\$164½	Nominal	Nominal	Nominal
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	590½	590½	590½
Belgrade, Din.	276-32	204-214	205-215	205-215
Kovno, Lit.	48-66	27½-28½	27½-28½	27½-28½
Sofia, Lev.	673-66	370-400	370-400	370-400
Tallinn, E. Kr.	18-159	17½-18½	17½-18½	17½-18½
Oslo, Kr.	18-159	19-85-95	19-85-95	19-85-95
Stockholm, Kr.	18-159	19-35-45	19-35-45	19-35-45
Copenhagen, Kr.	18-159	22-35-45	22-35-45	22-35-45
Alexandria, Pst.	97½	97½-98	97½-98	97½-98
Kobe, Yen.	†24-58d	13½-14½	13½-14½	13½-14½
Singapore, \$	†28d	27½-28	27½-28	27½-28
Batavia, F.	12-11	8-78-82	8-78-82	8-78-82
Bangkok, Baht.	†21-82d	22½-23½	22½-23½	22½-23½

Usance: T.T., except Alexandria (Sight). * Sellers. † Pence per unit of local currency. ‡ Par 197-10½ since koruna devaluation on February 17, 1934. Rate for payments to the Bank of England. (j) Under Anglo-Spanish Agreement. (k) Under Anglo-Turkish Agreement. (l) Nominal. (m) Official.

LONDON—FORWARD

(Closing quotations)

London on	Apr. 5, 1939	Apr. 6, 1939	Apr. 8, 1939	Apr. 11, 1939	Apr. 12, 1939	Apr. 13, 1939
New York cent.						
1 Month	(p)	(p)	(p)	(p)	(p)	(p)
2 "	15½-11½	15½-11½	15½-11½	15½-11½	15½-11½	15½-11½
3 "	11½-11½	11½-11½	11½-11½	11½-11½	11½-11½	11½-11½
Paris, France cent.						
1 Month	(d)	(d)	(d)	(d)	(d)	(d)
2 "	Par-1½	Par-1½	Par-1½	Par-1½	Par-1½	Par-1½
3 "	1½-3½	1½-3½	1½-3½	1½-3½	1½-3½	1½-3½
Amsterdam, cent.						
1 Month	(p)	(p)	(p)	(p)	(p)	(p)
2 "	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
3 "	2½-2½	2½-2½	2½-2½	2½-2½	2½-2½	2½-2½
Brussels, cent.						
1 Month	(d)	(d)	(d)	(d)	(d)	(d)
2 "	20-25	27-32	28-32	35-45	33-38	32-37
3 "	38-42	45-50	40-45	55-65	55-60	42-47
Geneva, cent.						
1 Month	(p)	(p)	(p)	(p)	(p)	(p)
2 "	2½-3½	2½-3½	2½-3½	2½-3½	2½-3½	2½-3½
3 "	7½-5½	7-6	7-5	3-2	4-3	5-3

(p) Premium.

(d) Discount.

EXCHANGE RATES—cont.

NEW YORK

New York on	Apr. 5, 1939	Apr. 6, 1939	Apr. 8, 1939	Apr. 10, 1939	Apr. 11, 1939	Apr. 12, 1939
London:—						
60 days	Cents 467½	Cents 467½	Cents 467½	Cents 467½	Cents 467½	Cents 467½
Cables	468½	468½	468½	468½	468½	468½
Demand	468	468	468	468	468	468
Paris, Fr.	2-64½	2-64½	2-64½	2-64½	2-64½	2-64½
Brussels, Bel.	16-83	16-83	16-83	16-83	16-83	16-83
Switzerland, Fr.	22-42½	22-42½	22-43½	22-43½	22-43	22-42½
Italy, Lira.	5-26¼	5-26¼	5-26¼	5-26¼	5-26¼	5-26¼
Berlin, Mark	40-11	40-12	40-21*	40-21*	40-11	40-10
Amsterdam, Guilder	53-09	53-09	53-08½	53-08½	53-08½	53-08½
Copenhagen, Kr.	20-90	20-90	20-90	20-90	20-90	20-90
Oslo, Kr.	23-52½	23-52½	23-52½	23-52½	23-52½	23-52½
Stockholm, Kr.	24-13	24-13	24-13	24-13	24-13	24-13
Athens, Dr.	0-86	0-86	0-86	0-86	0-86	0-86
Montreal, Can. \$	99-635	99-530	99-460	99-430	99-375	99-375
Yokohama, Yen	27-32	27-31	27-31	27-31	27-31	27-31
Shanghai, \$	16-18	16-18	16-18	16-18	16-18	16-18
B. Aires, Peso	29-04	29-04	29-04	29-04	29-04	29-03
Rio, Milreis†	5-90	5-90	5-90	5-90	5-40*	5-45*

Usance: T.T.

† Official.

* Nominal.

IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended April 6, 1939

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
GOLD			GOLD		
Union of S. Africa	£ 47,468	£ ...	Palestine ...	£ ...	£ 5,952
Stnn. Rhodesia ...	187,101	...	Bombay—other ...	...	...
British E. Africa	20,512	...	ports ...	...	2,651
British India ...	205,185	...	Netherlands ...	9,080	8,566
Netherlands ...	84,299	105,928	France ...	...	2,036
Belgium ...	10,563,654	...	Switzerland ...	47,500	26,419
Switzerland ...	475,513	428,027	Portugal ...	...	15,417
U.S.A. ...	...	...	U.S.A. ...	14,380,695	...
Total* ...	11,623,160	534,112	Total* ...	14,439,474	62,315
SILVER			SILVER		
Eire ...	£ ...	£ 8,455	Palestine ...	£ ...	£ 690
Aden & Deper- dencies ...	...	11,870	Bombay—other ...	...	...
Australia ...	11,242	...	ports ...	31,855	...
Belgium ...	15,607	358	Canada ...	11,414	...
France ...	36,218	490	Trinidad ...	...	10,000
Egypt ...	827	...	Germany ...	2,920	...
Iraq ...	187	2,098	France ...	295	...
U.S.A. ...	...	...	U.S.A. ...	87,620	...
Total* ...	65,957	25,844	Total* ...	135,223	10,740

MONTHLY STATEMENT OF LONDON CLEARING BANKS

(000's omitted)

Average Weekly Balance March, 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	£	£	£	£	£	£	£	£	£	£	£	£
Join, bank notes and balances with the Bank of England	43,978	1,737	7,995	2,889	42,388	9,513	53,441	3,240	30,434	33,048	3,764	232,427
balances with and cheques in course of collection on other banks in Great Britain and Ireland	9,945	642	2,421	1,213	9,333	2,965	11,809	256	7,350	9,262	1,569	56,765
items in transit	...	...	...	...	2,970	714	...	...	...	...	...	3,684
Money at call and short notice	23,842	1,527	8,720	4,783	23,690	4,717	24,669	3,035	16,193	24,168	6,020	141,364
bills discounted	43,842	846	3,204	496	33,882	2,716	49,042	1,406	25,282	29,144	488	190,348
investments	96,884	7,477	29,260	9,879	106,791	31,570	116,274	14,248	80,408	106,624	11,566	610,981
advances to customers and other accounts	203,808	10,586	30,737	10,435	166,781	46,898	211,011	17,017	143,735	133,140	14,495	988,643
liabilities of customers for acceptances, endorsements, etc.	15,618	764	8,852	3,272	36,572	7,546	17,904	358	8,779	22,024	1,989	123,678
bank premises account	7,436	412	1,621	740	7,502	2,789	17,904	601	7,406	5,094	1,042	44,368
investments in affiliated banks and subsidiary companies	7,003	...	...	...	3,624	...	8,016	...	2,514	2,993	...	24,150
	452,356	23,991	92,810	33,707	433,533	109,428	501,891	40,161	322,101	365,497	40,933	2,416,408
Ratio of cash to current deposit and other accounts	10.72	8.18	10.25	10.12	11.41	10.10	11.71	9.05	10.30	10.17	10.41	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	3,550	12,410	1,150	8,500	9,320	900	60,586
current, deposit and other accounts	410,130	21,227	78,006	28,545	371,644	94,151	456,418	35,796	295,343	324,819	36,169	2,152,248
acceptances, endorsements, etc.	15,618	764	8,852	3,272	36,572	7,546	17,904	358	8,779	22,024	1,989	123,678
notes in circulation	...	...	...	...	7	21	...	1,357	...	14	...	1,399
deduction of bank premises account	...	...	...	300	...	...	...	...	...	...	...	300
	452,356	23,991	92,810	33,707	433,533	109,428	501,891	40,161	322,101	365,497	40,933	2,416,408

Investment

DIVIDEND ANNOUNCEMENTS

Dates 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					Tea and Rubber—cont.					Industrials—cont.				
amsterdamsche Bank	...	%	...	%	Chulsa Rubber	...	%	...	%	Mansell Hunt, etc.	...	%	...	%
ansterdan Bank	...	5	...	6	Darjeeling Cons. Tea	...	3	May 6	7	Midland & Southern	...	5	...	4
oyal Bank of Canada	...	2 1/2	...	2 1/2	Grand Central Rbr.	...	5	May 9	7 1/2	Mitchells and Butlers	...	4	...	8
INSURANCE					Kasintoe Rubber	...	3	...	7	Oriental Gas	...	8	...	3 1/2
lliance Assurance	10/- ps	18/- ps	July 5	18/- ps	Kimanis Rubber	...	5	May 8	8	Pollard (E.) and Co.	...	7	...	7 1/2
eneral Accident Ass.	40/-	70	...	70	INDUSTRIALS					Rugby Cement	...	6	...	11
uardian Assn.	6/- ps	11/- ps	May 31	11/- ps	Allen (J. J.)	...	2 1/2	...	5	Second Edin. Invest.	...	3	...	3
egal Insurance	...	22 1/2	...	22 1/2	Barry and Staines Lino	...	7 1/2	12 1/2	12 1/2	Sneyd Collieries	...	5	...	15
iverpool & London,	...	33 1/2	67 1/2	May 31	oot (Henry)	...	10	...	10	Spillers Ord.	...	12 1/2	...	15
ondon Assurance	5/10 ps	11/3 ps	...	11/3 ps	ryant and May	...	15	...	25	Do. Deferred	...	15	...	15
orth Brit. & Mercan.	3/2 ps	6/3 ps	May 15	6/3 ps	Dale (John) Metal	...	5 1/2	10 1/2	5 1/2	U.S. & S.A. Inv. Trst.	...	7	...	9 1/2
hoenix Assurance	6/- ps	12/- ps	June 15	12/- ps	Electric Supply Cpn.	...	8 1/2	...	12	ictoria Wine	...	7	...	6
oyal Exchange Ass.	19/-	30	...	30	Ever Ready Trust	...	5	May 2	8	Walsall Conduits	...	35	...	55
oyal Insurance	3/3 ps	6/6 ps	...	6/6 ps	Fourth British Fixed	...	4	...	45.2	Central Mining—				
cot. Union, etc.	6/6 ps	13/- ps	June 1	13/- ps	Hamburg Lino	...	15	May 11	20	City Deep				
ot. Union, etc.	24/4 1/2	48/9 ps	June 1	48/9 ps	Henley's (W. T.)	...	13	...	6	Cons. Main Reef				
World Auxiliary Ins.	...	7 1/2	Apr. 25	7 1/2	Hope Brothers	...	9	...	8	Crown Mines				
FEA AND RUBBER	...	...	...	...	King Line	...	9	...	8	Durban Roadpt. Deep				
Ceylon Tea Plns.	7 1/2	10	...	12 1/2	London Express News	...	10	Apr. 17	7 1/2	East Rand Prop.				
					Laurence Scott, etc.	...	15	...	15	Donauld Prop.				
					London Trust	...	9	...	14	East Rand Prop.				

(a) Paid on larger capital. † Free of income tax.

London Express Newspaper.—Interim dividend raised from 7 1/2 to 10 per cent.

King Line, Limited.—Final dividend 4 per cent. and special jubilee bonus of 5 per cent., making

OIL OUTPUTS

Anglo-Ecuadorian Oilfields, Ltd.—The output for March, 1939, is 22,701 tons.

Lobitos Oilfields, Ltd.—The output of the Peruvian company for March, 1939, is 28,528 tons.

Attock Oil Company, Ltd.—Controlled output for March, 1939, 65,392 barrels.

British Controlled Oilfields, Ltd.—Total output for week ended April 8, 1939: 17,126 barrels. Total output for March, 1939: 57,694 barrels. Total shipments for March, 1939: 55,401 barrels.

Dacia Romano Petroleum Syndicate, Ltd.—Output for March, 1939: Dacia, 1,741 tons; Perimeter X, 2,453 tons; Starnapha, 590 tons.

Kern Oil Company, Ltd.—The total output of the company and its subsidiaries during March, 1939: 189,883 barrels, or about 27,126 tons.

Tampico Oil, Ltd.—The total output from the company's properties in Mexico during March, 1939, was 1,352 barrels in respect of which the royalty due to Tampico Oil, Ltd., amounted to 101 barrels.

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended April 9 (£'000)				Aggregate Gross Receipts 14 weeks (£'000)			
	Passenger	Merchandise	Coal & Coke	Total	Passenger	Merchandise	Coal & Coke	Total
L.M. & S.—								
1938	470	509	240	749	1,219	5,618	6,840	13,677
1939	678	415	254	669	1,347	5,727	6,165	13,240
L. & N.E. (a)—								
1938	318	353	228	581	899	3,717	4,851	9,467
1939	421	298	196	494	915	3,760	4,294	8,969
Great Western—								
1938	196	202	107	309	505	2,345	2,793	5,643
1939	296	175	111	286	582	2,424	2,628	5,634
Southern—								
1938	293	61	23	84	377	3,713	855	5,945
1939	427	47	24	71	498	3,824	792	5,115
Total—								
1938	1,277	1,125	598	1,723	3,000	15,393	15,339	33,732
1939	1,822	935	585	1,520	3,342	15,735	13,879	30,956

(a) Week ended April 8.

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	510	663	188	42
Weekly Figures				
14 weeks to April 9, 1939	36.42	47.35	13.42	3
Latest week compared with 1938	128	16	77	121
Latest week compared with average 1927-30	68	78	47	77

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended April 7, 1939 (£'000)			Aggregate Gross Receipts 14 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1938	1.7	0.4	2.1	23.4	6.1	29.5
1939	2.0	0.4	2.4	23.5	6.1	29.6
Great Northern—						
1938	8.1	8.1	16.2	111.9	123.3	235.2
1939	11.4	8.9	20.3	117.6	136.9	254.5
Great Southern—						
1938	30.0	40.1	70.1	394.8	569.4	964.2
1939	37.1	40.2	77.3	399.0	566.8	965.8

SUEZ CANAL RECEIPTS
(For headings, see Overseas Traffic table)

Transit Receipts.....	13	1939 Mar. 31	£296,600	£51,900	£2,302,000	£227,000
± 11 days.						

Prices Year 1939 Jan. 1-22	Last two	Prices Year 1939 Jan. 1-22	Last two

Prices Year 1939 Jan. 1-22	Last two	Prices Year 1939 Jan. 1-22	Last two

[illegible]

* Bid and offered prices are free of Commission and Stamp Duty.
(m) Including bonus of 5% free of tax. (p) Annas per share.
(a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (d) Yield on 20% basis.
(e) 81% paid free of Income Tax. † Free of Income Tax. (f) Yield worked on 6% basis.
(e) 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			Carried to Reserve, Depreciation, etc.	Balance Forward	Corresponding Period Last Year	
					Prefec. Amount	Ordinary Amount	Rate			Net Profit	Dividend
Banks		£	£	£	£	£	%	£	£	£	%
Ionian Bank.....	Dec. 31	9,462	17,473	26,935	...	15,000	2½	...	11,935	16,039	2½
Breweries											
Shipstone (James) & Sons...	Dec. 31	108,005	182,550	290,555	23,842	153,306	21½	40,000	73,407	183,441	19½(c)
Woodheads Canonbury Brew.	Jan. 31	1,551	8,784	10,335	1,595	2,900	10	3,516	2,294	9,040	10
Electric Lighting, etc.											
Shropshire, Worcestershire..	Dec. 31	65,344	555,333	620,677	135,000	158,750	8 & 5½	260,000	66,927	543,683	8 & 5½
Financial Land & Invest.											
Agricultural Mortgage	Mar. 31	3,992	Dr. 18	3,974	...	...	...	2,664	1,310	16,742	Nil
Natal Land & Colonization	Dec. 31	17,668	33,779	51,447	3,963	27,226	8	2,500	17,758	36,024	8
Gas											
Primitiva Gas (Buenos Aires)	Dec. 31	74,851	190,271	265,122	...	67,488	21½	120,000	77,634	186,026	21½
Colvilles, Ltd.	Dec. 31	288,251	761,511	1,049,762	80,347	227,330	8	450,000	292,085	804,130	8
Motor Cycle and Aviation											
Albion Motors.....	Dec. 31	56,118	157,690	213,808	8,032	74,610	15	55,000	70,166	146,550	12½
Rubber											
Amherst (Selangor).....	Dec. 31	875	10,069	10,944	...	6,398	6	2,000	2,546	16,478	12½
Bikam.....	Dec. 31	34,327	31,659	65,986	...	27,240	5	4,500	34,246	78,894	10
Bukit Sembawang.....	Dec. 31	8,583	4,954	13,537	...	4,812	4	...	8,695	19,717	10
Doloswella.....	Dec. 31	5,131	13,818	18,949	...	9,216	4	4,864	4,869	18,159	8
F.M.S. Planters.....	Dec. 31	14,686	2,222	16,908	...	...	...	4,000	12,908	32,818	20
Hanwell.....	Dec. 31	1,914	4,003	5,917	...	...	...	1,939	5,554	14,501	Nil
Harpenden (Selangor).....	Dec. 31	5,454	4,650	10,104	4,200	2,478	12	1,500	1,934	14,501	Nil
Hidden Streams.....	Dec. 31	1,596	Dr. 49	1,547	...	...	...	4,250	1,654	2,693	Nil
Inch Kenneth Kajang.....	Dec. 31	14,422	4,378	18,800	...	4,984	5	...	13,816	16,922	10
Karak.....	Dec. 31	2,786	Dr. 351	2,435	...	...	...	...	2,135	7,119	(a)
Labis Bahru.....	Dec. 31	553	9,488	10,041	...	7,200	6	2,000	841	(a)	5½
Nagolle (Ceylon).....	Dec. 31	570	4,399	4,969	...	4,629	2½	...	340	13,466	6
Panagula.....	Dec. 31	2,145	3,857	6,002	...	2,500	2½	...	340	8,408	6
Remfield.....	Dec. 31	3,675	12,408	16,083	...	8,200	3½	1,000	2,502	24,787	7½
Sempah.....	Nov. 30	2,165	7,746	9,911	...	4,663	7-29	6,500	1,383	16,231	10-416
Simo.....	Dec. 31	2,084	7,368	9,452	...	7,000	5	...	2,452	30,896	17½
Sumatra Anglo-Dutch.....	Dec. 31	1,896	Dr. 159	1,737	...	...	...	...	1,737	10,897	Nil
Sungei Salak.....	Dec. 31	5,506	10,577	16,083	...	7,200	6	4,126	4,757	27,363	15
Sungei Siput.....	Dec. 31	10,010	5,633	15,643	...	4,447	5	...	11,196	25,480	17½
Shipping											
Anchor Line Limited.....	Sep. 30	22,504	37,764	60,268	16,958	...	...	...	43,310	39,313	Nil
King Line, Ltd.....	Dec. 31	22,853	201,347	224,200	...	47,125	13	105,604	71,471	198,127	Nil
Union-Castle Mail.....	Dec. 31	150,892	66,204	217,096	132,945	...	...	Dr 105,685	189,836	446,833	Nil
Shops and Stores											
Baker (Charles) and Co.	Jan. 31	Dr. 80,915	17,028	Dr. 63,887	...	...	...	8,255	Dr 72,142	Dr. 1,222	Nil
Blundell (John).....	Jan. 31	22,035	42,724	64,759	12,506	23,796	3½	11,000	17,457	43,732	Nil
Horne Brothers.....	Jan. 31	60,920	41,059	101,979	38,500	...	...	...	63,479	51,308	Nil
McIlroy (William).....	Feb. 22	25,801	23,540	49,341	5,600	9,500	9½	...	7,655	26,586	6
Tea											
South Warrarajah.....	Dec. 31	1,290	6,220	7,510	780	3,669	6	1,763	1,298	9,499	10
Tramway and Omnibus											
Potteries Motor Traction ...	Dec. 31	24,880	83,084	107,964	...	54,125	10	30,000	23,839	84,273	10
Trusts											
African City Props. Trust	Dec. 31	36,431	65,216	101,647	7,500	46,750	17	7,452	39,945	86,066	17
American Investment, etc.	Mar. 15	58,319	104,000	162,319	43,750	52,500	6	8,000	58,069	122,941	6½
British Combined Investors	Mar. 1	28,122	34,287	62,409	22,033	8,900	3	...	31,476	37,858	3
Other Companies											
Amalgamated Metal.....	Mar. 31	29,878	365,754	395,632	54,000	310,505	7	...	31,127	365,511	7
Blythe (William) & Co.	Dec. 31	3,543	30,939	34,482	8,853	13,206	10	10,768	1,655	31,380	10
British Drug Houses.....	Dec. 31	11,518	49,790	61,308	17,500	24,000	6	7,500	12,308	58,068	6
British Timken.....	Dec. 31	25,139	86,989	112,128	...	39,150	15	50,109	22,869	114,562	15
Browne and Eagle.....	Dec. 31	19,267	35,368	54,635	6,250	15,000	10	13,000	20,385	27,417	10
Ceylon Timber, etc.....	Dec. 31	1,497	3,240	4,737	...	2,856	6	...	1,881	5,964	10
Cory (Horace) and Co.	Dec. 31	471	4,780	5,251	2,287	363	10	2,000	601	4,540	10
Daily Mirror Newspapers...	Feb. 28	131,515	313,560	445,075	64,000	210,000	15	30,000	141,075	336,584	15
Derbyshire Stone.....	Dec. 31	14,490	65,654	80,144	11,715	21,300	10	21,309	25,820	53,500	10
Finch (B.) and Co.	Dec. 31	635	6,846	7,481	3,000	1,269	2½	1,904	1,308	5,302	14½
Foster (M. B.) and Sons ...	Dec. 31	93,787	25,109	118,896	...	24,469	3½	...	94,427	27,062	5
Glamorgan Wagon.....	Nov. 30	13,604	3,351	16,955	...	1,217	5	2,000	13,738	4,779	Nil
International Sponge.....	Dec. 31	6,684	4,415	11,099	...	...	...	...	11,099	2,638	10
McNeill (F.) and Company...	Dec. 31	2,582	36,097	38,679	10,625	9,375	12½	...	12,861	32,980	10
Mansell, Hunt, Catty & Co.	Dec. 31	5,617	10,156	15,773	...	3,625	5	5,528	5,460	11,785	12½
Metal Closures.....	Dec. 31	4,310	21,266	25,576	...	9,062	12½	7,446	9,068	27,702	Nil
North British Rubber.....	Dec. 31	44,799	48,488	93,287	20,625	...	...	18,333	54,329	92,556	17½
Ragusa Asphalt.....	Dec. 31	2,541	34,527	37,068	...	26,250	17½	...	3,318	33,378	11
Rugby Portland Cement.....	Dec. 31	33,889	41,437	75,326	16,500	22,000	11	7,500	35,326	38,994	12½
Sunday Pictorial.....	Feb. 28	140,170	155,727	295,897	40,000	105,000	10	25,000	125,897	218,882	12½
Tayside Floorcloth.....	Feb. 28	38,480	25,586	64,066	...	18,125	12½	...	45,941	26,384	17½
Thompson (John) Enging.	Dec. 31	44,973	156,137	201,110	17,076	57,289	22½	81,783	44,962	137,380	25½
Tunnel Portland Cement ...	Dec. 31	72,897	325,485	398,382	26,100	149,395	17½	124,064	98,823	279,862	7½
Vab Products.....	Dec. 31	1,761	7,641	9,402	600	...	...	5,532	3,270	8,880	6
Victoria Wine Company.....	Feb. 28	6,719	51,472	58,191	20,500	10,500	7	20,000	7,691	47,640	15
Wallis & Co. (Costumiers)...	Jan. 31	6,243	15,251	21,494	4,225	10,400	16	...	6,869	17,338	55
Walsall Conduits.....	Dec. 31	27,077	106,850	133,927	7,312	59,812	55	20,000	46,803	112,084	55
Wickhams (C.) Barker.....	Jan. 31	6,035	18,672	24,707	6,000	10,500	10	2,000	6,207	21,666	10
Total Profits, 1939, in £,000's:	No. of Cos.										
To April 8.....	703	30,792	93,732	124,524	17,263	51,005	...	23,972	32,284	102,111	...
To April 15.....	769	32,689	98,522	131,211	18,138	53,212	...	25,486	34,375	107,683	...

† Free of Income Tax.

(a) No comparable figure.

(b) Absorbed £145,125.

(c) 4½ per cent. paid, free of Income Tax

Industry and Trade

COMMODITY STATISTICS

Coal

COAL OUTPUT ('000 tons)				
District	Week ended		January-February	
	Mar. 25, 1939	Apr. 1, 1939	1938	1939
Northumberland...	277.6	295.6	2,206.9	2,267.3
Durham.....	669.9	681.0	5,493.8	5,174.0
Yorkshire.....	925.8	952.9	7,892.2	7,719.3
Lancs, Cheshire and N. Wales	361.4	381.3	2,924.5	2,947.9
Derby, Notts & Leicester	700.1	737.1	6,316.8	6,199.2
Staffs, Worcs. and Salop.....	421.3	443.2	3,513.3	3,565.3
South Wales & Monmouth	740.4	763.4	6,447.4	5,694.9
Other English districts*	122.7	125.2	955.7	907.3
Scotland.....	630.4	613.5	5,090.5	5,055.4
Total.....	4,849.6	5,013.2	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. 31, 1939	Apr. 6, 1939	Aug. 1, 1938-1939	Aug. 1, 1938-1939
American.....	20.6	16.0	915	713
Brazilian.....	5.8	5.9	216	199
Peruvian, etc.....	2.6	3.6	89	83
Egyptian.....	10.8	8.8	255	225
Sudan-Sakel.....	1.8	2.3	107	96
East Indian.....	12.7	9.0	247	275
Other countries	4.0	2.9	128	153
Total.....	58.3	48.5	1,957	1,704

Metals

SALES ON LONDON METAL EXCHANGE

	Week ended		From Jan. 1 to Apr. 12, 1939
	Apr. 5, 1939	Apr. 12, 1939	
Copper.....	Tons 6,800	Tons 3,350	Tons 87,960
Tin.....	1,000	695	19,135
Lead.....	8,800	2,750	87,200
Spelter.....	6,650	1,700	55,220

U.K. STOCKS

	Apr. 1, 1939	Apr. 8, 1939
Copper (Br. official w/houses):	Tons	Tons
Refined.....	4,542	5,785
Rough.....	26,588	26,462
Tin (London and Liverpool) ...	12,664	12,745

BRITISH WHOLESALE PRICES

CEREALS AND MEAT			SUGAR (per cwt.—cont.)			MISCELLANEOUS		
Apr. 1, 1939			Apr. 4, 1939			Apr. 4, 1939		
1939			1939			1939		
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emphatic assurance of community of interest between the three Great Powers and a practical arrangement for the supply to Poland and Roumania of Russian help, sufficient to strengthen their resistance, but not so overwhelming as to threaten their independence. The new policy of resistance will not have succeeded until this dual result has been achieved. There are, of course, obstacles both in the West and in the East. In Moscow the chief difficulty is to be sure that Britain is at last in earnest. It is our task to dissolve these suspicions. Every hesitation in the new policy will redouble them; every sign of courage and firmness will help to dispel them.

Though Russia is the centre of the diplomatic problem, there are other segments of it as well. The most urgent of these, to give them geographical labels, are Turkey, Bulgaria and Spain. Geography makes Turkey of crucial importance, and the appointment of Herr von Papen as German Ambassador in Angora shows that it is at this point that the Nazis consider their chances of breaking the Grand Alliance stand highest. With Turkey, as with Russia, it is a matter of bringing conviction that the British Government have the resolution to carry out their designs and the strength to honour their commitments. The importance of Bulgaria is far greater than the size of the country would indicate, for a disaffected Bulgaria could be used by the Axis to encircle both Yugoslavia and Roumania. This danger can be allayed if some satisfaction can be given to Bulgaria's demands for consideration of her not unreasonable grievances. Primarily, this is a matter for her immediate neighbours, more especially for Roumania. But British diplomacy can usefully play a mediating role. Spain is the most difficult of the diplomatic problems. The policy of patience and forbearance has brought us no rewards hitherto, save a mounting pile of evidence of Spanish hostility. If it does not produce more promising results within a very short time, such steps as are possible will have to be taken to erect defences against possible attacks coming from Spain.

The economic aspect of collective resistance has hardly yet emerged in public discussion. The object of the guarantees to Poland, Greece and Roumania is to prevent those countries from falling unwillingly under German domination. But a country whose foreign trade is dominated by Germany is hardly capable of political independence. If resistance to German demands would involve not only armed invasion, but also the immediate disappearance of two-thirds or four-fifths of a country's export trade, the promise of assistance from far-off Britain and France might not be of much avail. The political guarantees, if they are to be worth anything, must be backed up by measures to maintain the commercial independence of the guaranteed countries. There is no question here of driving Germany out of her natural markets, but merely of ensuring that the countries of South-Eastern Europe have some freedom of choice left. On the other hand, this is a wider matter than the mere defence of existing British trade, and it cannot be governed by purely commercial considerations. The long and the short of it is that we must be prepared to spend money on buttressing the economic independence of our new allies.

On the military side, many of the problems are moving towards solution. In a survey of Germany's Air Force in *The Economist* last week it was estimated that at the New Year the ratio of production of aircraft stood at 3:2 in favour of Germany. In the past three months very great progress has been made and British production of aircraft will, within a very few weeks, be in excess of the German. In naval armaments we are increasing our already long lead, except perhaps for the smallest craft. These successes, however, merely throw into sharper relief the woeful inadequacy of the British Army. It is obvious that the very wide commitments we have undertaken cannot be satisfactorily fulfilled without a considerable increase in our land

forces. We may still be able to do without an army of millions; but we need an army of at least one million, and the recruitment, over a period, and training, over a longer period, of a quarter of a million spare-time soldiers is not nearly enough.

The answer is conscription. It is true that many people have strong scruples against conscription. Some of these scruples are reasonable and should be met. For example, it would be wrong to conscript man-power alone. But this can be met by a short declaratory Act of Parliament placing the whole man-power, wealth and industrial capacity of the nation at the service of the State, to be called upon as required. The argument that conscription would be undemocratic can be answered by settling the matter democratically: let it be put to the vote. But every day that we spend in philosophic discussion gravely weakens both our strength and our influence.

The problem of industrial mobilisation is as urgent as that of man-power. There are several industries in which resources of labour and of capital (especially of skilled labour) will not be available in the volume required to carry out this year's Estimates unless they can be taken away from civil work. If the priorities can be arranged voluntarily, so much the better. But the main thing is that they should be arranged without delay, and the Government's new Bill to secure this end is very welcome.

The financial aspect of this problem of industrial mobilisation is now beginning to receive the attention it deserves. Mr Keynes has this week, in articles in *The Times*, lent the weight of his authority to the views that have frequently been expressed in *The Economist*. The present financial year is a period of transition, during which we shall forsake the problems of unemployment and meet those of labour scarcity. It may be that the threshold of inflation will not be reached until next spring—that is to say, that the increase of Government expenditure in the course of the present year may, in general, be accomplished without diverting resources on a significant scale from other employments, which is the same thing as saying that it can be financed by borrowing without fear of inflation. Mr Keynes's insistence on the safety of borrowing during the transition period tended, perhaps, to obscure the danger of unlimited borrowing after its end. We shall very soon reach the stage at which a definite restriction of non-military expenditure will be necessary—and in any such restriction very drastic increases in taxation must inevitably play an important part. This is what is meant by the conscription of wealth. It will be very prudent to have plans ready for securing a signal reduction in all forms of luxurious living. And it would immeasurably smooth the path for the conscription of man-power if it could be announced that the plans were ready.

Finally, there is the immense problem of civil defence, the present state of which is outlined in a Note on a later page. In this sphere an enormous amount has been done since September—almost as much as remains to be done. Perhaps the greatest need now is not for the making of plans but for their execution and, so far as is possible, their rehearsal. Here again, it would be unwise to rely entirely on a spontaneous mobilisation of the unbounded popular goodwill that unquestionably exists.

This is a forbidding list. Under every head the need is for leadership and energy. Inevitably the question arises whether either can be provided in sufficient measure by a Cabinet most of whose members have been continually in office for more than seven gruelling years. There are too many men of doubtful competence in high places, too many men of proved competence outside. If there are doubts about the Cabinet's policy, it is for the Cabinet to dispel them. But in politics no less than in any other sphere this is a time for the concentration of all our forces.

British Budgets

NEXT Tuesday is Budget Day. We know that, in the financial year 1939-40, the Government is to spend at the rate of at least £3½ millions a day, and laymen anticipate, somewhat uneasily, that, in spite of the vast dimensions of this year's projected borrowing, taxation may be increased. Experts are agog about the economic implications of this new phase in financial policy which, beginning with the re-armament loans of 1937, now promises to exercise, for a time, a dominating influence on national business.

The historians of public finance can take a more Olympian view. It is possible, by examining the words that have fallen year by year from the lips of Chancellors of the Exchequer on Budget Day, to trace the way in which principles and practice have grown and changed. This is precisely what Professor Macgregor, in his Oxford eyrie, has done: in a brief book*, freely dotted with quotations from the last hundred years' financial discussions in Parliament and illuminated equally by technical learning and common sense, he has caught the quintessence of British Budgets. The period is well rounded: "from about 1840 until the reversal in 1932 of our financial policy was the period of what may be specially described as British public finance." It was associated with a programme of free trade and the gold standard; and it was marked by a notable continuity in the arguments by which successive Budgets were justified.

Indeed, the story is eminently one of magic words and phrases. Until the 'eighties of last century they were "retrenchment" and "economy." "There are three principles on which all good finance should be based," summed up Gladstone in 1882 on the very eve of the new era of public spending which the democratisation of English politics made inevitable.

The first is that there should always be a certainty that, whatever the charge may be, it can be paid. The second is that in time of peace and prosperity the country should reduce their debt. The third is that they should reduce their expenditure.

Half a century before, Althorp had stated the prime ground for this classic sternness.

The best way to relieve the burden of the labouring classes is to give them employment; and this can only be assured by reducing the taxes which press most immediately upon productive industry.

And it was Bright who argued, surprisingly to us who belong to a generation of State Socialism, that taxes mean

bareness of furniture, of clothing and of the table in many a cottage . . . absence of medical attention . . . and hopeless toil.

There were two other theses which defended the virtues of economy. One was the so-called doctrine of "fructification": the remission of the taxes (said Peel) would make money "fructify more in the hands of the people than in those of the State"; and it is only two decades since Asquith, echoing this view, argued that

the effect of an income tax is, not merely to curtail the enjoyments and comforts of a large number of our middle classes, but also to dry up the streams which fertilise the whole field of employment and of industry.

The other was the argument that taxation, and the income tax in particular, should be held in reserve for times of emergency, and especially for war. "Let this tax always be wedded to war," said Wilberforce of the income tax; and Disraeli went so far as to say that

There is no fleet and no army which gives England such

power and influence in the councils of Europe as the consciousness that the income tax is in a virgin state.

A low income tax and a large Sinking Fund: these were the symbols of financial rectitude.

Yet, before the nineteenth century ended, the "great, rapid and menacing expenditure" about which Gladstone had warned Parliament in 1868 was coming into its own. In Peel's time the Budget was £50 millions. In 1895 it was £100 millions and, by 1914, it was £200 millions. To-day it is over £1,000 millions. According to a very tentative calculation made by Professor Macgregor, the proportion of the national income spent by both central and local authorities stayed steady between 1840 and 1880 at about 13 per cent. (if debt charges are included); quite likely it actually declined. In 1914 it was 17 per cent., and to-day it is about a third.

The causes of the expansionary policy which took charge from the 'eighties onwards are not far to seek. Balfour put it straightly:—

All the increase is due to the desire of this House to ameliorate the social position and to carry out great reforms . . . all the forces of political life—honest, honourable and patriotic forces—move in the direction of increasing and not of diminishing expenditure.

Democratic parties had to meet the needs and win the suffrages of a proletarian electorate; their competition with one another for office and popular favour resulted in what Professor Macgregor calls the "echelon" advance of social expenditure. "The sovereign people (said Northcote) is a most expensive sort of sovereign"; and it was as early as 1908 that Mr Lloyd George could say "no one need be afraid of any taxes being taken off in my time."

It was not simply political pressure, coupled with the cost of a vast Civil Service to administer the new social policies and the expense of the naval establishment needed to secure that immunity from attack which Mr Lloyd George, again, called "an essential part of our national wealth," that speeded expansion on its way. Old principles were given a new interpretation. "The idea that public spending may itself create the incomes which enable it to be carried on" arose: "fructification" was now deemed possible in the State's own pocket;

a tax is like the sun. It draws up the moisture from the sea, and sends it back in the form of rain to some other part of the world's surface.

It was the graduated income tax which revealed the full resources of taxable capacity; and retrenchment had lived "in a world of meagre sources of revenue."

The full weight of the new policy was felt after the war of 1914-1918. War inevitably steps up spending and swells debt greatly, and it is impossible in practice to bring it down again. Despite the restatement of financial orthodoxy in 1920 and the reduction of the Budget from £1,195 millions in that year, which was six times the 1913 figure, to £810 millions in 1922, the policy of expansion persisted. In 1913 public expenditure, central and local, was 16 per cent. of the national income. In 1924 it was close upon 30 per cent.

This is the period to which Mrs Hicks has devoted a remarkable volume of exposition and analysis.† She begins in 1920 with the close of war finance. She ends in 1936 on the eve of its reappearance. It is a book typical of the new approach of experts to public finance. It is an almost complete critique of the consequences for all parts of Britain's economy of taxation and public spending. It is too full a survey of modern financial policy to be justly

* "Public Aspects of Finance." By D. H. Macgregor. Oxford University Press. 137 pages. 5s.

† "The Finance of British Government." By Ursula K. Hicks. Oxford University Press. 391 pages. 15s.

discussed in a brief argument like this, but to a point it is only the old story writ large. A continuous advance in social services has brought their annual cost to over £500 millions. While the national income has been raised to 2½ times its 1913 figure national expenditure has grown five-fold. Nor are economic grounds lacking in defence of this tendency; the maintenance of the volume of popular spending in the depression was a major factor in the quite remarkable recovery which came a few years ago;

the automatic expansion of social services in bad times (says Mrs Hicks) is not a phenomenon which should cause alarm, but which if properly foreseen and financed is itself a useful tool for fighting depression.

It is 127 years since Southey put the case for public spending in depressions, though not on social services.

No time can be so proper as seasons of pressure for national works, for making new naval stations and improving the old, for cutting roads, draining fens and recovering tracts of country from the sea—better would it be for the State to build pyramids in honour of Nelsons and Wellingtons, or towers of Babel for star-gazing than that men . . . should hunger for want of employment.

Public works and social services are not, of course, the same in kind, but both mean public spending and popular purchasing power. Genuine public works policy has indeed had small success, as Mrs Hicks points out, in post-war finance: its timing has been difficult, and its effects indecisive.

This year sees a dramatic change. Next Tuesday will mark it. Britain's present rearmament programme is the greatest public works programme ever devised in time of formal peace, involving as it does loan expenditure of about 8 per cent. of the national income.

It is not, in itself, the fact that expansionary spending has persisted into the post-war period that raises economic doubts. The new form of spending on State aids to industry has, indeed, brought up serious problems; subsidies, marketing schemes, quotas and tariffs have led to the augmentation of producers' power to exploit consumers; they have vested new interests with disadvantageous powers, social, political and economic; there are good grounds for believing that they are detrimental to national economic progress, on which national revenue

depends. But even this is not alone the crucial issue in current public finance. It is rather the tax structure itself and its relation to the nation's means. It will be difficult for Sir John Simon next week not to couple his determination to meet the "demand note" which the cost of necessary armament represents with something of a warning for the Budgets of years to come.

The discussion of the tax structure, of the relation of the various forms of tax to business activity, savings, investment and national productivity and of the effect of cyclical changes upon the tax burden is the best part of Mrs Hicks's exhaustive book. "On the score of convenience and ability to pay" (she rightly says) "a graduated income tax gets very high marks indeed." But when rates are high in relation to income the net return on investment is diminished and the incentive to invest, especially in depression, is impaired; and there is "a limit above which it may become dangerous even in normal times (assuming it is combined with a highly progressive surtax)." With our population threatening to fall, our openings for overseas investment diminished and international trade restricted by ourselves and others, we are at or very near that limit. It is by the size and rate of growth of taxable capacity, that is, of national income, and by the effect of taxation upon it, that public financial policy must be assessed. It is wrong to say that money necessarily "fructifies" more in the pockets of the people than in the pockets of the State. It is no less wrong to assume the reverse as a dogma, i.e. that it always fructifies more in the pocket of the State.

But these are not normal times. As Hobbes put it:—

War consisteth not in battle only, or the art of fighting, but in a tract of time in which the will to contend in battle is sufficiently known.

We are at war, and we must budget accordingly, though the long-term problem remains unaltered. If one lesson more than another emerges from the story of British Budgets it is that expenditure depends on policy. "The principles of legislation (Peel laid down) are to be determined by the observation of facts"; and the facts upon which the Chancellor will rest his call for huge borrowings and maybe for more taxes, too, are inescapable. The new era of war financing by deficit will be fairly launched.

Russia's War Potential

IN appraising the military strength of any country there are a number of factors, such as social morale in the armed forces and civilian population, on which nothing more than informed conjecture is possible. This is especially the case with Soviet Russia, a country of bold social change and big surprises. Purely economic matters, however, play a very large part in modern warfare, and on some aspects of these more precise information is possible. Nowadays, armies march on their fuel supplies as well as on their bellies, and their fighting power depends largely on their factories.

The Bolsheviks have never ceased to fear a complete economic boycott or even combined military attack by the rest of the world; and it is to resist such an attack, and not to take the offensive themselves or to operate in the defence of other countries that, psychologically and physically, they have made ready. To preserve the social system they had inaugurated, the alternatives were to extend the revolution to the industrial West, or to industrialise Russia at an unprecedented speed. Fortunately for world peace the second course was decided upon.

Soviet figures of industrial production in money terms show the 1913 output to have been regained as early as 1926 (after the catastrophic economic collapse consequent on war, revolution and civil war) and a sevenfold increase

by 1936. These figures must be taken with some reserve, since the smaller enterprises, which accounted for a larger percentage of output in the earlier years, are excluded, and the special "fixed rouble" prices used for the purpose of such calculations unduly overweight the output of new industries. Such figures as the following, showing output of specific commodities in physical quantity, are less liable to miscalculation, though they say nothing of quality and make no allowance for wastages, which in Russia are still much above the average for all industrial countries. Nor do they take into account the very low standard of maintenance of plant which until lately, when the purely political control of industry was diminished, was chronic:—

	1913	1928	1932	1937
Coal (million tons)	29.1	35.5	64.7	128
Oil (million tons)	9.2	11.5	22.3	31
Electricity (million kw./hours) ..	2	5	13.6	36.5
Steel ingots & castings (million tons)	4.2	4.2	5.9	17.6
Tractors (thousands, reduced to 15 h.p. units)	None	1.3	50.6	115*
Automobiles (thousands)	None	.7	24	200
Metal-cutting machines (thous.) ..	1.5	1.8	18.1	36
Sulphuric acid (thousand tons) ..	121	211	552	1,208*

* 1936

Soviet statisticians have calculated the share of Russia in world industrial production at about 3 per cent. in 1913

and 1928, and 13.2 per cent. in 1936. The following table gives Russia's share of world output for specific commodities in 1928 and 1936, which are comparable points in the world trade cycle:—

	1928 Per cent.	1936 Per cent.
Coal	2.9	11.2
Oil	5.7	12
Electricity	1.9	8.6
Steel	4	15.4
Copper	1.8	7.6
Aluminium	None	9.9
Superphosphate	1	9.7

The proportion of Soviet industrial production directly devoted to arms is probably at least as large as in Germany. Of the eleven Commissariats concerned with industrial production, four are now devoted to defence. The seven civil Commissariats are for Heavy Industries, Light Industries, Machinery, Timber, Textiles, Food and Local Industries. The four Defence Commissariats are for Aviation, Shipbuilding, Military Supplies (i.e. equipment and explosives) and Armaments (artillery and instruments); and they usually come first in the State Planning Commission's preference lists for the allocation of available supplies. The war industries also get the best qualities of materials and tend to attract the best technicians and workmen. Soviet industry (as indeed all aspects of the highly centralised social and economic system) is kept in a permanent state of "mobilisation preparedness," to use the Russian phrase. Such factors as the twist of Soviet economy towards rapid capital development, the Russians' low consumption of manufactured goods as compared with Western peoples, and the absence of a wealthy class to modify by luxury demand the austere utilitarian shape of production should be remembered in comparing the war potential of Soviet industry with that of other countries. For example, over 80 per cent. of the motor vehicles made are lorries, and only a tenth of the total building allocation last year was for housing. On the other hand, the quality of finished goods is lower than in older industrial countries, but this may be less true of armaments and machinery than is generally imagined. Soviet aircraft and guns appear to have worked well in Spain. Wastage, on the other hand, is considerably larger than in other countries; and so much of steel and other raw and semi-finished materials is used simply to patch the holes in existing, ill-kept equipment that the volume of finished goods turned out is not commensurate with the output of materials.

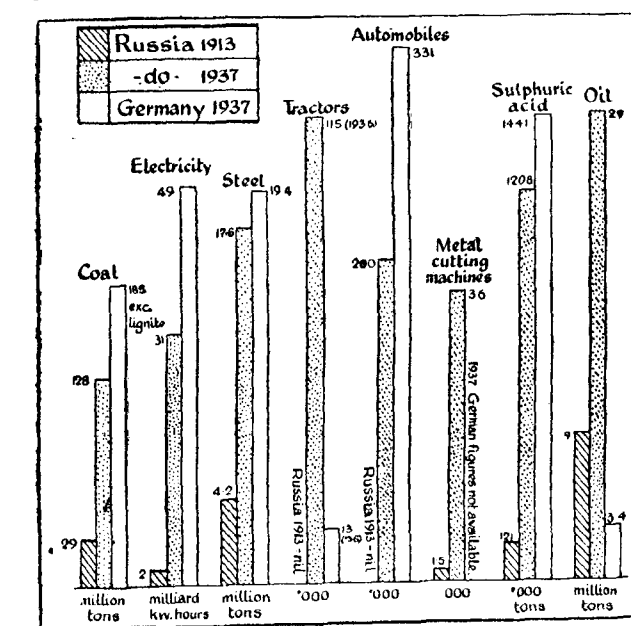
Russia has no idle productive capacity and labour on which to draw in time of war. Her output at any given time represents the maximum at the prevailing level of labour and managerial efficiency. Some reserve of production could be found, however, in extending the hours of labour, which at present amount to seven a day in most industries; and already the new measures for industrial discipline, discussed by *The Economist's* Moscow Correspondent on page 197 of this issue, may be making use of this reserve.

An important factor in Russia's war potential is the high speed of her industrial development. The Third Five-Year Plan foresees Soviet production in 1942 as approximately double that of Germany in 1938 and two-thirds of the United States' boom level. This objective, which amounts to doubling production in six years, is not altogether impossible, for labour efficiency is still improving fast, and the Government is determined to maintain the present high rate of capital development until the threatening war breaks out or is averted. It is possible for a fall in production to occur for political reasons, but the economic pressure is still for a steady increase in output.

Industrialisation is but one aspect of the drive for self-sufficiency in peace or war, and in this the results are no less impressive. Pre-war Russia was as dependent on imports for components and machines as Great Britain is for food, and the Great War revealed very serious gaps in

her production of military supplies. In 1937 imports of machinery amounted to only 3 per cent. of domestic production. The unique variety of Russian mineral resources and the vigour with which they are now being exploited were made clear at the World Geological Congress recently held in Moscow. For foodstuffs, fodder and agricultural raw materials self-sufficiency is complete, at the present low standard of living, except for part of the tea and wool requirements and relatively unimportant tropical cultures. Russia no longer needs to import cotton, while labour and resources have been liberally expended to create a synthetic rubber industry, which in 1937 provided 70 per cent. of the amount consumed. A substantial gold reserve is being accumulated: the 1936 output was worth some £50 millions (at £7 per ounce).

The Bolsheviks have not been slow to use their geographical advantages for strategic purposes. The Ural-Kuznets Combine, a new industrial base with a metallurgical output approaching that of Japan, is situated midway between Germany and Manchukuo. The Third Five-Year Plan envisages a further shift of production east of



the Urals. There are large new naval shipyards in the Far East (Komsomolsk) and on the Arctic coast.

Russia's great weakness is still in her transport system. The railways are woefully inadequate in length, although their capacity has improved considerably since 1934. The trans-Siberian has been double-tracked, and its new arm in the Far East, running for 2,000 miles from Krasnoyarsk to the Sea of Japan, in some parts 300 miles north of the present line and well away from the Manchurian border, is reported to be nearing completion. Motor highways linking Moscow and the Ukraine with the Western frontier are under construction at forced rates. As was the case 25 years ago, the lack of roads to the villages will delay peasant mobilisation, although it should be remembered that the railway-linked urban population is twice its pre-war size. But transport difficulties will, at the best, make Russia's war effort slow and ponderous and subject to disorganisation in detail.

But have the Bolsheviks' preparations for war been too thorough? Is the combined burden of huge land and air forces, the effort to become a great naval power, continued rapid capital development and costly self-sufficiency, too great to bear? The burden has been carried hitherto by a continuing rapid improvement in labour productivity. This has even enabled the planners to permit some increase, for large sections of the urban and rural population, in the per capita consumption of manufactures and foodstuffs since the abolition of rationing in 1935. This rise is difficult

to measure. It is slower than was expected, but there is a general conviction, amongst the younger people especially, in a bright future when war preparations to protect their "Socialist Fatherland" are no longer necessary. The degree of confidence in the regime and its leadership is difficult to assess, save for the obvious fact that it is greater in the towns than in the countryside. But there is little evidence of active popular discontent, and there remains very little popular support of national separatist movements in the Ukraine, Caucasus and Central Asia.

Soviet Russia's most serious weakness is one common to all totalitarian States. Behind the façade of enforced unanimity may smoulder differences over policy which are liable at any moment, particularly in wartime, to flare up with disastrous results. The recent Moscow trials and widespread arrests of executive personnel alleged to be wreckers and traitors may conceivably betoken a gain in strength by the removal of such a potential weakness. It is true that the conspirators do not appear to have had any substantial popular backing. But the widespread existence of treason and the consequent necessity of its physical removal are not a sign of health in the body politic. An atmosphere of servile unanimity on controversial issues remains, in intensified form. This must, in the long run, be a source of grave weakness. The immediate weakening of the State, consequent on the replacement of so many business, political and military executives by hastily promoted workmen, young technicians and soldiers, was at its height during 1937. Judging by figures of industrial production for 1938, which show an increase of 11 per cent. over the preceding year, the danger point appears to have been passed in industrial administration at least. Whether the same can be said of the armed forces must remain an open question.

Road Transport in War

THE progress of road transport during the past twenty years has considerably increased the potential mobility of men and supplies in war, and few aspects of the problem of industrial mobilisation are of greater importance than that of providing for the most efficient utilisation of our road transport resources in an emergency. As there are more than 200,000 owners of commercial motor vehicles, it has clearly not been practicable for the emergency preparations of motor transport to be entirely dealt with in private consultations between a relatively small number of big firms or trade organisations and the Government Departments concerned. In consequence a good deal has been published, and more information is available on the emergency plans for operating road transport than on those for other industries. Experience in the September crisis, moreover, has revealed some of the difficulties to be overcome, and has pointed the way to their avoidance.

The first task is the settlement of priority claims for the use of vehicles. This requires the co-ordination of the claims of different Government departments and local authorities, and the provision of an organisation which will ensure, for instance, that omnibuses required for evacuation, and insulated meat vans, are not commandeered for the transport of munitions. The proper basis for allotting to each task the most suitable vehicles is a census showing in detail the types of vehicle in use and the work on which they are normally engaged, together with particulars of the owners; this is being carried out on behalf of the Minister of Transport by the Chairman of the Traffic Commissioners, and the returns made are being kept up-to-date in the form of a permanent register maintained in the Area offices. The Minister of Transport has the assistance, in preparing his plans, of the Road Trans-

And, in general, it remains true that, though the purges have ceased, the technique of personal "liquidation," so hampering to the smooth working of business and industry, seems still to be inseparable from the Russian system.

If a conclusion can be hazarded on such a large and obscure subject, it is that the Russia of 1939 has several times the strength, in material terms, and especially in production, of the Russia of 1914. The difficulty of deploying that strength on a battle front remains her chief technical weakness. And the state of *morale* both in the armed forces and in the nation at large remains an open question. Although it is only guesswork, it is probable that good *morale*, like good nutrition, is more evident in the army than among the people at large, just as the Stakhanovites are better fed and more contented than the industrial rank and file, and the urban workers better fed and more contented than the peasants. And the Russian soldier has a traditional stoicism in face of short commons.

It is clear that, even with all due reservations, Soviet Russia is capable potentially of exercising a decisive influence on the side of the Peace Front against aggression. It is less clear how that help could in fact be quickly given in the shape of men, aeroplanes or war materials. Inadequate transport and the absence of a *point d'appui* for military adventures beyond the frontier, since the destruction of Russia's Czecho-Slovak ally and the German requisition of her flying fields, are obvious obstacles. The Russians are mightily ready to defend themselves, but rather less ready to do more. But the fact remains that, industrially, militarily and strategically, Russia holds a key to the present precarious situation in Europe with which we cannot dispense. Whether she can or will turn that key remains a matter for to-morrow's historian.

port (Defence) Advisory Committee, appointed shortly before the September crisis, and consisting of persons with special experience in the management and operation of the different classes of road transport, including representatives of the railways and of labour engaged in the industry.

The principle underlying the emergency road transport organisation is the voluntary grouping of operators on a territorial and functional basis, with a view to reducing the number of separate units and combining sufficient vehicles in each group to offer some scope for the elimination of unnecessary mileage. The recommendation is that groups should normally consist of not fewer than 25 nor more than 100 vehicles (the average number of vehicles per operator is only two), and that they should be composed of vehicles of comparable types engaged in peace time on the same class of work. It has been stated that any petrol rationing scheme would be based on the group and that operators who had not joined a group would fare very badly. The road transport and other trade associations are co-operating in the establishment of these groups, and the fact that fuel rationing may be necessary from the outbreak of war emphasises the desirability in the operator's own interest of joining a "shadow" group without delay. On the assumption that the typical group will consist of some 50 vehicles, something approaching 10,000 groups will be required to cover all commercial vehicles.

The group will be under the control of an organiser nominated by the members, and he will be responsible for distributing the work equitably and for organising the activities of the vehicles in the most economical way. The group organisers will in turn be subject to a sub-district manager, chosen by themselves, who will have important duties in connection with rationing fuel and supervising the operations of the groups; there will be over 450 such

sub-district managers, or one to approximately every 20 to 25 groups. The sub-district managers will themselves be controlled by district transport officers, who will be officials of the Ministry of Transport and will number about 90, and who will have the assistance of a district advisory committee selected from persons engaged in the industry. The district transport officers will be responsible for co-ordinating the activities of the sub-district managers, and themselves will be under the authority of the Chairmen of the Area Traffic Commissioners (to be known as Regional Transport Commissioners in war), of whom there are twelve. The Chairmen will be assisted by Area Advisory Committees selected from persons engaged in the industry and will, of course, be responsible to the Minister of Transport, but they will also have to co-operate closely on all matters affecting road transport with the Regional Commissioners appointed under the Civil Defence plans. They would represent the Minister of Transport in the Regional Areas. The scheme would appear in outline to be both sensible and potentially efficient, provided that operators can be induced to enter groups and that all the necessary officials are appointed beforehand and acquainted with their emergency duties. It may not be unfair to ask, however, whether the scheme is not too dependent on the voluntary co-operation of a very large number of individuals. While it is believed that considerable progress has been made in the formation of groups, there are thought to be a fair number of operators who have not even sent in the returns of their vehicles. In an emergency the "petrol sanction" would probably compel these laggards to come forward, but in order to ensure the efficient operation of the scheme it is essential that the shadow organisation should be completed beforehand.

The grouping method, apart from facilitating the operation of a rationing system for motor fuel, would enable the authorities, if each group consisted of vehicles engaged in the same work, to allocate the rations without undue complexity on the basis of priority rights allotted to particular industries according to their war-time importance. Those actually engaged in war work would presumably be entitled to the largest rations and those employed in the distribution of luxuries the smallest.

So far as ancillary users are concerned, grouping is to be looked upon as a temporary expedient applicable under emergency conditions only, but the effects on public hauliers may well be more far-reaching. One of the chief difficulties in the way of better organisation of the road haulage industry has been its excessive sub-division; 30 per cent. of "A" licence, or full-time public haulage, vehicles are owned by concerns with one or two lorries only, and the proportion in the case of "B" licence, or part-time public haulage, vehicles is even higher. This makes for uneconomical running with insufficient loads and militates against the operation of regular services. Groups of the size advocated can overcome these difficulties, and probably represent the optimum size for most road haulage undertakings under present conditions. It might be found that the advantages of a unit of this size would lead to further amalgamations in peace-time.

No indication has yet been given whether any plans have been prepared for the training in peace-time of a reserve line of drivers for heavy lorries, which, as the most economical units if full loads can be obtained, would presumably be used most intensively in an emergency. These could be recruited primarily from the drivers of the light vehicles attached to the luxury trades which would become redundant, though individual firms might consider training additional drivers. Similarly, no indication has been given of the arrangements, which ought to be made now, for undertaking necessary repairs on heavy lorries, which may be used more intensively in an emergency.

So far as the material equipment of the road transport

industry is concerned, Great Britain is well placed with regard to the number of vehicles registered and also to manufacturing capacity, but less well placed when consideration is given to the adequacy of the road system. There are 495,000 goods vehicles (excluding those owned by the Government) in Great Britain. This compares with a claimed total of 500,000 in France, 400,000 in the Greater Reich and 86,000 in Italy. It is not possible to give the total carrying capacity of the various fleets, and the information published does not enable a satisfactory comparison to be made of the relative sizes of vehicles in the different national fleets. Taking the dividing line between a light van and a lorry at two tons unladen weight, 177,000 of the vehicles in Great Britain fall into the lorry class, and, of these, 9,200 are of over five tons unladen weight. Germany and Italy have both of recent years encouraged the use of the particular types of heavy-weight most useful for military purposes by favourable fiscal treatment, and of late have attempted to speed up motorisation in the interests of military requirements by abolishing all taxes on commercial vehicles. In omnibuses, the relative superiority of Great Britain, with 50,000 vehicles of a total seating capacity of 1,900,000, is probably more marked than in goods vehicles. France claims 38,000 omnibuses, Germany 23,000 and Italy 10,000, and the average seating capacity of British omnibuses is certainly much higher than that of the others. In private cars the scales are also tilted in favour of Great Britain, with 1,980,000 units; France has 1,750,000, Germany 1,380,000 and Italy 304,000. Only in motor-cycles does Germany hold first place, and here the discrepancy is enormous. Germany has 1,630,000 motor-cycles, or more than three times the number owned either in France or Great Britain; Italy has only 155,000. But in Europe, Great Britain leads in productive capacity, having manufactured 445,000 motor vehicles, other than motor-cycles, last year. Germany came second with 340,000, then France with 225,000 and Italy with 70,000. Czecho-Slovakia produced 14,000 vehicles.

The British road system, however, does not compare favourably with those of the great Continental Powers. The mileage of new roads built in this country has been negligible, and even the improvement of existing roads has fallen far short of requirements. Motor roads linking up town and town, like the German *Autobahnen*, are non-existent, and, although British road surfaces are generally good, high speeds are rarely possible on account of the narrowness of the carriageway and scarcity of straight stretches unencumbered by side roads. Perhaps of even more importance in a highly urbanised country like Great Britain is the lack of fast roads into and out of the towns. Of 4,500 miles of trunk roads, only 27½ miles have dual carriageways, while 750 miles measure less than 30 feet from hedge to hedge; only 220 miles are of 80 feet or over, the minimum width normally recommended by the Ministry of Transport, while there is still no example in the country of a "clover-leaf" road junction. Congestion on the existing roads is frequently appalling under normal conditions, but the present impasse over the Bressey Report does not suggest the likelihood of early action, even in London, where the need is most pressing. The assumption by the Ministry of Transport of responsibility for the trunk roads has made no perceptible difference at all. On a purely statistical basis of the number of vehicles per mile of road, British roads are the most congested in the world. Plans have been drawn up by the County Surveyors' Society for the construction of 1,000 miles of new motor roads at a cost of £60 millions, a development which would be quite justified by the ordinary growth of traffic and the present yield of motor taxation of nearly £90 millions a year, quite apart from the desirability of providing alternative facilities on the most vital traffic routes to meet emergency requirements.

NOTES OF THE WEEK

A Department of Supply.—The Cabinet's much-belated decision to give statutory recognition to the imperative need for priority over the whole field of industry for Government orders must be warmly welcomed. Yet the Prime Minister's statement on Thursday of the concessions he was prepared to make to the clamour for a Ministry of Supply was disappointing. It is a good thing that all the fighting services will be given a first lien on industrial output by the projected Bill. It is a great deal gained, too, that a Ministry of Supply in the full sense of the word, with power to co-ordinate the claims of these services in a shifting schedule of priorities, is now accepted in principle. But it is wholly unreasonable that such a Ministry, its desirability having been accepted, should not have been set up on the instant. Instead, we are to be fobbed off with a Ministry restricted to the problems of Army supply, and without authority to give effect to the general priority that is to be given to Government contracts by setting the needs of the departments in order of their importance. The fact is that this truncated Ministry of Supply, apart from being the sort of half-hearted and long-delayed sop to criticism that we had come to expect from the Government in matters of this kind and had hoped not to see again, is no more than a recognition of the desperate state of ill-equipment that the country's very modest projected Army is likely to find itself in: we cannot fit out at war strength the Army we have, let alone the Army we want. This need, indeed, the Ministry of Supply may meet, but it should have powers to do very much more; its task should essentially be to organise the whole structure of defence claims upon the country's industrial capacity. It is true that this stunted department will take over from the War Office responsibility for meeting certain civil defence requirements that, again, are desperately urgent. But its limitations are symptomatic of the Government's lingering lack of resolution where the question of taking bold measures involving interference with "business as usual" arises. Such an attitude may prove fatal. Nor does it diminish disquiet that this vitally important office has been given to one of the junior members of an undistinguished company. Mr Burgin has shown no particular marks at the Ministry of Transport of political courage or administrative energy. Both will be needed in full measure in his new office.

* * *

The Diplomatic Scene.—The lull which the declaration of the President of the United States and the birthday celebrations of Herr Hitler put upon events this week has not been extended to the sphere of diplomatic talks or diplomatic visits. Anglo-French diplomacy is still very busy. Having touched on Central Europe and the Balkans, it is now extending its purview to the Near East, Russia and the Far East, and thus linking up once more with American concern for the Pacific and China. Herr Hitler's Berlin birthday party aimed to impress Eastern Europe with the armed strength of the Third Reich, while discouraging too great confidence in the British and French guarantees. There are also the Italian talks in Rome and Venice which have as their aim the consolidation of Hungary, Yugoslavia and Bulgaria under the ægis of Italy; and, finally, there are the independent contacts of the small States themselves, for whose patronage the Great Powers are vying with each other. The centre of this group of talks is Roumania; the Roumanian Government, relieved if not completely fortified by the British guarantee, is obviously attempting to ward off the imminent threats which surround the country. Though M. Gafencu appears to have been reassured in Berlin that Germany would not support Hungarian claims in Transylvania, Count Ciano seems to have been simultaneously assuring the Hungarian Foreign Minister that

Italy would give full support to Hungary; while, scarcely more than a week ago (on April 14th), the Hungarian Foreign Minister himself declared that Hungary wished to respect her neighbour's frontiers. For the time the political dependence of Roumania on Great Britain and France and its economic dependence on Germany continue side by side. The talks between King Carol and Prince Paul continue to be mentioned as imminent, though the hope of drawing Bulgaria into the Balkan entente is somewhat overshadowed by the Italian hope of drawing Yugoslavia out of it. The appointment of Herr von Papen as German Ambassador to Turkey can be taken as a sign of the importance the German Government puts upon the friendship of Turkey; Turkish-German relations have considerably improved since the death of Atatürk, though the anti-German influence of the Turkish Generals remains, and the relations between Turkey and Russia are cordial. The most that Germany can possibly secure would be Turkish neutrality and closure of the Straits. Meanwhile, Estonia has taken the precaution of "exchanging views" with the Soviet Government and despatching its chief of military staff to Warsaw. If the anti-aggression forces fail to win the diplomatic contest that is going on war will be the inevitable result.

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America's Share.—Any American President, as the world well knows, is restricted in the exercise of foreign policy by the necessity of carrying opinion with him not merely in general (as any democratic statesman must do), but in detail. Moreover, it is opinion in Congress rather than opinion in the public that is of most direct and immediate relevance. There is impressive evidence that Mr Roosevelt is not going too far for the majority of the people. The indications of the attitude of Congress are less definite. But, in any case, Mr Roosevelt's actions in the past week have shown that, even within the limits set for him, he can take a firm hand in the international poker-game. His telegrams to the two dictators make it very clear where American sympathies would lie in the event of an attack by Germany or Italy on any of their neighbours. His speech to the Pan-American Union a few hours earlier equally definitely took sides—if it is taking sides to preach defence against aggression.

Only a few days ago, he said, the head of a great nation referred to his country as a prisoner in the Mediterranean. A little later another Chief of State, on learning that a neighbour country had agreed to defend the independence of another neighbour, characterised that agreement as a threat, as an encirclement. Yet there is no such thing as encirclement, or threatening, or imprisoning any peaceful nation by other peaceful nations.

The return of the American fleet to the Pacific is doubtless designed mainly to defend American interests. But it also serves to warn the would-be aggressors. It is proof that the main bulk of the British and French fleets will be in European waters—for otherwise the defences of America's Atlantic seaboard would not have been withdrawn. It warns Japan of the possible consequences to herself of naval adventures in the Far East, especially in view of the importance attached in Washington to the trade route by which America receives from Malaya and the Dutch East Indies the most important raw materials that she cannot provide herself. And in degree as Japan is warned, Russia is encouraged to entrust herself to the anti-aggression front. Finally, well-advertised consultations have been proceeding at Washington on the best means of liquidating, in the event of war, the American assets of Britain and France. Here again the immediate purpose is the protection of American interests, but the bearing on the diplomatic

picture is obvious. British opinion is chronically at fault in exaggerating the willingness of America to take a hand, and it is salutary to record the care with which Mr Roosevelt made it clear that in his telegrams to the dictators he was offering to be an "intermediary," not a "mediator" between them and the democracies. But, though nothing is committed and nothing is precise, the outlines of the action that America would take immediately on the outbreak of war are beginning to appear: non-intercourse with the aggressor, the supply of materials to the democracies and maintenance of naval peace in the Pacific. Behind these lies the probability that the engagement of America's sympathies and the moral condemnation of aggression would lead before long to more drastic American action.

* * *

Recruiting.—Without doubt the only way to make sure of getting all the men needed for the fighting and civilian defence services in the time required would be by compulsion; though, when they had been brought in, with our present methods, they would probably lack training facilities and war equipment. Meanwhile, the voluntary method is being persevered with; and it is a pity that its necessarily restricted results should be still further limited by avoidable defects. There is a scarcity of information bureaux and at the existing stations there is a shortage of clerical staff. Enthusiasm to join up is damped by waiting and by long delays after enrolment. There is no reason at all why the number of bureaux and recruiting stations should not be spectacularly increased and their staffs greatly multiplied. There is no reason why a full supply of doctors should not be present to make medical examinations on the spot, to lessen the time it takes at present between joining up and getting on with the job. Publicity has been improved, but it is still tentative and inconspicuous, and a first-class advertising agency, given the task, could raise the rate of recruiting by leaps and bounds. The worst hindrance, however, is still the Schedule of Reserved Occupations, which debars some 4,000,000 men between 18 and 45 years of age from coming forward for the Territorials. The rumour that the status of nearly 3,000,000 of these is being reconsidered is unconfirmed. If true, it is the merest common sense. If conscription has in the end to be introduced the schedule will be *ipso facto* torn up. There is no reason why it should not be radically cut down at once. Actually, compulsion is already with us, compulsion of the most undesirable kind which is one of the chief arguments against the voluntary system and in favour of conscription. Some employers put pressure on their workers to join up; others do not. Some offer rewards; others punishments. This is the "white feather" method, selective, undiscriminating and unfair. If the State wants the men it must take them, not rely upon private press-gang methods to raise the needed numbers. The power of compulsion is the Government's alone, and they should use it to protect individuals against personal intimidation as well as to recruit the army we must have.

* * *

Air Raid Precautions.—In spite of the wholly praiseworthy progress that has been made in the planning of civil defence, the vulnerability of ordinary citizens living and going about their business in crowded urban areas is still the country's potential Achilles heel in time of war. Splinter and blast-proof shelters are being made and given out; but they are not yet on sale to the people not entitled to receive them free. The strengthening of basements in certain types of houses is projected; but it has not yet begun. Communal and street shelters, too, are to be provided; but none of them yet exists. The protection of works, offices and public utility undertakings has been covered by statute; but it has, very largely, still to be effected in practice. So far, the serious deficiencies are simply the reflection, first, of the deplorable delay there was in planning civil defence before the advent of Sir John Anderson and, secondly, of the reluctance of the

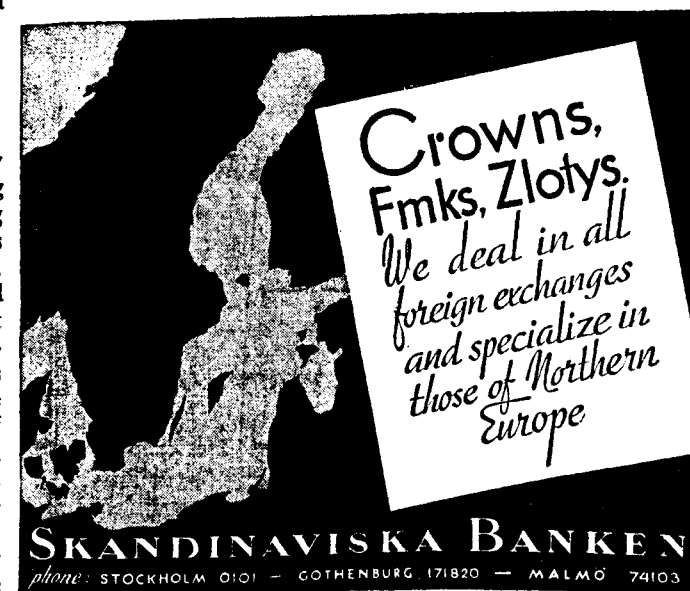
Government to take steps to give administrative and industrial priority to the meeting of urgent defence needs. Both plan and partial priority are now in being, for only this week local authorities have been asked to give air raid precautions precedence over all other work for the next three months, and the Supply Department which the Government has decided to institute has, among its functions, responsibility for certain civil defence requirements. Things will very soon be much better than they are now, but a large majority of citizens is still dangerously ignorant or uncertain about what to do in the event of air attack.

* * *

In two respects, however, there are still doubts which no current plans promise to remove. The first is about deep bomb-proof shelters. The Finsbury Borough Council's scheme for deep shelters, on which the debate has been, probably too much, concentrated, has been rejected by Sir John Anderson's expert advisers, and so by Sir John himself. Everyone who knows how long it takes to fill or empty a theatre or a football ground will see the force of the official claim that to reach and enter these shelters in the five or seven minutes' grace given in a raid would be next to impossible for, say, the 12,000 odd to be provided for in the scheme under Finsbury Square. But the Government has still no scheme for deep shelters. Some deep shelters there may be: surely the British Broadcasting Corporation and the Ministries that will remain in Whitehall in war are not the only elements in national life for which deep shelters can be justified; and they are to go underground. So, too, must other special classes in specially dangerous places. Moreover, the aim of civil defence is to enable business to be carried on. To do that the workers who remain in target towns must be able to move about freely from their home (which is to have a shelter) to their work (which is to be protected, too). The second doubt is about equipment to fight the consequences of incendiary bombs; on any count, this still falls far short of needs; and, once again, the deficiency is the joint product of indecisive planning and unsatisfactory supply arrangements.

* * *

Food Defence Plans.—In December, 1917, more than three years after the outbreak of war, the Ministry of Food introduced the first rationing scheme, for sugar, and this was followed in 1918 by the issue of ration cards for meat, butter, margarine, and lard. An announcement by the Food (Defence Plans) Department, which is reported to be busily engaged on steps to increase flour reserves by arranging with bakers to keep extra stocks, indicated that preparations are well advanced for the introduction of a similar scheme of rationing for these commodities,



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immediately on the outbreak of any future war. The issue of individual ration cards for important foods will be combined, as at the end of 1918, with State control of food imports, of the methods of distribution, and of the prices of certain foods. Traders will become State agents working on fixed margins under the immediate supervision of local and representative food control committees, which will operate on the lines of the same organisations in 1918. It is reported that the executive officers for each of these 1,400 local committees have already been appointed, together with the regional food officers, who will be responsible to the Ministry of Food for the supervision and enforcement of the Ministry's orders. These plans also provide for the absorption in the Ministry of Food of the various agricultural Marketing Boards, with their valuable records and their experience in the administration of complicated marketing schemes. They show that, in probably the most vital branch of war-time regulation, a scheme which took an unduly long time to be elaborated and put into practice in the last war will spring fully-armed into operation at the very outset of the next. It is an encouraging example of that preparedness without which national strength and resources run dangerously to waste.

* * *

Fleet Movements.—The announcement on April 13th that the customary spring exercises of the German Fleet would take place this year off the coast of Spain heralded large-scale fleet movements in all oceans. Two days later orders were suddenly issued to units of the United States Fleet cruising in the Atlantic to return immediately to their normal stations in the Pacific. Shore leave was cancelled, rapid refuelling was started, and the fleet set sail on April 20. These orders referred to the whole American Fleet except the newly created Atlantic Squadron. Great Britain is also building up her naval strength in Eastern waters. Though it remains to be seen what practical co-ordination exists between Great Britain and the United States in Far Eastern waters, close collaboration between the British and French Fleets in the Mediterranean can be assumed. This is apparent in the immediate precautionary measures taken by the two Admiralties. The German squadron was said to be made up of two "pocket battleships," two cruisers, two destroyer divisions—six vessels in all—and three flotillas of submarines together with the appropriate number of accompanying ships. Seven towns in Spain are to be visited as well as Lisbon, Ceuta and Tangier. The official version is that only one ship will actually enter the Mediterranean, but there have been many speculations whether the ultimate destination of the squadron was not Italian waters. Although the departure of the German Fleet so far from home ports may be intended as evidence that Germany intends no new surprise for the world until the safe return of the visiting vessels to port in May, Britain and France

are taking all naval precautions in the Mediterranean, while naval and military precautions are reported from other Mediterranean countries. Almost the entire British Mediterranean Fleet is concentrated in the neighbourhood of Malta, and ships cruising last week in Italian waters have been withdrawn. Only one British warship remains at Gibraltar, but 16 French warships, drawn mainly from the Atlantic Fleet, are now there. Entrance to the harbour is now blocked by the placing in position of booms across both entrances to the Admiralty harbour. At the same time, military steps have also been taken. Barricades have been placed between Gibraltar and La Linea, and the 1st Battalion of the Welsh Guards is being sent to strengthen the Gibraltar garrison.

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Troops in Spain.—The naval precautions show how seriously the preparations of the Axis Powers in Spain are regarded in Paris and London. The activities of German technicians in the neighbourhood of Malaga, Algeiras and La Linea have been watched with considerable apprehension, and the departure last week of 100 German technicians from Algeiras intimated the completion rather than the abandonment of strategic purposes there. Whether in fact the Axis Powers, to whom General Franco shows increasing favours, aspire to the taking of Gibraltar or whether they are merely taking precautions against the necessity under which the British would find themselves in the case of war with a hostile Spain—to clear Southern Spain of bases for the continuous bombardment of Gibraltar—remains to be seen. What is certain is that the Axis Powers would certainly try to command the straits with long-range land batteries, both from the north and from the south, and the British would be forced to take drastic counter-measures. The Spanish authorities at Tetuan have reassured the British Consul in Tangier that no German occupation of that international settlement is contemplated. For the first time since the beginning of the Spanish Civil War the Portuguese Government apparently shows certain signs of alarm at the preparations of General Franco and his two allies. The strategic importance of Portugal in the event of war is vital to both sides, on account of the excellent base provided by the mouth of the Tagus for operations in the Mediterranean and the Western Atlantic. Since Portugal is tied by traditional friendship and a treaty of alliance with Great Britain, the Portuguese have cause for alarm at the rumours of troop movements on their Spanish frontier. Spain continues to be the scene of troop movements which might be ominous. Some 55,000 men paraded before General Franco in Seville on the 17th and troops were reported to have left the neighbourhood of Gibraltar for this purpose. A naval demonstration is being held in Valencia next week and the famous Madrid Victory Parade is now settled for May 15th. After this date, according to Italian official assurances, all Italian troops will leave Spanish soil. This expectation is not in any way confirmed by reports of further landings of Italian troops at Cadiz, although reports come from Almeria of arrangements being made for their subsequent departure. It is also reported that Spaniards will be enlisted in the Italian army which is in Libya, and it is again denied that Germans have been dispatched there. The attitude of neutrality adopted by General Franco in September is no longer perceptible. In a speech to Falangists in Seville on April 17th, he announced his intention of retaining half a million men with the colours "ready for any eventuality"—the present army, he said, numbered a million. Instructions were also given to war industries to be ready to begin the manufacture of munitions and war material at a moment's notice.

* * *

Jugoslavia's Difficulties.—An announcement that M. Tsvetkovitch, the Yugoslav Prime Minister, and M. Matchek, the Croat leader, "expect to come to an agree-

ment in the course of this week" was made in Zagreb on Monday of this week, after talks had been resumed on the question of Croat autonomy. These talks were made a serious possibility after the replacement at the beginning of February of M. Stoyadinovitch, with whom M. Matchek refused to negotiate, by M. Tsvetkovitch. The latter proposed the enlargement of the Central Government to include representatives of the Croatian autonomists and the formation of a joint Serb-Croat Commission to study the practical elaboration of local autonomy. The Croats, however, insisted not only that the Government should be enlarged to include the Serb as well as the Croatian Opposition but that a new constitution should there and then be elaborated which granted full autonomy to the Croats. Once this constitution had been drawn up, Dr Matchek maintained new elections should be held and a truly national Government formed on the basis of these elections. During the conversations, however, it appears to have been intimated that the Croats would not insist on the full granting of their immediate constitutional demands, if they were given satisfaction on the question of the boundary of the future autonomous Croat State Territory. About the boundary wide differences of opinion were apparent, not only between Serbs and Croats, but also with the Bosnian Moslems as well, who are demanding that Yugoslavia should be transformed into a fourfold Federal State consisting of Serbs, Croats, Slovenes and Bosnians. On Monday M. Tsvetkovitch saw both Dr Spaho and Mgr. Koroshetz, the leader of the Catholic Slovenes, who plays a mediatory part. These negotiations for a radical change in the constitution of the Yugoslav State are taking place in an atmosphere of international tension which directly menaces Yugoslav integrity. Indeed, it is the external threat that lends them their extreme urgency. Italian pressure, however, is exerted more on Belgrade than on Zagreb, which is traditionally out of sympathy with the totalitarian methods of Germany and Italy. The Yugoslav Foreign Minister, M. Cincar-Markovitch is meeting Count Ciano in Venice at the end of this week, and this meeting, following as it does on Hungarian visits to Rome and Berlin, is expected to bring fresh pressure to bear on Yugoslavia to dissociate herself from her allies in the Balkan Entente—Roumania and Turkey—in so far as these show favour to the designs of London, Paris and Washington.

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Poland on Guard.—Though Colonel Beck appears to see no insuperable contradiction in having what amount to military alliances with Great Britain and France, together with a non-aggression treaty with Germany, the development of the internal situation inside Poland would seem to preclude an entirely unhampered choice between his obligations should the decisive moment arrive. M. Witos and M. Korfanty, the exiled leaders of the Polish Peasant Party and the Christian Democratic Party respectively, who returned to Poland as a patriotic gesture at the beginning of this month, both have a large and important following in the country and are strongly opposed to the policy of capitulation to Germany which the German treaty has all along inevitably entailed. M. Witos is making fiery speeches in the country, in which he does not fail to draw the consequences of the Czechoslovak disaster nor to throw a parting stone at the country which succoured him throughout his seven-year exile. The following of M. Korfanty is largely in Polish Silesia, and is strongly anti-German in character—it was M. Korfanty himself who led the *coup d'état* that seized Polish Silesia in 1921. The reconciliation this week between Colonel Beck and M. Grazinski, the strongly anti-German Governor of Upper Silesia, has also not passed without note, and the new internal unity of Poland is definitely on an anti-German basis. As in other countries, the prospect of the total failure of a certain foreign policy has united the country behind its originator in the apparent faith that he—in this place Colonel Beck—is the best person to change it. A deputation received by the Polish Prime Minister informed him that all Polish journalists had resolved to sink their political differences so as to give the Government full support in the interests of

national unity and national defence. The need for both does not diminish, and this week rumours of an approaching German occupation of Danzig were again rife. The Poles continue to protest that such an attack means war, though by the Germans it is put about that Danzig is the weakest link in the anti-aggression chain (it was not included in the list of guarantees for which President Roosevelt asked), and its rupture would have the double effect of discrediting the British guarantee and giving Germany a military stranglehold on Poland which would prevent German-Polish hostilities from ever needing to break out. The key to the situation is Russia, and both Roumania and Poland see in the Western attitude towards Russia an essential reservation so far as their own guarantees are concerned. Both countries are loth to see Russian armies on their soil, and yet both know what they are indispensable if their own armies are not to be beaten down before a German advance. Before M. Gafencu's visit to Warsaw and Berlin it was believed that Roumania was ready to accept, not only materials and the aid of the Russian air force, but also serious and effective assistance from the Russians. From Colonel Beck, M. Gafencu will have learnt the British attitude. Colonel Beck is said to have expressed himself with considerable reserve, and to have impressed on the Roumanian Foreign Minister the necessity of no independent Roumanian action in this direction. On the other hand—no doubt as the influence of his varied if united supporters begins to make itself felt—the attitude of Colonel Beck towards Russian assistance is said to be undergoing a change, and for the first time an article appears this week in a Polish Governmental paper suggesting that Russia disposes of a powerful military force.

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The Need for Nurses.—The Minister of Health has launched an appeal for 100,000 volunteers to train for nursing service in war-time. This call underlines the serious shortage of trained nurses even for peace-time purposes; and it added emphasis to the general conviction expressed by the House of Commons in a debate on the subject last Thursday that the time was overdue for the radical reform of recruitment and working conditions in the nursing profession. It is only a short time since the Report of the Athlone Committee strongly advocated changes in pay, conditions, accommodation, holidays and disciplinary methods which can be more than justified on grounds equally of efficient nursing, the interests of the ninety or so thousand nurses themselves and national need. The position is that to meet the present normal demand, which is rising every year, over 10,000 more entrants are required yearly. It is not that the number of entrants has been falling. In fact, the number has risen 50 per cent. in the last decade. It is rather that the demand for nurses has risen sharply with the extension of health, medical and hospital services. The need every year of the voluntary hospitals for

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an extra 500 nurses; the transformation since 1929 of Poor Law institutions into efficient local authority hospitals; the sharp rise in recent years in the use of hospitals in cases of severe illness; the development of new medical techniques needing specialised nursing assistants; the increase in visiting and after-care services; and, which is in many ways most important of all, the welcome spread of organised domiciliary nursing: these are the chief factors in the shortage of nurses, and it is the fact that demand has greatly outrun supply that accounts in the main for the indefensibly long hours that many nurses work.

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This is no time to argue whether or not the criticisms of nurses' conditions have been much exaggerated. The contention that the nobility of the nurse's calling requires hard living, laborious days and short commons is pointless and futile. If the finances of the voluntary hospitals will not stand an improvement of conditions that is not so much an argument against the improvement as a criticism of the financing methods. The nation needs many more nurses; and nursing is entitled, in addition, to at least as much consideration as, say, the teaching profession. First, the organisation of recruitment from the schools needs drastic overhaul. Secondly, the combination of intensive preparation for examinations with the hardest of practical work needs alleviating. Thirdly, nursing hours need considerable reduction, by statute if necessary, from the 13 or so hours which now may be worked daily. Fourthly, the profession is entitled to something like a Burnham scale of pay. Finally, all nursing quarters should be fit to live in. Much improvement has been made in many places. Much more is needed with Government backing if the requirements of peace and war together are to be promptly met.

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Mr Speaker.—The Select Committee of the Commons lately set up to consider what steps, if any, should be taken to ensure that the Speaker of the House should not be required to contest an election, turned at once to consider the practice elsewhere. In general, in other democratic countries, the officer who presides over the popular assembly is elected by the same machinery as his fellows. In the assembly, chosen for the Chair by free vote, he presides impartially. This is precisely the English way. The Speaker is at once the impartial arbiter of debate, the guardian of the rights of minorities in the House and the non-political embodiment of the Commons to the outside world. He must himself be a Commoner, chosen by the same electoral machinery as other Commoners. In countries where a new chairman is chosen after each election the need to debar holders of the office from party activities out of session as well as in the assembly does not arise. In England, where the Speaker is expected to end his political career in the Chair, it is essential that he should take no share in party activities. The last occasion on which the Speaker was beaten in an election was in 1710; and, before the Labour party made it a point of electoral principle to contest the present Speaker's seat at Daventry, the last time he was opposed was in 1895, in exceptional circumstances. Labour's point is that it is unfair to deprive a constituency of its right to choose a representative freely. The Committee, whose report has now been published, formally agree, and they refuse to recommend special machinery to secure the Speaker's uncontested election. But, even more strongly, they deprecate the Speaker's being involved in a party contest. They conclude that matters should be left as they are, with the hope that electors may be educated to realise that in fact, there is no disfranchisement in the Speaker's constituency. The present position may not be strictly logical, but its lack of logic is only serious if the unfettered conflict of parties is regarded as the be all and end all of Parliamentary practice. Before the law, this is not so: single constituencies return their single members, and it is a privilege rather than a deprivation that the representative of one should be chosen to speak for the Commons as a

whole. Is it too much to hope that the Labour party, even with their passion for straining at gnats, may realise the great worth of the principles for which the Speaker stands in a totalitarian-ridden world, and so accept the common-sense conclusions of a Committee on which they themselves were ably represented?

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Summer Air Services.—For the greater part of the winter British air services to Europe failed to make an illustrious showing compared with certain of their competitors. This week's introduction of summer schedules should go far to redress this unfortunate prejudice to British air transport's prestige. Eight week-day flights in each direction are provided on the Paris service and the flying time of seventy minutes rivals that of any competitor. These services are operated by Imperial Airways with the Frobisher class air liners, whose belated entry into regular service is sincerely to be welcomed. The prospective merger between Imperial Airways and British Airways, the terms of which are expected to be made known next month, has, in effect, been anticipated in the Paris service, which, although operated by Imperial Airways, is the joint undertaking of the two companies. British Airways has also introduced its summer schedules, which include, in addition to the usual week-day service between Heston and Stockholm, a London-Berlin-Warsaw service and a London-Frankfurt-Budapest service, in 6½ and 6¼ hours respectively. Revised subsidy arrangements have been announced this week, as a result of which the London-Paris service will receive £67,000, the Warsaw service £53,500 and the Budapest service £53,000 for the period April 16th to October 7th. The two latter sums are based on the assumption that the operating company will secure exemption in the countries concerned from duties on fuel and oil. In a world of national antagonism, fostered by fear of air attack, it must be gratefully recorded that the representatives of forty nations agreed last month to recommend to their Governments that aviation fuel and oil should be exempted from local Customs and Excise duties. There is an internationalism, as well as a nationalism, of the air.

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The Australian Premiership.—The election of Mr R. G. Menzies as leader of the United Australia Party, and therefore as prospective Prime Minister of Australia, was surprising, and may have troublesome consequences. He had been deputy leader, and obvious successor to Mr Lyons, until a few weeks ago, when he resigned both from that position and from Cabinet office because he thought it a breach of the electors' trust to shelve indefinitely the national health insurance scheme. The decision to do so had been taken under pressure from the Country Party, the junior partner in Mr Lyons' coalition. Mr Menzies, while agreeing that the scheme cannot be introduced as soon as had been planned and that some of its aspects should be re-investigated, has not shifted in the least from his position of principle. Nor has the Country Party. His election by the U.A.P. may thus be taken, not only as a tribute to his own personality, but also as an act of defiance towards the Country Party and a rebuff to the members of the Government who had deferred to its pressure. Sir Earle Page, leader of the Country Party, has vacated his temporary Premiership with a violent personal attack on Mr Menzies, and the Coalition seems to be dead. The most probable sequel appears to be a single-party minority Ministry dependent on Country Party votes given *ad hoc*, a precarious state of affairs which experience in this country suggests may injure the Country Party more than anybody. A general election in Australia now on the issue of national unity in face of world dangers might well produce a triumph for the Government. But an election on an issue of party disagreement would be the finest opportunity for the Opposition.

THE WORLD OVERSEAS

The Greek Dictatorship

GREECE'S internal politics have for some time been a matter of interest to this country, though British diplomacy has not, perhaps, always been spectacularly successful there. With Great Britain's guarantee to Greece after Italy's Albanian coup the interest has grown livelier. Even the English newspaper-reader likes to know what he is guaranteeing.

For nearly three years now, conditions in Greece have seemed to the outside world unusually stable. On August 4, 1936, General Metaxas, protesting that he was merely forestalling the Communists, made himself Dictator of Greece. Since then opposition has been gagged. A timely series of deaths, a few months earlier, amongst rival politicians had no doubt helped; arrest, exile and a certain apathy amongst the Greek people, sick of party bickerings and parliamentary deadlocks, did the rest. Rumours of revolutions from time to time; a hopeless attempt at insurrection in Crete last summer—little more. Greece was so quiet that when, a little over a year ago, there was a new batch of arrests and deportations, for a section of the English Press seemed to be unaware that for eighteen months Greece had been living under a dictatorship.

Even now, in the face of the threat to Greek independence clear in the Italian occupation of Albania, the internal situation remains for the moment unchanged. The leaders of the political parties are in exile in the islands. The officers, Venizelists and Republican sympathisers, expelled from active service in the Army, after the abortive revolution of March, 1935, are still on the reserve list. Yet few people would deny that these officers comprise the finest military elements in the country. Without them Greece lacks many of her best soldiers. Now that British support is assured, what, in the event of a general conflagration, would be the attitude towards them of the Greek Government? Mobilisation without them would be only half effective. They could return to active service if the political leaders now in exile intervened on their behalf. Would General Metaxas's Government, nervous of the opportunities for yet another insurrection afforded by mobilisation, herd them into the safe keeping of a concentration camp?

Liberal opinion, cautious but eternally optimistic, persists in hoping that the perils of the times, in conjunction with the possibility of British influence, may even now bring about a change in the Greek political situation. Moderate voices privately suggest a general composing of quarrels, the recall of the exiled politicians and their inclusion in a fully representative government. But for such a step the arbitration of a leader outside party politics is essential. If the King of the Hellenes were to decide to make a move towards reconciliation, the weight of popular opinion would be with him. The general amnesty with which his reign resumed in 1935 won the approval of all except, ironically enough, the Royalist extremists; if later, when he was confronted by the intransigence of political factions, he had had the boldness to take control instead of leaving it to a political Dictator, the risks of unconstitutional action might have been more than balanced by popular support.

Instead, the Greeks found themselves handed over to a dictatorship which, though it certainly had not the extreme severity of its German and Italian models, showed a disturbing readiness to organise the country on totalitarian lines. It has never been a dictatorship much loved by the people; without the prestige of the Crown and the Army's loyalty to the King it would have been unlikely to last until now. But educated Greek opinion is wondering whether King George possesses, at this second opportunity, the necessary resolution; whether he is not, even now, too dependent on his Prime Minister to play a part in uniting the country. And that, say the private voices, is where the possibility of British influence comes in.

It is to the interest of Great Britain that Greece, for which she now stands as guarantor, should be strong, united and free from dissatisfied minorities and the embarrassment of stifled liberties. The recall of the exiled leaders would be a stride towards national unity which, it is hinted, Great Britain would be wise to encourage. To those who might object that the former political system in Greece was a failure, a carica-

ture of a true parliament, the retort is that a return to the parliamentary system is not asked for; what is wanted is a Government of Public Safety to run the country, with the King as supreme head, a Government which would not reject the services of General Metaxas, in which, indeed, he might remain as Prime Minister.

It has been said often enough, and often enough denied, that General Metaxas's personal sympathies are pro-German. But, whatever the persistent influence of his German military education, he is not blind to the real interests of his country. No doubt, had Great Britain been prepared to help Greece by buying her tobacco, he would have been ready, when he came to power, to further British interests in return. The key to control of the Balkans is economic; the crux of the Greek economic problem is the tobacco industry. Two years ago General Metaxas declared to an interviewer: "I ask only one thing of Great Britain. Let her buy 5 per cent., no more, of her total tobacco consumption from Greece, and Anglo-Greek trade will once more return to its former proportions." To-day, public opinion in Greece is overwhelmingly on the side of the democracies. But observers, Greek and English, complain that nothing effective was done by the democratic Powers, that time was wasted in bargaining, in deploring the impossibility of buying Greek products. Meanwhile, Germany was allowed to gain her familiar economic stranglehold over Greece, with all its attendant political advantages.

Lately the *rapprochement* with Turkey has done a good deal to stiffen Greece in her desire to escape domination from Central Europe, and last summer there seemed a good chance that she might break away from her commercial entanglements with Germany. The Munich Agreement and the dazzling successes of the Axis Dictators dealt a severe blow to British and French prestige in Greece; more, they encouraged General Metaxas in his readiness to imitate, with more enthusiasm than he had previously shown, the Italian and German regimes. But the situation in Greece is not analogous to the situation in Italy or Germany. Two important factors are different: the position of the King, and the temper of the people. In Greece we have the unfamiliar spectacle of a Dictator with less popular backing than the sovereign, a Dictator who could still be overruled by the Throne. And we have, too, a people indifferent to heroics and little susceptible to organised propaganda. The Greeks have learned in the last three years to hold their tongues in public and to accept a censored Press—not an easy lesson for a race accustomed to café politics and the elaborately libellous newspapers of the good old days. They have seen the foundation of a Youth Movement; they have mastered the technique of sending congratulatory telegrams to General Metaxas on August 4th, anniversary of his *coup d'état*. Three years of dictatorship and the blessings of a vast secret police have taught them little else.

Comparatively speaking, perhaps, the regime has been mild in its effects. After the first severities, after the rounding-up of Communists and supposed Communists, the ugly stories of brutality, torture and murder in prisons and concentration camps, the thorough-going deportations of Left-Wing

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politicians and intelligentsia, the country settled down to a malcontent quiet. On the whole, it was sufficient not to profess Communism, not publicly to criticise the Dictatorship, in order to be left alone. The well-to-do middle classes, the business men, have been inclined to favour General Metaxas's Government; stability, they have felt, was not too dearly bought by extra taxation and a certain degree of control of labour. The poor complain of rising prices. "Expense, expense," the crowds growled at the wedding festivities of the Crown Prince; expense is a thing to be considered in a country where the staple foods are bread and oil, and the sale, one year, of the olive oil crop meant that the poor lived on bread and seed oil. No class is much impressed by Italian protestations of friendship or by German propaganda. Perhaps in the ironic good sense and critical acuteness of the Greek people will yet lie the solution to their present political impasse. But Britain has it in her power to do something at least to help.

Roosevelt, the Reich and Raw Materials

[FROM OUR BERLIN CORRESPONDENT]

PRESIDENT ROOSEVELT'S message to the heads of the two big European dictatorships has created a sensation in Berlin. It is almost certain that Herr Hitler, who is placed in an extremely difficult position by this message, will reject the proposals. His answer to President Roosevelt will not be made directly through the usual diplomatic channels. It will be announced before the Reichstag, which has been called for April 28.

The attitude here to the American President's suggestions is wholly adverse. They are regarded as a strengthening of the encirclement policy inaugurated by Great Britain, and as an attempt to erect a second Versailles system. National Socialist circles, which themselves are none too particular when it comes to matters of form, object mainly to the manner in which the note was transmitted and made public. They say, with emphasis, that the questions raised in the message could have been made the ground for discussion, had the suggestions come from the head of some other Government.

It may be said to-day that—barring unforeseen events—Herr Hitler will reject President Roosevelt's suggestions in a three-hour speech, in which he will outline to the Reichstag his policy of armed negotiations. At the moment there is no evidence to suggest that the Reich Chancellor will announce counter-proposals for the starting of international conversations and for the settlement of international political and economic problems. At the same time, it is a quieting sign, even if only of temporary significance, that the Third Reich apparently does not intend to present the Reichstag with a new *fait accompli* in Poland. The fact that there is now no direct connection between the Reich and East Prussia is, however, described as an intolerable situation. Nor is it understood why the Polish Government refused to accept the German proposal for a "corridor through the Corridor." Whatever attitude Herr Hitler is going in the event to take with regard to President Roosevelt's message, the Polish question remains the most disturbing and threatening element in European politics.

Meanwhile there are other problems. In the new Protectorate of Bohemia and Moravia, for instance, in addition to large cash credits, Great Britain has outstanding contracts for a sizeable quantity of armaments placed with numerous Czecho-Slovakia concerns in order to give economic aid to the Republic which was dismembered by the German in-

vasion; and these contracts have not yet all been fulfilled. The firms which were to be responsible for delivery, mainly the Skoda and Bruenner Waffenwerke, have their factories partly in the Protectorate of Bohemia and Moravia and partly within independent Slovakia. With regard to the English armament contracts which are being executed in the factories in Bohemia and Moravia, it may be stated that there has so far been no disturbance, either from the English or from the German side, and deliveries are proceeding normally. As a result of the international tension, however, the Germans intend to repudiate the English contracts, that is, to stop carrying out the orders already given.

Domestic economic problems, too, are growing, and not least among them is the very question of raw materials and international trade which the American President's proposed conference was to tackle. The National Socialist programme to raise production, which was based mainly on armaments, could, when it began, rely upon erecting large stores of raw materials. Then shortages were caused by the fact that imports did not keep up with the increase in production. It was possible to maintain imports to a certain extent by the use of the Reich's foreign holdings and of the German, Austrian and Sudeten gold and foreign exchange reserves; and imports of raw materials in 1938 were valued at Rm. 1,850 millions against Rm. 1,973 millions in 1937. Although the money value of the imports fell, the amounts imported were actually larger, since the prices had fallen by 15 per cent. In this way German industry could more or less replenish its stocks; but, compared with industrial production, which is valued at Rm. 85,000 millions yearly, these supplies are relatively small.

In addition, Austria and the Protectorate of Bohemia and Moravia have no important natural resources except timber and coal. They, too, are dependent on imports. The difficulty of buying raw materials from abroad is increased by the fact that imports depend upon exports, which are meeting with new obstacles; and another relevant factor is that German foreign trade is operated on the basis of bilateral agreements, so that purchases are not made in the cheapest markets, which raises the cost of imports appreciably. An increased number of semi-finished goods had to be imported last year—valued at Rm. 1,041 millions against Rm. 963 millions in 1937—which meant that Germany had to finance with its foreign exchange a greater share of foreign labour costs.

The following figures show the trend of German raw material imports:—

	1913	1929	1933	1936	1937	1938
Wool—						
In 1,000 quintals	1,993	1,690	1,577	1,033	1,032	1,388
In Rm. mill.	369	603	195	178	219	207
Rm. per quintal	185	357	124	172	212	149
Cotton—						
In 1,000 quintals	4,779	3,988	4,166	2,368	2,448	2,500
In Rm. mill.	587	762	293	217	229	187
Rm. per quintal	123	191	70	91	93	75
Rubber—						
In 1,000 quintals	205	531	582	734	1,000	919
In Rm. mill.	92	103	24	65	114	77
Rm. per quintal	450	193	42	88	114	83
Iron Ores—						
In 1,000 quintals	140,190	169,528	45,716	184,693	206,209	219,275
In Rm. mill.	233	316	59	168	222	282
Rm. per quintal	16.6	18.6	12.8	9.1	10.8	12.8
Copper—						
In 1,000 quintals	2,451	2,621	2,071	1,951	2,625	3,584
In Rm. mill.	374	404	102	88	175	182
Rm. per quintal	153	154	49	45	66	51
Petrol—						
In 1,000 quintals	2,489	10,634	10,048	13,246	10,582	13,571
In Rm. mill.	50	175	64	90	87	105
Rm. per quintal	20	16	6.4	6.8	8.3	7.7
Oil fruits—						
In 1,000 quintals	17,471	25,976	22,907	16,614	16,704	18,465
In Rm. mill.	549	861	269	226	261	232
Rm. per quintal	31	33	12	14	16	12
Building timber—						
In 1,000 quintals	...	45,068	24,823	25,762	26,238	26,158
In Rm. mill.	...	386	70	157	194	200
Rm. per quintal	...	86	28	61	74	76
Timber for Mass Usage—						
In 1,000 quintals	12,849	25,339	24,723	22,435	16,632	16,746
In Rm. mill.	37	98	46	50	46	50
Rm. per quintal	29	39	19	22	28	30
Raw tobacco—						
In 1,000 quintals	814	1,028	788	873	904	938
In Rm. mill.	147	249	120	127	132	153
Rm. per quintal	181	242	153	145	146	164
Cocoa—						
In 1,000 quintals	511	803	782	766	738	795
In Rm. mill.	59	89	29	31	47	38
Rm. per quintal	115	111	37	40	64	48

Since 1933 cotton imports have decreased by 40 per cent. and wool imports by 12 per cent.; these figures indicate, incidentally, the increasing domestic output of cellulose wool. Imports of petrol have risen by only a third, while the number of motor vehicles in use has doubled; the balance of the demand for motor fuel is covered in large part by domestic production. The large iron and copper imports are clearly explained by the demands of the armament industry.

French Morale Stiffened

[FROM OUR PARIS CORRESPONDENT]

IMPORTANT steps have been taken to make available the figures, hitherto lacking, which are necessary for any attempt to appraise the present economic position of France. For several months no up-to-date statistics of industrial production have been published. Last week the Administration rectified this by issuing current figures; and the Minister of Finance has decided to publish a monthly statement of the public debt. This is something new in the management of French affairs.

The first statement of the public debt runs as follows:—

Categories of Debt (Millions of francs)	Situation on	
	Jan. 1	Feb. 28
Perpetual	54,610	54,609
Redeemable by drawings	173,458	176,590
Redeemable by annuities	62,364	62,371
Middle term maturing after January 1, 1941	26,543	31,577
Middle and short term maturing in 1940	26,756	29,509
Middle and short term maturing in 1939	40,563	36,376
Bank of France	36,157	36,097
Totals	420,451	427,135

These figures emphasise the help that has been given by the short-term market to the re-armament programme. M. Reynaud promised, when he joined the Cabinet in November, to avoid any appeal to the capital market during the next six months, that is, until May 1st; his object was to encourage a rise in public funds. This abstention, however, was only made possible by heavy subscriptions to Treasury bills, since the needs of the Treasury every month exceed its normal resources by 2,000-3,000 million francs. And the table shows that, actually, the public debt increased by 6,684 million francs during the first two months of 1939, chiefly in middle and short term.

This new way of financing re-armament by an increase in the floating debt has been helped by two factors. There has been greater confidence in foreign markets in the outlook for the franc, notably in Belgium and Holland; and confidence at home has grown in response to the firmness of the Government.

There is, of course, still apprehension of a European conflict which leads people to seek to keep their resources liquid. The French people hate war, but their fear of it, owing to a host of steps lately taken, has been much lessened. The diplomatic collaboration between London and other capitals; the measures of security lately taken much more efficiently than last September; the new control over foreigners in France so that they can be used on work of public importance in case of war; the measures to use the country's labour resources to the full under extraordinary powers entrusted to the Minister of Labour; the intensification of production which the increase in weekly working hours to 60 where needed makes possible; taken together, all these steps are impressive and greatly encouraging. Public opinion is very struck by the speed with which the Government has gone to work, by the complete discipline of the workers affected and by the lack of panic which has accompanied the taking of these security measures.

The re-establishment of order and efficient administration, and the favourable effects already seen in a very short time, have restored the confidence of the country in its destiny. The net effect is to maintain a timely *sang froid* in public opinion. Wild and unconfirmed rumours are now greeted with scepticism. The country is even-tempered, and, in the last resort, even the chances of war are received with calm. All this is highly favourable to the prospects of peace.

Nor do technical economic factors work against this calm and confident state of mind. It is true that the cost of living is at the highest of the year. But the time for the usual seasonal decline in food prices has already come, and in recent weeks the index of wholesale prices has fallen sharply.

	Mar. 11	Mar. 18	Mar. 25	Apr. 1	Apr. 8	Apr. 15
General Index	678	679	680	681	676	674
Domestic products ...	703	706	707	708	703	699
Imported products ...	633	631	630	631	628	629
Foodstuffs	649	651	654	652	643	638
Industrial products...	705	703	703	706	706	706

Moreover, the dearthness of foodstuffs is counterbalanced, among the industrial classes at least, by the latest increases

in wages and by the overtime earnings received for the extra hours now being worked.

Yet, though the atmosphere and the temper of the people are excellent, the position is still serious. Diplomatic and military demonstrations by the totalitarian States must lead to further measures for security, such as the calling up of more reservists and further financial charges, and these in turn will entail renewed fiscal strain. National sentiment is ready for this strain, but public opinion is calling for a policy of economy designed to bring revenue and expenditure more nearly into line.

The burning of the "Paris" proves again the need for the ruthless application of the recent police measures to restore internal order. The severe criticisms of the Press will undoubtedly lead to new Government measures in this direction, and this affair, though expensive, will in the long run be beneficial, if only for the publicity given to the need for such further measures.

The number of unemployed last week fell again, from 395,347 to 392,253. The decrease since February 11th amounts to 28,000, and the number of unemployed is now 3,000 lower than it was a year ago.

Poland Prepares

[FROM OUR WARSAW CORRESPONDENT]

WITHIN the brief space of a few weeks a profound change has come over Poland. At the beginning of this year the discontent of the Ukrainians in East Galicia, actively fomented by agitators trained in Germany, seemed to point to an early explosion; anti-Semitism, aggravated by Nationalist propaganda and economic distress, had reached dangerous heights; there was chronic dissension in internal politics; and nobody felt sure about where the Government stood in its external policy. An insidious whispering campaign, now known to have been inspired from Germany, cast grave doubts on the integrity and patriotism of important members of the Government.

The journey of Colonel Beck, the Foreign Minister, to Herr Hitler at Obersalzberg early in January, and the visit to Warsaw of Herr von Ribbentrop, German Foreign Minister, at the end of the month, to commemorate the fifth anniversary of the Polish-German pact, only added to the confusion and perplexity felt by opinion at large. But, by the time Count Ciano, the Italian Foreign Minister, came to Warsaw on an official visit at the end of February, a public opinion which for months had been kept in the dark on foreign affairs began to understand the plans of the totalitarian States for "lining up" Poland with the Axis. What at first was little more than an ingrained suspicion of anything German rapidly became a deep hostility after Germany's seizure of Czecho-Slovakia and the annexation of Memel to the Reich. While declaiming against the alleged encirclement policy of Great Britain, Germany herself was actively engaged in encircling Poland—not only politically, but with armed forces.

The reaction was swift and decisive. Public apprehension was allayed when it was seen that Marshal Smigly-Rydz, Inspector-General of the Forces, and his military associates had virtually assumed full responsibility for internal and external policies; that military precautions on a large scale were being taken; and that the financial and economic resources of the country were forthwith to be mobilised for national defence. All aircraft and munitions factories were immediately put on a 24-hours-a-day basis, and, most important of all, internal dissension disappeared almost overnight.

Political discussion now seems to have been dropped "for

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the duration." M. Witos, the former Prime Minister, and other Opposition leaders who had been in exile and fugitives from justice for nine years, returned to Poland and submitted themselves without reserve to the authorities. They were released after a few days, and are now working for the nation. Colonel Slawek, another former Prime Minister and a die-hard reactionary, obligingly committed suicide on the day M. Witos, whom he had hounded out of Poland in 1930, came back.

Such were the immediate consequences of Germany's action in Czecho-Slovakia and Memel, and the intimations threateningly conveyed from Berlin that Nazi attention was now focused on Danzig and "the Corridor," with the familiar blackmail of "minority persecution and terror." Herr Hitler and Herr von Ribbentrop thus did for Poland something which the Poles themselves had striven in vain for twelve years to achieve—a nation completely united behind a powerful army which has never known the meaning of fear.

There is no disposition at present to count the cost in terms of money or economic hardship. Subscriptions to the new Air Defence Loan reached a total of more than 200 million zlotys in the first ten days, and voluntary gifts to the National Defence Fund daily reach an imposing figure. From Poles in the United States alone nearly \$100,000 has been donated in the last fortnight. A nation as poor as Poland cannot survive economically for any length of time on a war basis, but it is presumed that Great Britain and France are making arrangements so that there will be no breakdown in the supply of raw materials essential for national defence industries.

The Choice for Yugoslavia

[FROM OUR BELGRADE CORRESPONDENT]

ATTENTION here is focused on the impending German-Yugoslav trade negotiations, and on the question whether

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Germany will attempt to obtain from Yugoslavia economic conditions similar to those she has obtained from Roumania.

Since the occupation of the Czech territory Germany's position as against Yugoslavia has grown greatly in importance. During 1938 exports from Yugoslavia to Germany, Austria and Czecho-Slovakia together amounted to 2,515 million dinars, out of total exports of 5,047 millions. Imports from them during the same period were 2,490 million dinars, out of a total of 4,975 millions. The territories now under the Greater Reich claim 50 per cent. of both Yugoslav exports and imports—a proportion which was fully maintained during January and February, 1939. During those two months exports to the Reich and to Czecho-Slovakia amounted to 169 million dinars out of a total of 339 millions, and imports to 126 millions out of a total of 402 millions.

Nor is this proportion likely to change. All attempts on the part of Yugoslavia to increase exports to other countries, primarily to Great Britain and France, have met with little more than sporadic success. Thus, during the last nine months, exports to Great Britain have been consistently below those of the corresponding period of last year, while those to France have always been low. From a commercial point of view, therefore, Germany would be in an excellent position to put pressure on Yugoslavia to accept conditions similar to those imposed on Roumania.

Even if political factors are disregarded, as well as the fact that the dinar would suffer further depreciation and the price-level be distorted, a dependence which would require Yugoslavia to intensify her agriculture and arrest her industrial development would be definitely against her interests. With a population which now exceeds 15 millions and an annual increase of about 200,000, or 16 per cent. for the last decade, Yugoslavia urgently needs to diversify her economy. This is particularly the case since most of the increase is in rural areas, and the soil, under the present distribution of land, is not capable of absorbing more of the population. At present 20 per cent. of the villagers have no land at all; another 69 per cent. possess less than 4 hectares per family, and there are only 11 per cent. with more than 4 hectares. Of those possessing land altogether 51 per cent. produce either just sufficient for themselves or even have to buy food.

Hence there is always a surplus population pushing from the land into towns, which makes industrialisation a necessity. In November the number of insured workers reached 728,000 with an insured wage of 439 million dinars. Any attempt to stop this tendency by discontinuing industrialisation and keeping the population forcibly on the land would only result in heavy economic and social dislocation and disturbance.

For such industrialisation, however, Yugoslavia herself does not possess the capital, and Germany, even if she favoured the policy, could not supply the capital. At the present moment, out of a total of nearly 20,000 million dinars invested in business, one-third is foreign, Great Britain and France holding first and second places. Czech capital, with 989 million dinars, invested chiefly in chemical and textile industries, comes third. There is practically no German capital, German investment being hampered by the fact that Germany is a trade debtor to Yugoslavia, while attempts to create investment capital in other ways have hitherto been unsuccessful.

Yugoslavia has to rely on foreign capital and it is a question whether such capital would be willing to come into the country if Germany were granted a privileged economic position. These are the conditions, therefore, which counsel Yugoslavia that, while she has of necessity to accept closer economic relations with the Reich, she would be courting grave economic and social consequences if she accepted in an unmodified form conditions similar to those accepted by Roumania.

Italy Through the Albania Crisis

[FROM A CORRESPONDENT IN ROME]

BEHIND the smokescreens of official celebrations, congratulatory telegrams and triumphant addresses which fill the inspired Press, the Italian people have received the news of the latest addition to their Empire with a curious blend of indifference and extreme annoyance. The indifference springs from their impotence, the annoyance from the extent to which the crisis has affected their family life and daily bread (both

Speeding-up Soviet Farming

[FROM OUR MOSCOW CORRESPONDENT]

THE year 1939 is an important one for Soviet Russia in both industry and agriculture. It is the first year since the "cleansing" of the governmental and industrial apparatus began early in 1937 that Soviet economy is operating under normal conditions. The country is turning from politics to business.

Government decrees in this second year of the third Five-Year Plan have indicated a determination to establish, in a single stride, if possible, the discipline and efficiency in productive work that required decades for their growth in England; and the statistics of production for 1939 will show whether the Soviet worker, hitherto subjected primarily to appeals based on patriotism and social service, will now react favourably to administrative pressure.

I. AREA UNDER CROPS IN THE SOVIET UNION
(In millions of hectares)

	1913	1934	1935	1936	1937	1938	1938 as percent. of 1913
Total area	105.0	131.5	132.8	133.8	135.3	136.9	130.4
Grain	94.4	104.7	103.4	102.4	104.4	102.4	108.5
Industrial crops ..	4.5	10.7	10.6	10.8	11.2	11.0	244.4
Truck farming	3.8	8.8	9.9	9.8	9.0	9.4	247.4
Fodder crops	2.1	7.1	8.6	10.6	10.6	14.1	671.4

This is not to say that the powerful stimulus of "socialist competition" (i.e. friendly contests for record outputs between several shops in one factory or among a number of factories in a single industry) is no longer a potent force in Soviet Russia. Encouraged by the official Press and by trained propagandists, such competitions are now being organised on a national scale.

All these efforts are designed to regain that striking industrial momentum which was a feature of the first Five-Year Plan, and of the second Plan until the summer of 1937. Similar steps are being taken in agriculture. The latter measures are most significant this year in view of the setback of the 1938 harvest, when the vital grain crops decreased by 21 per cent. compared with the record yield of 1937 (Table II).

II. GROSS PRODUCTION OF GRAIN AND INDUSTRIAL CROPS
(In millions of centners)

	1913	1934	1935	1936	1937	1938	1938 as percent. of 1913
Grain	801.0	894.0	901.0	827.3	1,202.9	949.9	118.6
Cotton (raw)	7.4	11.8	17.2	23.9	25.8	26.9	363.5
Flax (fibre)	3.3	5.3	5.5	5.8	5.7	5.46	165.5
Sugar beet	109.0	113.6	162.1	168.3	218.6	166.8	153.0
Oil seed	21.5	36.9	42.7	42.3	51.1	46.6	216.7

The severe drought last summer in several important regions led some foreign observers to predict a serious food shortage in the winter and this spring. The shortage did not

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of which are infinitely more important to them than restoring the Roman Empire).

First of all, the mobilisation of a number of military classes in the week before Easter wrecked a host of long-planned family reunions and holidays. It was exasperating after a son had been absent in Spain for over a year to have him shipped off to Albania just three days before the feast. More serious are the financial aspects. The King spoke the bare truth when in his address to Parliament a few weeks back he said that no country's finances were in greater need of normal conditions than those of Italy. And now, so soon after the warning, the country has again been committed to heavy military expenditure; and the citizens of Italy are not amused.

When the news leaked through that King Zog had made good his escape with all the gold in Albania and his sisters with the silver, the Italians pulled long faces. "And we foot the bill." The blatantly advertised distribution of money to the poor in Albania has roused even more resentment, for the Italians ask why, if there was so much to spare, they have seen so little of it. This murmuring and discontent might not be so serious did it not come on top of a hard winter and vastly increased taxation. A few weeks ago, in Naples, organised rioting broke out in the streets in protest against the grinding poverty of the people, and for some days the situation was ugly enough for Signor Mussolini to cancel a propaganda visit and go to Sicily instead.

But the crisis does not merely increase the financial load the Italians must bear. It also stops up one of the most important sources of what little money they can earn. It has been a disastrous Easter from the point of view of the tourist trade. Instead of the welcome appearance of freely-spending, excited, gullible English and Americans, the only guests have been an inexorable flood of Germans from across the mountains. German tourists are not articles for export. Loud-voiced, uncouth, domineering, they crowd through Rome, beating down the shopkeepers, haggling over prices and taking advantage of Italy's unfavourable trade balance with Germany to get everything—hotels, railways, excursions—at 50, 60, 80 per cent. reductions. Undoubtedly this is an important factor contributing to the Italians' intense dislike of the Axis.

It is this fear and dislike of the German connection which lies at the base of the Italians' exasperation over Albania. There reigns in Italy from highest to lowest, in peasant, shopkeeper, party official, from north to south, a universal and intense hatred of the Germans. You need to be no more than twenty-four hours in Rome to meet it. Once you have met it, you cannot forget it for a single day. It is not merely a question of the German tourist behaving as though Italy were already a German protectorate. Its roots lie not in irritation, but in fear.

In an alliance there is always one who rides and one who is ridden, and the Italians can feel the spur. For example, though they cannot give names, the Italians know that there are commercial agents in every Ministry and in every key position in the State, that Signor Mussolini himself is spied upon, and that, in self-defence, he is coming more and more under the thumb of Germany. The northern plains of Italy would be defenceless against a sudden swoop from the north, nor are the Italians easy about the South Tyrol.

This dependence upon the other end of the Axis terrifies the Italians, for their nightmare is to be dragged into war against France and England, just in order to serve the purposes of the Germans. It is firmly believed that the Albanian adventure was forced on Italy by Germany and that the Italians were given their marching orders during the German-Italian staff talks held early in Holy Week. The fact that Good Friday was chosen for the invasion convinces the Italians that Herr Hitler fixed the matter down to the last detail, and took pleasure in delivering an incidental smack at the Church of Rome. And, they argue, now that their dependence is so great, what mad and sanguinary adventure will they be driven into next? Hence the intense anxiety among the people to catch at any straw of friendship with England. Mr Chamberlain's visit is still talked of with real enthusiasm—"un vero uomo di pace."

And the Government? No one knows or understands their attitude. Yet, although the people are impotent, it is conceivable that the Government can ignore the weight and virulence of the Italian hatred of Germany. Signor Mussolini may be bound to the German chariot by mixed feelings of hurt, prestige and fear, but we need not suppose that he enjoys being "taken for a ride." In fact, Italy's position is not altogether dissimilar from that of Poland. A guarantee by a Great Power would put her in a better position to come to terms with her powerful neighbour. Can this guarantee be given without wounding her extremely delicate sensibilities? That might be a task for English statesmanship.

eventuate. In some of the larger centres, it is true, there were brief periods when there was less than a satisfactory supply of dairy products, fish and fresh meat. The cause of this, however, could be traced in large part to inefficient distribution; and the failure of refrigeration facilities to expand in proportion to the growth of supplies was a contributory factor. It is certain that if such a drought had occurred in Tsarist days famine would have been inevitable in several parts of the country. As it is, the mechanisation of agriculture and the elimination of inefficient small holdings by collectivisation made it possible to secure a grain yield last season 18 per cent. greater than that of 1913.

There was a shortage of finished textiles again last winter. This shortage was not due, however, to decreased agricultural production, the output of cotton and flax in 1938 being substantially at the level of 1936. The fact is that demand and national purchasing power in the U.S.S.R. have been for many years running far ahead of supply, even though supply rises annually.

The persistent spread between demand and supply needs narrowing. Therein lies one explanation for the energy with which the country is now swinging into the vital spring sowing campaign. The speed with which 500,000 square miles of cultivated land will be sown should in large measure determine the success of the harvest. It is planned, in most regions, to complete the sowing in six or seven days.

Unusual Government measures this spring reflect the official concern to get the agricultural year off to a good start. It is realised that unfavourable preliminary conditions must be overcome by more efficient organisation. Little snow has fallen during the past winter, resulting in a decreased amount of necessary moisture, and exceptionally low temperatures this spring have frozen the soil in many places to a considerable depth.

One important step by the Commissariat for Agriculture to encourage greater speed during the sowing period has been to remove the restrictions on the consumption of fuel by agricultural machinery. This measure is particularly significant because obviously the lag in oil output had made it necessary to penalise users who exceeded the fixed norms of consumption.

Another measure, and probably a more effective one, has been the Government's guarantee of double pay for the crucial period of planting to all agricultural workers, including tractor drivers. Wage payments, under the collective farm system, are made by the individual farm from the proceeds of the compulsory sale of products to the Government. Part of the wage is paid in kind and, after a good harvest, most peasant households are able to sell a considerable surplus of their share of the produce in the open market.

Mechanised Agriculture

Yet, though administrative measures to stimulate greater individual effort are significant, the Kremlin basically relies upon the steady growth of mechanisation in agricultural processes to raise productivity (Table III).

III. MECHANISATION OF SOVIET AGRICULTURE: TRACTORS, COMBINES, ETC.

(In thousands)

	1933	1934	1935	1936	1937	1938	1938 as percent. of 1933
Tractors	210.9	276.4	360.3	422.7	454.5	483.5	229.3
Combines	25.4	32.3	50.3	87.8	128.8	153.5	604.3
Internal combustion and steam engines	48.0	60.9	69.1	72.4	77.9	83.8	174.6
Complex and semi-complex grain threshers	120.3	121.9	120.1	123.7	126.1	130.8	108.7
Trucks	26.6	40.3	63.7	96.2	144.5	195.8	736.1

This spring fully half the area to be sowed on Russia's 243,000 collective farms will be sowed by machine. The number of tractors in use has grown from 26,000 in 1928 to close upon half a million this year. During the period of the second Five-Year Plan the number of combines increased by 600 per cent. Tractors, combines and automobile trucks are now being supplied to agriculture annually at the rate of 30,000, 25,000 and 50,000 respectively.

With only one-eighth of the land suitable for agriculture now in use, Soviet Russia could vastly expand the present cultivated area, but it is not likely that this will be done in the near future. Although Soviet agriculture is operated on the largest and most mechanised scale in the world, and is more fully equipped with modern machinery than in any other country, the number of machines available in the

countryside is still small in proportion to the number of collective farms. There is a great deal to be done yet on the land already in use.

There are only two tractors and 1.5 combines to each collective farm. The distribution of other agricultural machinery is even thinner. Thus, when the harvest is completed in one part of the country it is necessary to transport tractors and combines to other regions which take in their crops later. Manpower, of course, remains a vital factor in the countryside, but the authorities aim to reduce hand-labour in agriculture to a minimum. Hence, again, the primary importance of machinery.

Motors and Motoring in Switzerland

[FROM OUR GENEVA CORRESPONDENT]

This year's Geneva Motor Show apparently proved a great success. The number of exhibits was higher than last year, and the motor car and lorry section includes the stands of 65 firms, 17 American, 15 German, 12 French, five Italian, three Czecho-Slovakian, three Swiss, one Belgian and nine British. Among the 14 exhibitors of motor cycles four are British, and the pedal cycle section includes five British out of 22.

The motor trade has been much developed in Switzerland during the past ten years, and there are now 197 firms selling motor vehicles and 650 garages together employing 17,000 workers. But though the motor trade is relatively new as an important occupation, the motor industry has a long history in Switzerland.

The first internal combustion motor was built in 1888 at Frauenfeld by Mr de Martini, a few weeks before Mr Saurer built a similar one at Arbon. This was the beginning of the Swiss motor industry. In 1913 there were 6 motor cycle factories (of which 3 still remain), 7 motor car factories (all of which have disappeared) and 5 motor lorry factories (of which 4 still exist, namely, Saurer, Berna, Arbenz and F.B.W.). In that year, motor exports reached a value of £1 million.

There was a boom after the war, and in 1921 motor exports totalled £2,840,000. Then the Swiss motor industry was hard hit by foreign competition and the last motor car factory closed down in 1927. Efforts have since been concentrated on the manufacture of heavy vehicles. In the last ten years or so the value of motor exports has averaged about £1,200,000 a year, while annual imports have been valued at about £2,500,000. During the period 1931-37, Switzerland imported 4,229 British motor cars and 3,904 British motor cycles. Since 1937, however, imports of British cars and motor cycles has dwindled, mainly owing to the competition of cheaper Italian, French, German and American cars. Most of the American vehicles are now assembled in Switzerland, which means an important saving in Customs duties.

Meanwhile Swiss people have become keen motorists. On May 25, 1905, M. Chesse, of Montreux, was the first to cross the Simplon Pass (6,562 ft.) on a Swiss Martini car, and later in the same year Count Cognard, driving a Peugeot, climbed to the Saint Gothard Pass (6,935 ft.). Until 1932, when a Federal law regulated and unified motor traffic regulations, motor cars were banned by several cantons, or allowed only on certain roads and on certain days.

The number of motor vehicles in Switzerland, which was 11,331 in 1913 (5,411 motor cars, 920 lorries, and 5,000 motor cycles) rose to 120,800 in 1937 (73,100 motor cars, 19,500 lorries and 28,200 motor cycles), or one motor vehicle to every 35 inhabitants. The yearly increase in the number of motor vehicles is about 2,500, and nearly 9,000 are imported every year. The Swiss market is not unimportant, and the British motor car industry might look to Switzerland to increase its sales.

Motoring, which is a chief item in the modern tourist industry, is now an important asset to the Swiss economy. The good condition of roads, the attraction of the splendid scenery of the Alpine passes, and the special facilities given to foreign tourists, every year attract an increasing number of foreigners. In 1938, 432,295 foreign motor cars came to Switzerland; that is, nearly 1,300,000 persons who, on the average, spent 2½ days in the country, and left a sum estimated at 75 million francs (about £4,623,200) in Switzerland, entered by car.

Letter to the Editor

Nazi Economics

TO THE EDITOR OF THE ECONOMIST

SIR,—The long and interesting discussion of my book on "The Economic Recovery of Germany, 1933-38," in your issue of April 1st, raises far too many points to be dealt with in a letter. But I should be grateful for the opportunity to make some observations on one or two of the controversial matters at issue.

First, on a small point of detail, you say of me: "He entirely fails to mention that there is a very large flight from the land, discussed with every semblance of alarm throughout the Nazi Press." In actual fact I devoted five pages, pages 114-19, to an analysis of this very problem, in the course of which I cited the official German estimate of a decrease of 700,000 in the agricultural population between 1932 and 1938.

The comparison which you make between the German and British employment figures for 1929 and 1937-38 is, I submit, in reality an unfair one, for many reasons. To mention only two: in 1929 Germany was at the peak of a very intense cyclical boom, fed—in spite of reparations—by a large, most abnormal and necessarily transient, net import of foreign capital. In Great Britain conditions in that year were by no means those of high general prosperity. On the other hand, the Germany of 1937-38 had no importation of foreign capital and, unlike Britain, no foreign investments on which to draw whether for capital or income. In general, your argument reminds me of the old Free Trade controversy, where the Free Trader proved, by comparing the figures at the bottom of a preceding slump with those at the top of a subsequent boom, that Free Trade was the source of England's prosperity; while the tariff reformer, by reversing the process, was equally convinced that he had proved the opposite. Towards the end of your review you say: "Whether by good fortune or by good management, English economic policy has done just as well in the creation of employment and infinitely better in the enhancement of the standard of living. We have no reason to fear any fair comparison." But quite irrespective of the validity of your comparison (are there no unemployed in England to-day?), by its introduction you are drawing a red herring across the trail of my book. It was no part of my purpose to compare the economic development of Germany and England since 1929 or 1932, nor have I done so.

I can assure you that I am not "bemused by the German success in reaching full employment." A democratic country might well say: "What shall it profit us if we reach full employment by these means and lose our own soul in the process?"

The vital point at issue between us, as I see it, is this: I hold that the economic recovery of Germany since 1933 is an economic phenomenon of great interest and importance, and one which deserves to be studied by economists for its own sake. You appear to hold that its only actual and potential interest is as a study in the economics of war.

I see an economic experiment which has hitherto been largely, though by no means wholly (your comment on the Second Four-Year Plan is wide of the mark), subordinated to strengthening the military power and resources of Germany. Even so, it has absorbed more than six million unemployed with hardly any rise in prices, in spite of an inflationist type of finance. Does this not merit the attention of the economist? But I see also an experiment, which could at any time be switched over to raising the standard of living to a much higher level, combined with at least the possibility of a large measure of control over the trade cycle.

Surely it is only a mind bemused by political prejudice which could assert that the economic events of the last six years in Germany, and the possibilities for the future which this experiment holds, "have little or no relevance to the economics of a peace-loving community." For the same technique could be used by Germany to produce the desiderata of peace as has been used, to so great an extent, to produce the desiderata of war.

Yours faithfully,
C. W. GUILLEBAUD.

Cambridge.

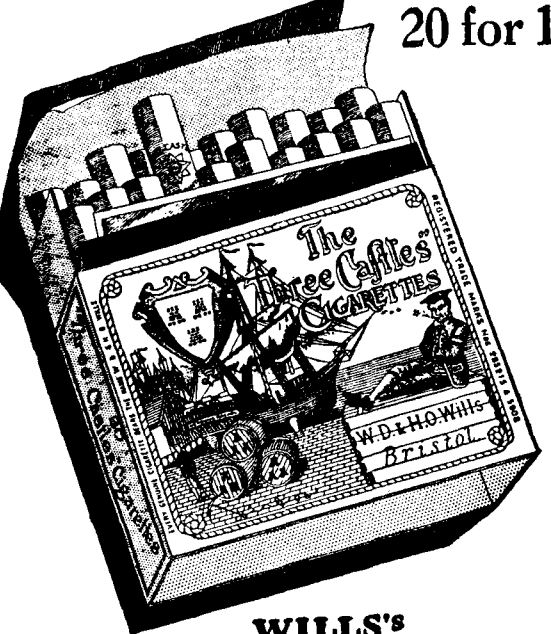
[1. An injustice was done Mr Guillebaud by the phrasing of our comment on his treatment of the Nazi agricultural policy. The point of our comment was that it is misleading to give a glowing description of the privileged status of the peasant without simultaneously mentioning the flight from the land. The fact that, a hundred pages away, there is a discussion of the agricultural employment problem, is not a complete defence. But the words used failed to make this clear.

2. It is true that in a financial sense Germany was more prosperous than Great Britain in 1929. But so far as concerns employment (which is alone relevant to the argument in question), the unemployment percentages, as was mentioned in our article, were 10.3 in Great Britain and 9.6 in Germany—i.e. close enough to make 1929 an eminently fair basis for comparison of unemployment experience. This being so, Mr Guillebaud's simile of Free Trade-Protection controversy is quite beside the point.

3. Our assertion that British economic policy has done just as well in the creation of employment holds good. Mr Guillebaud's parenthetical reference to the continued existence of unemployment in England suggests that he is unable to distinguish between the creation of employment and the reduction of unemployment. If so, he is indeed "bemused by the German success in reaching full employment."

4. The usefulness of the Nazi experiment as a model relevant to a peace-time economy depends entirely on the assertion that it "could at any time be switched over to raising the standard of living." Mr Guillebaud thinks it could be so switched over. He cannot know. Moreover, when the Nazis were pursuing their economic ideas without the aid of re-armament their success was partial and indifferent. When the Nazi system has successfully beaten swords into ploughshares and not until then will it become of relevance to the economics of a peace-loving community.—EDITOR.]

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Books and Publications

Catholicism v. Weltanschauung

In 1937, Mr William Teeling published a book called "The Pope in Politics," in which he criticised the political policy of the Vatican for its sympathies with Fascism—a policy more recently somewhat obscured by the gallant stand of Pius XI against paganism and racial creeds. The tendency to identify the Catholic Church with the totalitarian idea, he argued, was not only doubtful wisdom so far as world affairs were concerned, but also a danger to the unity of the Church itself, as between the New World and the Old.

At the basis of Vatican policy was its abhorrence of Bolshevism as the most dangerous of modern threats to those institutions of family and church which are fundamental to Catholic philosophy. The error was in assuming that Fascist opposition to Bolshevism was a sufficient ground for coming to terms with the Fascist dictators and working successfully with them.

In Italy the policy had had some success, viewed from the standpoint of the welfare of the Italian people. But that was because Italy was predominantly Catholic and the College of Cardinals predominantly Italian: the Church was looked to as the natural body to supply certain needs; and the authorities understood those needs. In Germany, the same policy had met with disastrous failure: the internal situation was greatly different; and the authorities in Rome were largely ignorant of the differences. Catholics in America and other democratic countries were being alienated without any positive gains to justify the risk.

Mr Teeling's new book* is a further and more detailed

* "Crisis for Christianity." By William Teeling. Gifford. 320 pages. 10s. 6d.

THE BALTIC STATES

ESTONIA, LATVIA,
LITHUANIA

A Report Prepared by the
Information Department of the
Royal Institute of International
Affairs

7/6 net

"... Chatham House is to be congratulated upon this exceedingly competent and well-balanced study of the small States lying on the east coast of the Baltic..."

Nineteenth Century.

OXFORD UNIVERSITY PRESS

examination of the German problem, justifying in the main his earlier conclusions. Primarily, therefore, it is addressed to those persons who are particularly concerned with the religious situation in Germany, and especially to those of Mr Teeling's own faith. But for others who wish to understand the many currents in the present flow of history, there is also much in this book which is of value.

In the first place, though Mr Teeling is a critic of Vatican policy, he is a critic from within. His statements of Catholic arguments and intentions are, for that reason, a healthy corrective to a good deal that has been written of late upon the significance of the Papal throne. Catholicism has its own ends, which are not essentially those of either democracy or totalitarianism, and shifts in policy or utterance designed to achieve those ends should not be too hastily assumed to signify the taking of sides in the more immediate political struggle.

Secondly, Mr Teeling has concerned himself with a single question: What is happening to the Catholic Church in Germany? To find the beginnings of his answer he has gone back as far as the seventeenth century rivalry between Northern and Southern Germany. He gives a detailed study of the Catholic Social Movement in Germany and of the organisation of young workers' fraternities on a national basis which arose out of it; and he dwells particularly on the development of the Centre Party as the dominant line of political Catholicism in Germany, attempting to interpret Papal teaching in a policy of educational rights and social development, opposition to nationalism and adherence to constitutional practice.

He shows, from his own investigations over the past two years, how the dissolution of the party by the Nazis has brought with it, on the one hand, the collapse of the Catholic Social structure and, on the other, the bewilderment of the older political Catholics who are ignorant of any other form of organisation and, even more, of the problems now to be met. This exposition suits Mr Teeling's powers of observation and recording ability particularly well.

The third cause for commendation in this book is Mr Teeling's examination of the place of Herr Rosenberg and his philosophy in the National Socialist order. The tendency of most writers has been to regard this as a relatively unimportant matter, and to concentrate on the more general effects of radio propaganda and mass demonstrations as the significant factors in the outlook of the German people. Mr Teeling shows that it is not with the mass of the German people that Herr Rosenberg is working, but with the leaders in the Nazi Party, and particularly with the youth organisations.

Already, in a hundred schools in Germany, the new ideas are being taught; a thousand young men are being sent out each year into key positions in the State after a four-year course in the *Weltanschauung* orthodoxy. Among the present 200,000 S.S. men the faith is dominant. This is the most significant factor of all for Catholicism; its importance in international politics cannot be disregarded either.

Books Received

A History of the Cobden Club. Written by Members of the Club. (London.) Cobden-Sanderson. 87 pages. 2s. 6d. net.

The Liberal Year Book for 1939. (London) The Liberal Publication Department, 42 Parliament Street, S.W.1. 274 pages. 2s. 6d. net.

The National Union of Manufacturers. List of Members, 1939. (London) National Union of Manufacturers, 6 Holborn Viaduct, E.C.1. 451 pages. 5s. net.

Fairplay's Annual Summary of British Shipping Finance. (London) "Fairplay," 51/56 Palmerston House, E.C.2. 571 pages. 21s. post free.

State Conservation of Resources. By C. J. Hynning. (Washington) National Resources Committee. 116 pages. 15 cents.

Plan and Serve. By A. P. Young. (London) Management Publications Trust. 140 pages. 3s. 6d. net.

THE BUSINESS WORLD

Outlook for Profits

PRE-BUDGET discussion this year has been concerned with the modern economic alchemy by which the Government creates incomes before it taxes them. The measurement of taxable capacity, in which *The Economist's* analyses of industrial profits have played their part during the past thirty years, has been pushed into the background. Hence, a reduction of 9.9 per cent. in the profits of 656 industrial companies whose reports were published during the first quarter of this year seems almost incidental to the fiscal problem of 1939-40. Already events have overtaken the published Defence Estimates; it may well be necessary to borrow more than the £350 millions already announced. But since our fiscal health—no less than the magnitude of the burden to be financed—demands that taxable capacity should be closely scrutinised, *The Economist's* profits records have not entirely lost their relevance.

Industrial profits first showed a setback for the September quarter of 1938 with a modest fall of 1.4 per cent., which was succeeded by a fall of 4.4 per cent. in the December quarter. Last quarter's experience, as Table I on this page shows, was not far removed from that of a different list of 596 companies whose reports were published in the first quarter of 1931. The new index of profits, which was introduced in *The Economist* of January 14th this year (and is reproduced in Table III), shows a fall from 130.3 (July, 1935-June, 1936=100) for the twelve months ended December, 1938, to 127.1 for the twelve months ended March, 1939. Neither the fall in the March quarter, nor the decline in our new index between December last and March, provides an accurate measure of the fall in taxable industrial profits which must be taken into account by the Chancellor of the Exchequer next Tuesday. The fiscal year includes company results to March 31st, and reports bearing this date represent over 16 per cent. of the total in the average year. Hence, nothing more than an interim guess is possible regarding the fall in industrial profits which will be assessed for income-tax purposes in 1939-40. Taking the total profits reported for the nine months since last June, the fall represents no more than 6½ per cent. But the June quarter reports (which cover an average accounting period to about February 8th) will certainly depress this average. An informed guess

suggests the possibility of a decline in industrial profits relevant to the current fiscal year of the order of 7½ per cent. But this figure must be regarded as provisional, since little more than one-tenth of the profits which are normally to be expected during the second quarter have so far been reported.

First quarter companies in 1937 reported, on the average, to December 21st of the preceding year, and there is no reason to suppose that this date has changed significantly. Hence the total profits, after debenture interest, of the 656 companies included in the latest quarter's sample, which fell from £98,549,191 to £89,651,061, cover several months of sharply falling industrial activity about a year ago, and have obtained no benefit from the slight improvement of the present spring. Compared with a fall of 6½ per cent. in business activity, however, a fall of 9.9 per cent. in industrial profits arising in the calendar year 1938 cannot be reckoned extreme, for they are subject to an element of "gearing" and respond more than proportionately to a given industrial stimulus, whether positive or negative.

Important stabilising influences are to be found, however, in the profits of companies reporting during the first quarter. Banking profits, of course, are excluded from our reckoning, but of the five groups whose profits exceeded £10 millions (the detailed figures are set out in Table A on page 229) two showed minor falls, two showed increases of 3½ and 7 per cent., and only one—though that one is the large miscellaneous group—a significant fall of 18 per cent. Shops and stores, electric light and power, and tobacco reports are an annual feature among first quarter companies, and the profits they reveal are usually less susceptible to recession than those of industry at large. In fact, the 75 companies in these three groups increased their profits slightly from £32,687,315 to £33,076,076, and thus accounted for nearly 37 per cent. of the total profits reported last quarter. The influence of such large companies as F. W. Woolworth, Imperial Tobacco and the large electricity undertakings is clearly evident in these figures.

When the profits are examined industry by industry, however, interesting differences are revealed. Heavy industry had a profitable year in 1938, and the earnings of 40 companies in the iron, coal and steel trades reported

TABLE I.—PROFITS OF FIRST QUARTER COMPANIES, 1929-39

Reports Issued during First 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	454	£59,869,628	+ 1.5	£537,360,324	11.1
1930	516	62,021,337	+ 1.8	595,281,227	10.4
1931	596	67,736,226	- 10.6	756,871,719	8.9
1932	548	54,314,815	- 14.3	665,704,181	8.1
1933	562	52,046,133	- 8.9	692,974,734	7.6
1934	592	67,137,496	+ 5.3	697,744,983	7.9
1935	547	55,751,307	+ 13.3	754,001,613	8.9
1936	569	75,731,976	+ 13.3	757,045,526	10.0
1937	628	94,733,138	+ 11.9	852,038,088	11.1
1938	646	100,355,156	+ 9.4	836,937,404	11.9
1939	656	89,651,061	- 9.9	835,801,239	10.7

TABLE II.—DIVISION OF PROFITS (FIRST QUARTER COMPANIES)

Reports issued during First Quarter	Proportion of Total Profits* (= 100)			Rate of Payment on Each Class of Capital			
	Paid Pref. Div.	Paid Ord. Div.	To Reserve or Carried Forward	Debt-ture	Preference	Earned Ordinary	Paid Ordinary
1929	18.2	60.7	21.1	4.89	5.3	14.7	10.9
1930	19.7	61.9	18.4	4.89	5.8	13.0	10.0
1931	21.7	62.1	16.2	4.82	5.6	10.7	8.5
1932	21.5	68.9	9.6	4.80	4.9	9.9	8.7
1933	24.0	63.8	12.2	4.77	5.0	8.9	7.5
1934	22.1	59.4	18.5	4.73	4.9	9.8	7.5
1935	20.8	59.8	19.4	4.64	5.1	11.0	8.3
1936	19.1	58.7	22.2	4.51	5.3	12.6	9.2
1937	19.8	56.6	23.6	4.39	5.8	14.4	10.1
1938	17.0	53.3	29.7	4.22	5.5	15.8	10.2
1939	18.4	53.9	27.7	4.20	5.2	13.9	9.2

* After debenture interest.

TABLE III.—THE ECONOMIST PROFITS INDEX
(July, 1935–June, 1936 = 100)

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1929	...	...	113.0	113.1
1930	113.8	116.5	115.5	111.7
1931	107.4	101.3	93.6	87.2
1932	81.7	73.3	69.9	69.1
1933	66.3	67.6	66.8	68.5
1934	70.1	74.6	76.7	79.7
1935	83.8	88.9	90.2	92.4
1936	96.6	100.0	102.0	104.5
1937	108.6	118.3	120.9	125.2
1938	128.7	131.7	131.6	130.3
1939	127.1	...	...	...

The method of calculation of this index was explained in *The Economist* of January 14, 1939. Each figure refers to the profits earned by companies reporting in the four quarters ending with that against which the figure is recorded. Earnings are related to the base period by the chain method.

last quarter showed an increase of 3.81 per cent., from £10,131,531 to £10,517,829. The steel industry, endowed with re-armament orders, and able to resist pressure for reduced prices until the beginning of this year, has taken the recession in its stride, and with output now running close to record levels it is highly probable that steel profits will still be impressive a year hence. Not all large concerns, however, provide a cushion to meet falling profits. The 38 companies in the textile group, whose reported profits last quarter hardly exceeded a quarter of the previous year's level, are dominated by Courtaulds, whose experience last year was the worst in the company's recent history. And reductions in profits considerably higher than the average (though not of the greatest absolute importance to the total) are recorded by rubber companies (59.1 per cent.), shipping (27.8 per cent.), tea (29.0 per cent.), newspapers and printing (16.7 per cent.) and miscellaneous industrial companies (18.0 per cent.).

Table B on page 229 analyses the dividend rates declared during the past quarter, and provides a comparison of equity dividend rates with those of the preceding year. Of the twenty-five groups which are represented, no more than four show increases, and these—tramway, food, tobacco, and warehouse companies—may be regarded as special cases. But reference to Table II on page 201 suggests that the ordinary shareholder has fared as well as he could expect in a period of declining earnings. Out of a total pool of divisible profits itself reduced by nearly

10 per cent., the proportion paid in preference dividends has naturally tended to increase, to 18.4 per cent. of the total, compared with 17.0 per cent. of the higher profits of a similar, though not identical, sample of companies which reported in the first quarter of 1938. The ordinary shareholder has actually received a slightly higher proportion (though a lower cash sum) from the pool, and reserve policy has been tempered accordingly. It would be premature, however, to read any special significance into the slight proportionate reduction in amounts carried to reserves, to 27.7 per cent. for the latest quarter. With the exception of 1938, which was a year of record earnings, the proportion of profits ploughed back is still the highest for any first quarter over more than a decade. The same conclusion is suggested by a comparison of equity earnings and dividend rates which are shown in the same table. The 646 companies whose reports were published in the first quarter of 1938 disclosed earnings at the rate of 15.8 per cent., while their average ordinary dividend amounted to 10.2 per cent. The latest sample of companies shows equity earnings of 13.9 per cent. and ordinary dividend payments averaging 9.2 per cent. on a very similar total ordinary capital. The contraction of the ploughed-back margin from 5.6 per cent. to 4.7 per cent. is a new, but hardly surprising, feature of the past quarter's reports.

So far industrial profits have dipped to a relatively limited extent. It may well be that the business improvement which now appears to be in progress will check any repetition of the normal cyclical movement in industrial earnings, if "normal" can be said to have any precise meaning where profits are concerned. But, to summarise the outlook in terms of our new index of profits, no repetition of the fall from the peak of 116.5 in 1930 to the trough of 66.3 at the beginning of 1933 seems in prospect. And since the economic case for increased taxation may well be stronger a year hence than it is to-day, the prospect of nothing more than a modest reaction in industrial earning power for the next few months, followed by a positive recovery at least in certain sections of domestic industry, is to be welcomed. This conclusion may not be entirely consoling to the ordinary shareholder. Indeed, if the gradual assimilation of the economic system to a war-time basis proceeds to the point of full employment and defence priorities, he may have to prepare himself for the possibility of some form of dividend control, on the German model.

The Stock Exchanges' Future

(By a Stock Exchange Correspondent)

NO thoughtful observer of modern financial tendencies can fail to detect the intimations of fundamental change in the structure of the security dealing organisation in this country. Within the exchanges themselves—among the members constituting the London Stock Exchange, for example—realisation of the magnitude of the issues involved and interest in their solution on radical lines may be said, as yet, to be individual rather than collective. It was, therefore, an event of some significance when Mr R. B. Pearson, in the brief interval between laying down his office of Chairman of the retiring Committee for General Purposes and his election to the same office for the year 1939-40, took the opportunity presented by the annual dinner of the Provincial Brokers' Stock Exchange to express views which may well possess far-reaching implications. The tenor of Mr Pearson's remarks may be epitomised by two of his sentences:—

I look on this legislation (the "Share Pushing" Bill), which is passing through Parliament at the moment, as a significant warning to those of us who are members of the stockbroking profession. I believe that now is the time when we... who are subject to discipline, who are indeed genuine brokers, should improve our status.

In the development of his argument, Mr Pearson suggested that the importance for brokers of the "Share

Pushing" Bill lay less in its actual terms than in marking a definite phase in the development of stockbroking. He left it to be inferred that it would be contrary to the experience of other professions if the legislature were to disinterest itself in future developments, but he directly suggested that the co-operation "to the utmost" of all genuine broking organisations was necessary to make their own machinery adequate and efficient.

Such phrases give a powerful, though personal, lead to those in financial and political circles who fear that the organisation and control of the stock-dealing industry in this country lags far behind banking, insurance and the learned professions. In fact, stockbroking appears to be one of the few to show a definite inability to keep abreast of the times during the past fifty years. In this period, the investing public has enormously expanded. Thanks to the increasing use of telephones, private exchanges and the teleprinter, communications have been speeded up, and as a result of the centrifugal effect on the distribution of business, the relative predominance of the central London market has tended to decline. Provincial exchanges, though still mainly feeders to the London market, to-day transact between themselves a larger proportion of their own business. Again, direct dealings, from the most reputable type of transaction between banks and discount houses

down the scale to the wholly undesirable transaction in unmarketable securities, have taken an increasing volume of business from the market in recent years. And outside share marketing organisations, ranging from the lightest shade of grey to the deepest black, have appropriated a significant proportion of business. The multiplication and diversification of these dealing agencies has proceeded in an entirely unco-ordinated manner. Dealers in stocks and shares owe allegiance to no central authority, their business standards and methods vary greatly, and there is no means either of formulating or expressing the views of the profession on any particular matter. Such anarchical conditions must encourage disorder and possibly abuses, and, while the legislature may tackle part of the problem piecemeal, no effective solution on broad lines seems feasible unless there is the necessary degree of domestic control within the profession itself. The first, and most important—as well as the most difficult—step in this direction would be to establish closer association between the existing recognised Stock Exchanges. But it would be idle to underestimate the constitutional, practical and personal obstacles which have first to be surmounted.

The three principal broking organisations represented at the Provincial Brokers' dinner included the London Stock Exchange, the Associated Stock Exchanges and the Provincial Brokers' Stock Exchange. The professional life of members of the London Stock Exchange is absolutely controlled by their elected Committee. The Council of the Associated Stock Exchanges, however, is hardly more than a consultative body consisting of delegates from the twenty-two Provincial Exchanges in the Association. The organisation of the Provincial Brokers' Stock Exchange is as all-embracing as conditions allow, but since its 332 members are spread throughout the British Isles (excepting only London and the provincial centres which have their own exchanges) difficulties of a constitutional and disciplinary nature are necessarily considerable. To secure the necessary degree of collaboration for a comprehensive broking organisation, in these circumstances, would call for the surrender of individual and local independence and a general assimilation of rules and practice, which could only be achieved by an infinity of work and patience. In "The Book of the Stock Exchange," Mr F. E. Armstrong records the great, though abortive, effort which was made forty years ago to secure the adoption of a standard code of laws by the Associated Exchanges. The defection of Edinburgh and Glasgow (whose independent attitude on certain occasions in recent years will be recalled) was largely responsible for the failure of the attempt. The sub-Committee laid down the task regretfully, expressing the hope that a new generation would think again, and their faith finds an echo in the views of Mr C. H. Goode, President of the Council of the Associated Exchanges, who has recently suggested the general adoption of the Rules of the London Stock Exchange.

More than this, however, will be necessary if the security-dealing profession is to present a united front to the legislature, to the financial world and to the public. It might well be unavoidable, in the long run, to create a super governing body possessing plenary powers. Such a conception may be unpalatable to a highly individualistic profession, but undue delay might exact a grievous penalty if the growth of competitive dealing agencies continues at its present pace. It must be recognised, however, that apart from differences of practice there are fundamental divergences of interest to be reconciled or, at least, balanced. It should be possible to devise some effective constitutional apparatus—a federal type of structure—to unify the general direction of policy, without attempting first to solve such difficult problems as the co-ordination of the London jobbing system with the provincial "shunting" organisations. Provincial dealers naturally aim at increasing their share of the available trade; London, on the other hand, is concerned with the defence of its established broking and jobbing channels, and argues that the maintenance of the marketing and quotation facilities on which the activities of other centres finally depend, justifies and requires the canalisation of dealings. But, for the time being, each exchange must place the direct interests of its members first, and any attempt to rationalise the whole system at too early

a stage would involve such wholesale adjustment of established interests as to predestine failure for the whole venture. The first stage in association, therefore, might be to codify the common elements in the rules and practices of the recognised exchanges and brokers' associations, and to delegate all matters within this sphere to a representative council, reserving freedom of action to the individual authorities within certain defined areas.

Mr Pearson's speech itself provides a guide in this direction, for it analysed the powers with which the governing body of any well-managed association of stockbrokers must be endowed. These comprise admission and expulsion of members, compilation and alteration of rules and regulations, and the granting or refusal, without giving reasons, of trading facilities. A large measure of common agreement under these heads would enable the profession to tackle decisively the problem of agency, to evolve measures for counteracting the diversion of business through non-professional channels, to contrive machinery for securing the maximum freedom of dealings, to establish formal standards of proficiency on which admission to the stockbroking profession would be granted, and to co-operate towards the elimination of abuses in outside dealings.

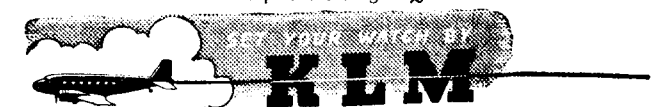
If the leaders of the stockbroking community throughout the country realise the present opportunity for action on these broad lines, they will be performing a public service which will ultimately provide benefit for their own business associations. But if, through undue emphasis on established interests and local considerations, the opportunity is allowed to pass, the time may come when the reform of the nation's security-dealing organisation will be rudely handled by some external authority. The experience of Wall Street provides an object lesson from which a valuable moral can be drawn. The chairman of the London Stock Exchange Committee has made his own position clear, and the way for exploratory discussions between the authorities immediately concerned is open.

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Finance and Banking

Money in Perspective.—Looking back over recent weeks it is easy to see why money and discount rates have stiffened. The political tension drove out of London the final remains of foreign hot money and also a certain quantity of more permanent balances. The latter were also tempted to take advantage of the premium on the forward dollar, which yielded a fair profit on temporary transfers of funds to New York. Add to this the Easter currency withdrawals, which added some £9 millions to the note circulation, and also a natural desire of bankers to hold rather more cash than usual and also to confine their bill purchases to the shorter dates, and it is easy to understand the rise in rates. Nevertheless, no one is ready to admit that we are entering an era of dearer money, and indeed there is every reason why the policy of cheap money should be maintained. The clearing banks are still renewing their regular loans at $\frac{1}{2}$ -1 per cent., according to collateral, though in most cases an additional $\frac{1}{4}$ per cent. is being charged for new loans. A rise in loan rates was rejected by the clearing bank representatives at their meeting early this week. Three months' bills eased on Thursday from $1\frac{1}{8}$ to $1\frac{1}{2}$ per cent., and early June maturities are no higher than $\frac{1}{8}$ per cent. Although June is a popular date, this disparity also illustrates the banks' preference for the shorter bills. One question is whether the authorities could have done anything more to prevent this temporary stringency. Bankers say that the recent pressure for money has not been nearly so keen as it was last September, and there is also evidence that the authorities have given a fair amount of help. In spite of the Exchange Account's recent support to sterling, public deposits have not been unduly high, though they have risen to £22.1 millions this week. On April 1st and again on April 8th £3 millions was cut off the Treasury bill tender, while during the past fortnight there has been special buying, first of June bills and later of July bills, $1\frac{1}{8}$ per cent. being paid for July maturities. There is little doubt that these purchases were made for the Exchange Account, for in spite of the Account's gold sales tap issues of Treasury bills have remained nearly unchanged during recent weeks, while there has been no inordinate increase in public deposits. Thus the Account must have been investing the sterling in tender Treasuries bought in the market, and in future weeks, as these bills mature and are replaced, there will be a new change-over from "tender" to "tap." The authorities, therefore, can claim to have done a fair amount, while the market is not grumbling at the fact that bills are at last showing a profit. On the other hand, the Easter currency withdrawals from the banks could have been foreseen, and in the week before Easter bankers' deposits dropped momentarily to £91.9 millions. It might have minimised the disturbance if more special buying had been in evidence before Easter, so as to have prevented this temporary drop in bankers' deposits. In any case there is no public interest to be served by dearer money, though the damage done by rising rates will be small if they are confined to the money market.



**FOR ALL
INSURANCE
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Marine War Risks Reinsurance.—The Government's scheme for reinsuring the war risks of cargoes at sea has received a general welcome. Not only has it spared British traders the drastic increases in rates which, in self-defence, insurers would otherwise have imposed, but it has actually produced reductions. Government reinsurance facilities are limited to shipments to and from the United Kingdom, for the obvious intention is to give British trade the protection which the insurance market cannot provide except at ruinously high rates and at the risk of a repetition of the market disorganisation of last September. Further, the relief is in respect of hostilities against this country—"King's Enemy Risks"—leaving other more manageable war risks to be borne by the market. This significant State assumption of liability in time of peace has enabled underwriters and companies to quote rates as low as 1s. 6d. per cent. for shipments to and from the United Kingdom and the near Continent and 2s. 6d. to and from the United States, while the highest rate is now 7s. 6d. Comparable rates before the scheme was announced were 5s. for the near Continent, 2s. 6d. (outwards) and 5s. (homewards) for the United States, and 10s. for the Black Sea. Some indication of the potential increases in quotations in the absence of Government reinsurance is revealed by a comparison of rates for shipments between overseas countries, which are not within the scheme. Typical rates under the new schedule include 40s. for voyages to and from Continental ports and the Black Sea and 35s. to and from such ports and the Mediterranean, compared with the earlier rates of 10s. for the Black Sea voyages and 7s. 6d. (outwards) and 10s. (homewards) for the Mediterranean. A sharp differentiation is thus made between shipments, according to their eligibility or non-eligibility for Government reinsurance. Moreover, eligible shipments are subject to an over-all maximum rate of £1 per cent. (10s. for specie) agreed with the Government, so that even if the schedule is revised, traders (and arbitrageurs) know the upper limit of their premiums.

The Working of the Pool.—The scheme involves some sacrifice of insurers' individuality. Underwriters and companies will establish a pool with which they will reinsure their war risks insurances, so far as voyages to and from the United Kingdom are concerned. The pool will then reinsure King's Enemy Risks with the Board of Trade at premiums calculated according to an agreed formula. The pool will be left to bear the remaining war risks. Underwriters and companies constituting the pool will share in its resulting profits or losses, in proportions to be determined by the managers of the pool. These are now under consideration in detail, but one-half will go to the underwriters as a whole and one-half to the companies. The scheme appears to be a happy compromise between State and private transaction of war risks insurance. It is not open to the objection, which applied for the greater part of its existence, to Government reinsurance during the Great War—that the State was left with the bad risks and received none of the good. Unless a war is imminent, it allows the Board of Trade to accumulate reserves. These will be available, not only for the continuing liabilities to which the Government would be committed from the outbreak of hostilities involving this country; but also for the full operation of State cargo insurance which would presumably follow. The White Paper explaining the scheme (Cmd. 6002) explicitly makes provision for a State cargo insurance office. Hulls do not come within the present scheme. It was announced some time ago that insurers of hulls—for the most part, the mutual "clubs"—are held covered by the Government for 80 per cent. of their liabilities, without payment of premiums in peace-time.

Together, cargo and hull reinsurance by the State go to relieve the market of an impossible burden, and to provide traders with adequate cover without penal rates.

Building Societies Bill.—Wednesday's debate on the second reading of the Building Societies (No. 2) Bill—the numbering is necessary to distinguish the Government measure from Miss Ellen Wilkinson's measure—developed into a discussion of the responsibility of building societies for housing standards. Mr A. Henderson moved an amendment regretting that the Bill contained no provisions for the greater protection of occupying-owners against the sale of houses of unsatisfactory quality, although he was not prepared to put the primary responsibility for building standards upon the building societies themselves. The case for leaving the building societies unshackled by legal liability for the quality of houses on which they make mortgage advances is based simply on the argument that it would be unfair to burden a lender with the responsibility of guaranteeing to a borrower that the assets pledged are of a given standard. On the other hand, the problem of so-called jerry building, and the fear that some building societies at least have not avoided the reproach of contributing towards it, have aroused considerable public comment, of which the building societies, in their own interest, must take notice. The Government's Bill provides safeguards against unwise lending and should prevent any undesirable association of interests between building societies and builders. It should also strengthen the adequacy of the survey arrangements which building societies made. The problem of building standards goes well beyond the scope of building society operations, but, on the other hand, the societies, who have rightly emphasised the mutual character of their constitutions, and are certainly more expert in valuing property than their lay members, might surely consider the practicability of providing the latter with their expert view of a property submitted for an advance. Perhaps more detailed survey reports would fulfil this purpose. To the plea that they would be more expensive, the answer is surely that they might well be less expensive than the costs of rectifying a faulty house. The offer of the Attorney-General, at the close of the debate, to give careful consideration to suggestions regarding building standards is certainly to be welcomed.

Politics and the Belga.—The strain on the belga shows no sign of abating despite the formation of a Government out of the fresh orientation of parties thrown up by the recent elections. One of the reasons for this is no doubt to be found in the difficulties that have attended the task of forming a Ministry. The first formula on which M. Pierlot, the leader of the strongest party, the Catholics, worked was a coalition of the three main parties—Catholics, Liberals and Socialists. A Ministry was actually formed on this basis, but proved to be stillborn, the Socialist Congress meeting on the day the new Cabinet was sworn, deciding against the participation of its representatives in a coalition Government. On the next day M. Pierlot succeeded again in forming a Ministry, this time based on the Catholic and Liberal Parties (which command 106 out of the 202 votes in the Chamber) but liberally sprinkled with non-party experts such as M. Gutt, the Minister of Finance. These preliminaries do not augur too well for the stability of the new administration, since its majority in the Chamber is precarious and since the Catholic Party, in particular, is no longer the homogeneous organism which it was in former years. Then it was a typical equivalent of the Conservative Party in this country. To-day it includes elements such as the Démocrates Chrétiens, who have been described in Belgium as "des poissons rouges qui nagent dans de l'eau bénite." With the political prospect so uncertain, any rigorous deflationary attack on the budgetary and monetary problems appears to have little chance of success, and hence

the possibility of an ultimate devaluation of the currency is brought nearer. This is the real reason for the continued strain on the belga. For the time being, however, orthodox principles of monetary control are still being applied. This week, in face of the continued weakness of the belga and of the consequent persistent loss of gold, the National Bank of Belgium raised its discount rate from $2\frac{1}{2}$ to 4 per cent. The outflow of capital has had some effect on the banks' liquidity, and the raising of the Bank rate is the classical answer to their increased recourse to rediscount facilities at the central bank. The raising of the Bank rate has, of course, tended to accentuate the discount on forward belgas, though the one month rate at 70 c. and the three months at 1.20 belgas discount are completely out of alignment with the relevant interest rate parities. Meanwhile the National Bank pursues its policy of transferring gold from Brussels to London for obvious precautionary reasons. During the past week a further £11½ millions of gold was so transferred.

War Risk Pool and Gold Arbitrage.—As applied to specie shipments, the Government scheme for reinsuring the war risk is setting the gold arbitrage houses some difficult problems. The details circulated to the market make it clear that it is impossible under this scheme to reinsure the war risk on gold arbitrated to New York in terms of dollars. The sum reinsured under the Government scheme is to be the value of the gold calculated at the price for gold in London on the day on which the shipment was due to arrive at its destination, and that sum is to be expressed in sterling. Since it is an inherent part of almost every gold arbitrage transaction to sell forward the dollars which will be received for the gold on arrival in New York, the cover provided under the Government scheme is not, in fact, a full cover of the risk run by the arbitrageur. To receive a sum in sterling (which itself will be ascertainable only by reference to the London price of gold at some future date) will not provide the arbitrage operator with the dollars which he will have sold forward in the course of his transaction. Where, during the past week, the war risk on gold shipped to New York has been covered in terms of dollars, the policies have specifically made the transaction subject to the conditions appertaining to the Government's reinsurance scheme. This has, in fact, nullified an essential aspect of the contract. In view of the inadequacy of the cover provided under the official reinsurance scheme, it is probable that there will be less arbitrage competition for the gold offered in the open market, and this week already the premium formerly paid over the nominal dollar parity has disappeared.



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MONEY MARKET NOTES

Foreign Exchanges

CONTROL support has been necessary throughout the week to maintain the sterling-dollar exchange. Buying of dollars has not increased to any appreciable extent, but the authorities have dropped the peg from 4.68½ at the end of last week to 4.68½ on Monday and 4.68 on Wednesday. These retreating tactics are rather surprising, as last week the pound was firmly held at 4.68½, and the selling pressure has not increased to an extent that would justify the lowering of the peg, which tends to encourage speculation by undermining confidence in the ability of the authorities to control the rate. The forward premiums, which were as wide as 1c. for one month and 2½c. for three months last Saturday, have since contracted, and on Thursday afternoon were quoted at 1½-¾ and 2½-¾, respectively. The belga is discussed in a Finance Note. On Thursday afternoon the spot rate was quoted at 27.85½, while the discount for three months was fluctuating rather widely at well over 1 belga. The South African Reserve Bank, which a few weeks ago raised its buying and selling rates for sterling by 5s. per cent., has now reduced them both by 2s. 6d. These reductions have been made because, as a result of the British Government's insurance scheme, which is discussed in a Finance Note, the war risk insurance rate from the Cape has fallen, and the cost of shipping gold has been lessened accordingly.

*

The Bank Return

FOR the fourth week in succession the gold in the Issue Department has been valued at 148s. 6d. per fine ounce, the price this week being ¾d. below the price at the fixing on Wednesday. More Easter currency has returned from circulation, but the total note circulation is still appreciably higher than the pre-Easter level. The Reserve has increased by the exact amount of the decline in the note circulation, but bankers' deposits are down by £1.1 millions. Any benefit they may have derived through the return of notes has been more than

offset by an increase in public deposits and a fall in Government securities. The rise in public deposits of £4.4

Issue Dept.:	Apr. 20, 1938	Apr. 5, 1939	Apr. 12, 1939	Apr. 19, 1939
Gold	326.4	226.2	226.2	226.2
Value per oz. fine...	85s. 14d.	61.14d.	61.14d.	61.14d.
Notes in circulation	495.6	491.4	489.7	485.0
Banking Dept.:				
Reserve	31.6	35.8	37.5	42.2
Public Deps.	18.0	16.0	17.7	22.1
Bankers' Deps.	106.5	91.9	97.6	96.5
Other Deps.	36.1	40.5	40.9	38.8
Govt. Secs.	117.6	100.3	108.7	102.0
Discounts & Advances	8.2	8.5	6.3	6.7
Other Secs.	20.5	21.5	21.5	24.2
Proportion	19.7%	24.1%	24.0%	26.7%

millions is easily explained by transfers of tax money and especially by Exchange Account support of sterling. The decline of £6.7 millions in Government securities, however, is surprising in view of the fact that special purchases of bills have again taken place in the open market. As pointed out in a Finance Note, these have been made on behalf of the Exchange Account and not of the Bank, which, rather oddly in view of the conditions obtaining, has allowed its holding of Government securities to drop in order, presumably, to offset the return of currency.

*

The Money Market

THERE was a further sharp rise in the Treasury bill rate last Friday. Total applications were only £51.3 millions, and the market syndicate secured a 50 per cent. allotment in spite of the drop in its bid to £99 12s. 2d. The average rate worked out at £1 11s. 2.37d. per

	Apr. 21, 1938	Apr. 13, 1939	Apr. 20, 1939
Bank Rate	2%	2%	2%
London Deposit Rate	1½	1½	1½-1
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1¼	1½-1¼
Others	1½-7/8	7/8-1	7/8-1
Discount Rates:			
Treasury bills	1½	1½	1½
Three months' bank bills	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.

cent., which is the highest point reached since 1932, and other rates were advanced accordingly. Since the week-end,

INSURANCE NOTES

	1937	1938
Ordinary Branch		
Surplus earned	140,725	155,257
Investment profits	4,688	5,041
Transferred from Industrial Branch	15,855	16,519
Brought forward	45,651	43,250
Total	206,919	220,067
Policyholders' bonuses	150,579	156,921
Staff pensions	13,090	12,920
Carried forward	43,250	50,226
Total	206,919	220,067
Industrial Branch		
Surplus earned	197,596	175,966
Investment profits	2,819	4,300
Brought forward	38,318	36,408
Total	238,733	216,674
Policyholders' bonuses	60,249	64,935
Staff pensions	51,910	52,080
Outdoor staff bonuses	19,026	20,505
Ordinary Branch (gross)	21,140	22,785
Strengthening reserves	50,000	
Carried forward	36,408	56,369
Total	238,733	216,674

industrial branch E.L. Table No. 9 has

however, the tendency has been easier. There has been a better demand for bills both from the clearing banks and from outside quarters, and even July bills have found an outlet. Credit conditions have also been more comfortable, and bond money is obtainable outside the clearing banks at ½ per cent.

*

The Bullion Market

AN interesting feature of the bullion market this week has been the absence of any premium in the price over the American shipping parity on every day except Monday. The bulk of the gold on offer has again been absorbed by arbitrageurs. On Wednesday the supply, which this week has come chiefly from hoards, was insufficient to meet the demand; and as the Exchange Account was unwilling to offer gold at a price which included no premium, in spite of the continued pressure against sterling, buyers had to be rationed, and only obtained some 30 per cent. of requirements.

Date	Gold			Silver price per oz. standard	
	Price per fine oz.	Prem. or Discount	Amt. dealt in £'000	Cash	Two Mths.
1939	s. d.	d.	£'000	d.	d.
April 14	148 6	par	826	20	19½
" 15	148 6	par	532	20	19½
" 17	148 6½	10pm.	614	20	19½
" 18	148 6	par	625	20½	19½
" 19	148 6½	par	303	20½	19½
" 20	148 6½	par	493	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.

Silver has been fairly firm. It will be recalled that during the last bear squeeze in February many speculators renewed their positions in the hope of recouping some of their losses. This raised the possibility of another squeeze about now; and though it has not materialised, there has been a certain amount of bear purchases arising out of the maturing of contracts, which has produced a firmer tone in the spot market.

replaced E.L. Table No. 6, and the rate of interest has been reduced from 3½ per cent. to 3 per cent.

The ordinary branch bonus is again 38s. per cent., calculated on the sum assured. Policyholders in the industrial branch receive the same allocation as in 1937, consisting of an addition to the sum assured payable in claims arising by death or maturity between April 2, 1940 and March 31 1941, equal to 2½ per cent. of the sum assured for policies of ten years' duration, increasing by ½ per cent. for each additional year up to a maximum of 10 per cent. Total assets increased from £15,645,000 to £16,446,000 and market values of securities on December 31st last were still in excess of book values. In addition to the investment reserve of £500,000, general reserve stands at

£100,000. Loans and mortgages increased from £5,303,000 to £5,625,000, of which £4,168,000 consists of mortgages on property, mainly in connection with the society's house purchase scheme. Among the investments, debenture stocks have increased from £1,796,000 to £2,050,000.

*

Atlas Assurance.—New sums assured by Atlas Assurance in 1938 showed considerable reduction from the 1937 record total of £4,536,000 to £4,043,000, but annuity consideration moneys increased from £454,000 to £667,000. The net rate of interest on the life assurance and annuity fund fell from £4 7s. 10d. per cent. to £4 3s. 2d. per cent. The last triennial distribution to policyholders from surplus was made on December 31, 1937, but an annual valuation of liabilities is made and the results are published in the report. Trading profits last year appear to have been satisfactory, and £40,000 has been applied to strengthen the reserves. In the miscellaneous branch, fire premiums amounted to £1,748,000, compared with £1,802,000 in the previous year, while accident premiums increased from £636,000 to £660,000. Marine premiums were slightly greater at £157,000 and there was a welcome reduction in first year's claims from £57,000 to £36,000. The underwriting results for the past two years are shown below:—

	1937	% of Pre-miums	1938	% of Pre-miums
Fire	174,713	9.7	168,858	9.7
Accident	51,039	8.0	53,327	8.1
Life	30,198	...	34,081	...
Marine	...	...	40,000	...
Charged to profit and loss	255,950		296,266	
Net trading surplus	192,547		207,761	
	63,403		88,505	

Total assets of the company and its subsidiaries amount to nearly £22 millions, and the general reserve stands at £2 millions. Stock Exchange securities, taken at cost or under, are in total below the market value of December 31st last, less accrued interest. Life assets amounted to £15,430,000, against £14,213,000 at the end of 1937. Loans account for £4,788,000 against £4,072,000, and British Government securities increased from £779,000 to £813,000. Foreign and Colonial Government securities, on the other hand, fell from £1,935,000 to £1,747,000. Debenture, preference and ordinary stocks each showed some expansion. The dividend is again 32 per cent. free of tax, and costs £176,000 compared with interest earnings, apart from interest on the life and annuity fund, of £120,000.

*

Royal Exchange Assurance.—New life assurances of Royal Exchange Assurance in 1938 amounted to £4,359,000, compared with £4,655,000 in 1937, while net consideration moneys increased from £183,000 to £355,000. The net rate of interest earned on the combined life and annuity funds fell by 3s. 10d. per cent. to £3 15s. 3d. per cent. In the fire branch, premium income was slightly smaller at £1,449,000, but this decrease was more than offset by an increase of £24,000 to £1,229,000 in accident premiums. There was a substantial reduction in marine premium

income from £861,000 to £728,000. The underwriting results for the last two years are given below:—

	1937	% of Pre-miums	1938	% of Pre-miums
Fire	176,939	12.2	158,415	10.9
Marine	Dr19,581	-2.3	Dr19,003	-2.6
Life	30,446	...	30,446	...
Accident	63,842	5.3	55,194	4.5
Annuity	11,174	...	11,174	...
Capital redempt'n	1,288	...	1,288	...
Trustee & executor	12,246	...	9,912	...
	276,374		247,416	
Charged to profit and loss	151,153		101,341	
Net trading surplus	125,221		146,075	

Apart from the usual reserves for unexpired risks and outstanding claims, additional reserves in the fire and accident departments amount to £900,000 and £400,000 respectively, each item having been increased by £100,000 during the year by transfers from profit and loss. The marine fund amounts to £957,000 (after transferring £150,000 from profit and loss) and is equal to 131 per cent. of the premium income of the year. Total assets increased from £23,928,000 to £24,962,000, of which £14,185,000, £2,384,000 and £8,393,000 is attributable to the life, annuity and general funds respectively. Stock Exchange securities have been taken at or below market values at December 31, 1938, less accrued interest. For the fifth successive year the dividend is maintained at 30 per cent. and costs £207,000, compared with net interest earnings of £208,000.

*

Eagle Star Insurance.—This company has for some years specialised in group schemes, which no doubt account in great part for the increase in new business in 1937 from £5,734,000 to £10,465,000. Last year the number of policies increased from 2,792 to 3,097, but sums assured fell slightly to £10,313,000. The net rate of interest on the life assurance and annuity fund was 2s. 11d. per cent. smaller at £4 1s. 3d. per cent. The quinquennial valuations of the liabilities and assets of the "Star" and the "Sceptre" closed funds were made on the same bases as on the previous occasion; from the former £58,348 has been carried to profit and loss in respect of the shareholders' proportion, but the transfer from the Sceptre, amounting to £13,207, is being carried to the 1939 accounts. High rates of bonus have again been declared by these funds, and a substantial margin exists between market and book values of their assets on December 31, 1938. In the fire branch, premiums declined from £819,000 to £808,000 and underwriting profits, although not unsatisfactory, were not so good as in the last few years. Accident premiums, at £104,000, were somewhat greater and employers' liability premiums increased from £210,000 to £311,000. Results in the motor branch showed improvement, although premium income fell by £24,000 to £1,607,000; the sum of £50,000 has been transferred to the motor account to strengthen the reserves. Marine premiums show little change at £275,000 and the results are again unprofitable. Premiums in the general branch expanded from £477,000 to £506,000. The underwriting results

of the past two years are given below:

	1937	% of Pre-miums	1938	% of Pre-miums
Fire	89,099	10.9	54,447	6.7
Accident	14,232	14.2	12,995	12.5
Employers' liability	1,447	0.7	900	0.3
General	102,072	21.4	94,973	18.6
Motor	Dr43,744	Dr2.7	18,402	1.1
Marine	...	...	99,548	...
Life	...	...	163,096	281,265
Charged to profit and loss	129,994		154,349	
	33,102		126,916	

Total assets of the company, including subsidiaries, decreased from £27,504,000 to £27,443,000, of which over £16½ millions relate to the life department. Of the life assets mortgages and loans are practically unchanged at £3,146,000; British Government securities increased from £3,899,000 to £4,255,000, but debenture stocks fell from £2,455,000 to £2,157,000. Preference and ordinary stocks at £2,233,000 and £1,836,000 each showed some increase on the previous year. The present market value of the assets is "considerably in excess" of book values. General reserve fund at £2½ millions remains unchanged but an investment reserve of £300,000 has been established by a transfer from contingency fund. The dividend is 30 per cent. and costs £257,000 compared with net interest earnings of £287,000.

*

Norwich Union Life Assurance.—This society is the largest of the purely life offices and its foreign business, together with its ownership of the share capital of Norwich Union Fire Insurance Society, makes it one of the most widely known of the insurance organisations. Last year new sums assured increased from £11,530,000 to £11,756,000. New business in this country increased by £501,000 to £8,078,000 and in the Dominions by £108,000 to £2,943,000, but a reduction of £383,000 to £734,000 in new assurances from foreign countries. Consideration moneys for annuities amount to £371,000 against £301,000 and the net rate of interest earned on the life assurance and annuity funds fell by 4s. 1d. per cent. to £4 2s. 5d. per cent. compared with a valuation rate of 2½ per cent. for assurances and 3 per cent. for annuities. Assets and liabilities in currencies other than sterling have been converted at market rates of exchange on December 31st last. Previously, foreign assets were converted at par of exchange up to the amount of the liabilities in each currency, and at current rates for surplus foreign assets. The revenue account shows reduction in the funds of £1,439,000 due to this adjustment. Total assets increased from £47,400,000 to £48,483,000, of which mortgages and loans of all kinds increased from £16,134,000 to £16,881,000. Mortgages on property (which have always been an outstanding feature of the society's investment policy) increased from £6,842,000 to £7,889,000 within the United Kingdom, but decreased from £5,138,000 to £4,902,000 outside this country. British Government securities, which amounted to £3½ millions at the end of 1937, are practically unchanged, but Colonial and foreign government securities fell from £4,154,000 to £3,729,000. Debenture stocks at £9,442,000, compare with £9,192,000, and preference stocks amount to £3,096,000 against £3,374,000.

Investment

Gilt-edged Disparities.—The conventional argument that short-dated stocks afford the best medium for the investor who wishes to protect his capital against risk of depreciation arising from political crisis or war is not working out according to exact plan. Among the significant movements of the gilt-edged market since March 10th—which saw the peak of political optimism before it was swept aside by the invasion of Czecho-Slovakia—none is more remarkable than the fall in $4\frac{1}{2}$ per cent. Conversion and the attendant rise in its yield from £1 18s. 9d. per cent. on March 10th to £3 12s. 3d. per cent. at the close of business on Wednesday this week. Analysis of the gilt-edged market into "shorts," medium dated stocks, and "longs," proves that the movement of this "ultra-short" is no isolated occurrence. The following table clearly shows that the relatively greater yield increases have been coupled with greater absolute price movements in the short-dated list:—

Stock	Redemption Date	March 10, 1939		April 19, 1939		Fall in price	Rise in Yield %
		Price	Redemption Yield %	Price	Redemption Yield %		
"Shorts"							
4½% Conversion	1940-44	104½	1 18 9	102½	3 12 3	113½	1 13 6
5% Conversion ...	1944-64	112	2 13 0	105½	3 14 6	61½	1 1 6
2½% Nat. Defence	1944-48b	99½	2 13 9	92½	3 15 3	6½	1 1 6
2½% Conversion	1944-49	96½	2 19 0	90½	3 13 9	6	0 14 9
"Medium"							
3% Conversion ...	1948-53	99	3 1 10	93	3 13 8	6	0 11 10
2½% Funding	1952-57	93½	3 5 0	88	3 13 8	5½	0 8 8
3% Nat. Defence	1954-58	97	3 5 0	92	3 12 8	5	0 7 8
4% Consols	From 1957	106½	3 10 9	102	3 17 10	4½	0 7 1
"Longs"							
4% Funding	1960-90	109½	3 8 6	103	3 15 9	6½	0 7 3
3½% Conversion	From 1961	97½	3 11 10a	92	3 16 1	5½	0 4 3a
2½% Funding	1956-61	86½	3 8 0	81½	3 15 3	5	0 7 3
3% Funding	1959-69	94½	3 6 0	89	3 12 3	5½	0 6 3
2½% Consols ...	...	70½	3 10 8a	65	3 16 11	5½	0 6 3a
3½% War Loan...	From 1952	98½	3 11 5a	93½	3 15 1	5½	0 3 8a
5% Local Loans...	...	83	3 12 3a	77½	3 17 5	5½	0 5 2a

(a) Flat yields.

(b) By annual instalments; taken to 1946.

Rarely have all sections of the gilt-edged market, from the shortest to the longest dated securities, stood on such a closely identical yield basis. To some extent, such disparities are due to special factors. Official requests to smaller discount houses regarding the eligibility of $4\frac{1}{2}$ per cent. Conversion may have played some part in its relative depreciation. But special factors of this sort have not been confined to the "shorts." For example, on several occasions this week selling of Funding $2\frac{1}{2}$ per cent. and Funding $2\frac{3}{4}$ per cent. has been reported, and it appears to be attributable to the operations of discount, or at least finance, houses. Such stocks, among the medium to long dated issues, would not appear to be ideal repositories for short-dated funds, and it is difficult to establish the extent to which this week's selling has been connected with the recent "requests" to the money market. Among the "shorts," again, the fear of a rise in the banks' lending rates has acted as a depressing influence, and the very fact that such stocks are employed as a first reserve of liquid assets may possibly make their reaction to cash selling the more marked. But the short-dated stocks are vulnerable to another factor, on the assumption of war or accelerated defence borrowing. If, by the time that the $4\frac{1}{2}$ per cent. Conversion issue becomes callable in 1940, the British Government is already compelled to borrow at high rates of interest at short term, the repayment of this and other short-dated stocks might well be postponed. Whether this is a valid argument, of course, depends on the efficacy of Treasury policy. If the authorities adopt the counsel of Mr Keynes, for example, they will expect to finance all their requirements at a maximum rate of $2\frac{1}{2}$ per cent., and the risk of deferred repayment of the "shorts," through the competition of new securities at higher rates, will not arise. The longer-dated stocks, though affected by

prevailing political uncertainty—War Loan is only fractionally above the minimum prices of last September—have been standing aside from this particular controversy. On any normal basis of calculation, it must be concluded that the losses in the short-dated list are unduly large, but in the past month normality too has been at a discount.

* * *

Mobilising U.S. Securities.—Wall Street, no less than London, is taking thought on the possible effect of war upon security dealings. No investor who recalls the highly successful mobilisation of American securities during the Great War will fail to appreciate the reports which are emerging, not always with exact consistency, but at least with the same general tenor, from Washington. Discussions have recently taken place between Treasury, R.F.C., S.E.C. and New York Stock Exchange officials on the question of maintaining open markets in time of war. The aspect of greatest immediate interest to the British investor is the mobilisation and marketing of British and French holdings of American securities in such a way that market disturbance would be avoided. Earlier reports that the R.F.C. itself would undertake this task appear to be unfounded, for the chairman, Mr Jesse Jones, has declared this week that the banks themselves could easily meet any demand for loans to finance sales of securities on foreign account. An alternative suggestion is that securities might be pledged against bank loans, in order to avoid both the risk of indiscriminate selling in Wall Street and also any necessity for U.S. Government loans or guarantees. It is not surprising that a cut-and-dried plan to deal with this problem of war-time finance has not been evolved in the mere space of a few days. The importance of the discussions for the security of individual investors in this country and for the financing of war-time operations, however, could not be over-rated.

* * *

War Risks and Securities.—In the course of their business, stockbrokers frequently hold securities belonging to their clients in readiness for sale, or awaiting instructions after purchase. Like other property, such securities are now uninsurable against war risks, and are accordingly only covered against peace-time loss or destruction. Some firms, it is understood, have consequently informed their clients that securities will only be held on the condition that the brokers are not to be held liable for war risks. Others feel that the matter is hardly suited to individual approach, and that some form of official ruling might first be made to members. The legal position is of some complexity, and direct authorities are hard to find. It appears, however, that a broker who holds his customer's securities may be regarded as a bailee for valuable consideration. If so, it follows that he is charged with the responsibility of taking the same degree of care of his clients' securities as any prudent person not engaged in the business of security dealings would regard as necessary. But even the most prudent person cannot insure against war risks to-day, and therefore it would appear that if the broker could prove that he took the most careful precautions which were available against war-time destruction, he could not be regarded as liable for damage. A notice to a client, declining responsibility for war risks, is an effective method of contracting out of the liability, but many brokers are naturally averse from giving any impression of deserting their clients' interest. The war risk problem for securities, of course, is less urgent than for shipping and real property, for even negotiable documents of title, like bearer bonds, can usually be duplicated, if reasonably conclusive evidence of destruction is supplied. But the issue of duplicates, even of registered security certificates

(which are merely supporting evidence of title), is subject to stringent safeguards and also to delay. One ultimate protection for the investor, which deserves consideration by company directors, would be provided by the transfer of stock registers or, alternatively, by setting up duplicate registers, in safe situations.

Company Notes

Cunard Setback.—Express Atlantic liner services are not self-supporting even in good years, and 1938 was not a good year. Cunard-White Star suffered a substantial reduction in passage money and freight receipts from £8,222,041 to £6,940,160 (a figure reminiscent of 1936). Unsettled European conditions were responsible for a fall in passenger business, and cargoes were restricted owing to the revision of duties under the Anglo-American Trade Agreement. Operating profits are reduced from £1,305,829 to £497,956. At this point, the accounts lose touch with economic realities, for no depreciation is provided against the fleet—an item which absorbed £976,280 in 1937. Hence the balance of profit, after meeting interest on the £1,750,000 first debenture stock, of £461,887 is not strictly comparable with the surplus of £146,352 for 1937. During the past year, both the "Queen Elizabeth" and the "Mauretania" were launched, and they are reflected in the increase in shipping assets from £12,962,149 to £14,979,474, while preparation for further payments on the new tonnage is indicated by a rise in cash holdings from £379,735 to £1,169,036. The company has received further sums of £2,500,000 on first debenture to finance the "Queen Elizabeth" and also £289,312 on income debenture (Class C) which is secured by second charge on the "Queen Elizabeth" and ranks *pari passu* with the Class A income debenture stock which is similarly secured on the "Queen Mary." The Cunard Steam Ship Company, which owns 62 per cent. of the Cunard-White Star capital (the remainder being held by Oceanic Steam Navigation) shows little change in dividends and gross shipping earnings, at £359,308 compared with £355,382 for 1937, and the balance of net profit, after providing for debenture service, amounts to £36,238 against £24,517. Preference shareholders, who have received no dividend since June 1931 will hardly discern much improvement in the near future. The introduction of the "Queen Elizabeth" should provide significant working economies, but the largest asset of Cunard Steam Ship—the ordinary shares in Cunard-White Star—seems fated to remain dividendless for some considerable time to come.

* * *

Hudson's Bay Report.—Results of the Hudson's Bay Company traditionally reflect changes in the prosperity of Canada. But this dependence is not absolute, for fur prices at the London auctions are an important factor—and, in fact, their decline in 1937 was the main cause of the setback recorded in that year. On the other hand, the volume of furs handled has been increased considerably by the company's developments (largely in the Persian lamb trade) in countries other than Canada—in Afghanistan, India, South America, South West Africa, and in Scandinavia. A further decline on total profits, however, was recorded in 1938-39. Canada continued to feel the effects of the general recession which set in late in 1937 and which continued during most of 1938, despite some recovery towards the end of the year. And the benefit of a doubled wheat crop, after the drought of 1937, was largely offset by a considerable decline in prices. Better crop conditions, moreover, did not protect the retail stores from a further reduction in profits. As for fur prices, the low levels of the end of 1937 prevailed during the first half of 1938, but an improving tendency was subsequently shown. The resulting movement of trading profits is shown, together with land revenues, in the following table.

Trading Account	Years ended January 31		
	1937	1938	1939
Total profits	383,731	326,520	267,853
Depreciation and expenses	157,036	157,211	157,350
Preference divs.*	368,360†	56,788	57,677
Ordinary shares:—			
Earned	...	112,521	52,826
Paid	...	61,605	51,402
Earned %	†	5.5	2.6
Paid %	...	3	2½
Carry forward	43,186‡	54,102	95,527
Land Account			
Total receipts	71,900	61,483	65,981
Taxes and expenses	38,624	35,262	35,171
Net profits	33,276	26,221	30,801
Dividend	...	24,922§	24,922§
Capital reserve fund	10,054	12,726	11,262
Carry forward	33,256	21,830	16,456

* Estimated. † 6½ years' dividend; earned for ordinary, assuming normal preference dividend, 8.9 per cent. ‡ After crediting £112,525 from insurance reserve. § 1 per cent., tax-free.

The reduction in dividend is not fully proportionate to the fall in profits, and the $2\frac{1}{2}$ per cent. dividend on trading account is covered with only a modest margin. A tax-free dividend of 1 per cent. is again paid on land account which, in contrast with the trading account, shows a small increase in receipts. But both the acreage sold and the average price declined, and the higher receipts may be due to increased cash collections. The upward movement in business activity on the American continent at the end of 1938 has lost its momentum; in the present international situation, the prospects for Hudson's Bay £1 shares, quoted at 18s. 9d. to yield £4 14s. gross on total trading and land distributions, can only be regarded as obscure.

* * *

Rubber Company Amalgamation.—When the first planters laid out their small rubber estates, their instincts were wise, according to the technical and economic precepts of the time. Cultivation was extensive, rather than intensive, and it often paid to move to jungle rather than await the recuperation of a hard-worked estate. The industry is still almost untouched by the modern tendency towards large-scale amalgamation. Yet the economic arguments in favour of larger scale and greater efficiency, as Mr H. J. Welch suggested at the Rubber Plantations Investment Trust meeting this week, have become more

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conclusive. The crude cropping of earlier days has given way to scientific tapping. New methods of grafting and fertilising demand high skill and readily available capital. Management, moreover, has become more efficient to handle larger acreages. Mr Welch touched a sore spot when he declared that there are still too many small companies which are necessarily working under less economic conditions than their larger colleagues. And he might have added that the task of amalgamating such companies into larger units is not facilitated by the fact that company directors have a human pride and interest in the continued existence of their companies. The economic case for amalgamation, particularly of contiguous estates, is however very strong. So is the case for straight equity capitalisation of rubber companies, whose desirability Mr Welch also stressed on Wednesday. Again, few rubber shareholders give close attention to the question of amortisation of planted areas, although the working life of a rubber tree may extend for little more than a quarter of the working life of a Rand mine. If the rubber plantation industry would act on Mr Welch's suggestions, it would become more efficient, its finances would be more stable, and its securities more popular with the investor.

* * *

Central Mining.—The decline in Central Mining profits for 1938 from £708,863 to £444,920 is attributed in the report to two factors—the provision of depreciation to meet the fall in the value of the Corporation's holdings in certain developing mines in the Far East Rand and fewer opportunities for profitable share transactions. It is also stated that the total value of shares, investments and interests for which market prices are available is very substantially in excess of the book value and "only slightly below that of the previous year." The significance of this remark is obscure, for the balance sheet shows a fall of £411,084 in the book value of investments to £6,650,910 against £7,061,994. It is not, presumably, intended to suggest that the appreciation over book value has increased by some £400,000 in 1938—such a conclusion would be hard to reconcile with the known course of market values, from which the Central Mining group has not been immune. The figures, however, might be tentatively reconciled by assuming that the amount written off the Far Eastern Rand holdings has absorbed a very large sum. The three properties on the Far Eastern Rand referred to are presumably Holfontein (T.C.L.), which accomplished during the year 18,105 feet of development, only 900 feet of which were proved payable; Rietfontein (No. 11), where 16,308 feet of development failed to disclose any payable values; and Welgedacht, where 49,672 feet of development disclosed 3,855 feet classed as payable, though of a low value. The experience of these three properties (which, with Palmietkuil, form a continuous block) has proved effectively, and expensively, the eastward limit of the payable Witwatersrand deposits. The Corporation's profits for the year just cover the 10 per cent. dividend on the basis of which the £8 shares at 15 offer a yield of £5 16s. 6d. per cent.

* * *

Rio Tinto Position.—Rio Tinto shareholders may feel some gratification that, in a difficult year, the company has succeeded in obtaining total profits of £575,261, against £511,034 for 1937. These sterling figures, moreover, take no credit for substantial peseta proceeds to which no precise sterling value can at present be attributed. The total of pesetas, valued in the 1938 revenue account at

£3, is little changed from 1937 at Ptas. 15,159,025, and they include sales proceeds held in Spain in pesetas, pesetas receivable in exchange for sterling handed over (as a condition of being allowed to export ore), and the proceeds of requisitions for goods, copper, etc. The 1937 balance sheet showed that £38,768 had been received in respect of requisitions (quite apart from an unpaid balance which was taken into account at nominal value only), but the latest balance sheet shows only proceeds due under this head. The balance sheet at the end of 1937 showed peseta debts and balances due to the company of Ptas. 21,116,046; at the end of last year the total had increased to Ptas. 36,275,071. The net return on sales of produce is increased from £195,155 to £234,765, an apparently satisfactory result for a year in which both shipments of ore and copper prices declined, though physical shipments may be an imperfect guide to trading results in present circumstances. In 1937, it will be recalled, the quantity of ore shipped rose substantially, but revenues were lower. Dividends and interest received from the company's Rhodesian copper and other investments have provided an increased return of £340,464 against £315,851. After deducting a reduced amount for expenses and charges, there is a balance of £148,157 against £14,387, but after paying the normal preference dividend, the excess of profits is added to the carry-forward, which is increased to £451,820. Prospects for the current year are not clear, though before the next accounts it may be possible to put some value on the Ptas. 30 millions (excluding Ptas. 6,374,122 receivable, for which £150,156 is due to Spanish authorities) which are now valued at nominal sums. The fall in Rhokana profits for the half-year to December last, coupled with the laggard state of the metal market and tighter restriction, is not the best of indications of prospective investment income for Rio Tinto, though the former company's interim dividend has been maintained at 25 per cent., and the 62½ per cent. dividend paid for 1937-38 was covered with a margin of over 12 per cent. In the circumstances, it is difficult to justify a price of 11½ for Rio Tinto £5 ordinary shares, which have received no dividend since 1930.

* * *

De Beers Finance.—The payment of only six months' preference dividend and the course of the diamond market had prepared shareholders for a marked setback in De Beers' profits for 1938, but the reduction from £2,536,603 to £656,473 on diamond account is worse than was feared. A rise in investment revenue is largely offset by a fall in profits on sales of investments, and the net result is that total profits amount to £1,622,907, against £3,478,991. After charging mining and other expenses, and providing only £8,000 (against £220,000) for income tax, the balance earned for dividend is £629,588, compared with £2,264,260, which suffices to cover the half-year's preference dividend (£400,000) to June last and a transfer of £200,000 to reserve for expenditure on machinery and plant. Consolidated Diamond Mines of South-West Africa have fared little better, for total revenue is £343,760, against £949,057, and although only six months' preference dividend is paid, it is short-earned by £108,249. The outlook for the current year fortunately seems rather better. Since the latter part of 1938, some recovery in the diamond market has been apparent, and De Beers stands to gain by its acquisition of 2,500,000 further shares in Diamond Corporation last December. The Corporation is purchasing the production of important diamond producers outside the Union, and as it receives priority for its sales, De Beers will receive, through its holding in the Corporation, profits on a larger share of total diamond sales than hitherto. While it is readily understood that De Beers is the ultimate recipient of profits from the additional £1,000,000 capital raised by Diamond Trading Co. (the Diamond Corporation's subsidiary), the finance was not provided by De Beers direct. The 2,500,000 shares in the Diamond Corporation were bought from Anglo-American Investment and the Barnato Brothers interests for 125,000 De Beers deferred shares, £250,000 cash, and for £1,000,000 cash

(or deferred shares at the sellers' option) at the end of 1939. The sellers of the Corporation shares have in turn subscribed to the new capital of Diamond Trading Co. Fuller explanation of the effect of these transactions by the chairman would undoubtedly be welcomed by shareholders. There have been other important capital changes since the previous balance sheet, for in 1938 3,000,000 out of the 5,000,000 African Explosives and Industries ordinary shares were converted into 5½ per cent. preference shares, and 1,500,000 of these preference shares (two-thirds of which belonged to De Beers) were offered for sale last July. The result was a special profit of £999,545 arising from the higher book value of the African Explosives owing to the capital reorganisation, which has been added to general reserve. De Beers £2 10s. deferred shares stand at 6½.

* * *

The Week's Company Profits.—Rubber companies are again prominent in our usual analysis of profit and loss accounts, appearing on page 231. The table contains in all 64 companies for which comparable figures are available, whose profits, at £4,647,000, show a fall of 23 per cent from the total of £6,021,000 earned a year earlier. Aggregate net profits of the 833 companies reporting in 1939 to date amount to £103,169,000 against £113,704,000, a fall of 9 per cent. The week's results are discussed in preceding Notes and on page 224 under the heading "Shorter Comments."

* * *

Company Meetings of the Week.—In this issue reports of company meetings commence on page 217. Mr Ernest Hicks pointed out to *Norwich Union Life Insurance* members that the net rate earned was still £4 2s. 7d. per cent., while reserves were held on a basis assuming a net rate of only 2½ per cent. At the *Norwich Union Fire*

Insurance Society meeting, Mr Hicks remarked that all three departments of their business showed progress in income and some reduction in expense ratios. At the *Amalgamated Metal Corporation* meeting, Mr Henry Gardner warned his hearers against over-rating the effects of re-armament demand. Prices and turnover, he stressed, are more favourably influenced by normal industrial demand than by armaments. At the annual meeting of *Sunday Pictorial Newspapers*, Mr John Cowley discussed the effects of a decline in newspaper advertising and in income from investments in newsprint on the latest results. *British Enka* shareholders were informed by Mr A. D. Carmichael that the company's plant had been completely renovated and adjusted, and the benefit of lower costs was being felt in the current year. Sir Harry Goschen pointed out at the *Agricultural Mortgage Corporation* meeting that investments held on account of the Government Guarantee Fund and special reserve showed a market value over £100,000 above the balance-sheet figure. At the *Alliance Trust* meeting, Mr James Prain discussed conditions in the British Empire and the United States in relation to the Trust's activities. Mr H. J. Welch's speech at the *Rubber Plantations Investment Trust* meeting is discussed on page 209. At the *Champion Reef Gold Mines of India* meeting, the Hon. A. T. J. Fraser described the considerable progress that had been made with the scheme for deep development for which extra capital was raised three years ago. Reviewing the achievements of *King Line* in its jubilee year, Sir F. Vernon Thomson reported that all arrears of depreciation had now been made good. Sir Vernon detected a better tone in the freight markets. Mr John Cowley, discussing the control of *Daily Mirror Newspapers*, declared that no individual holding was sufficiently large to command a controlling interest. At the *Lanadron Rubber Estates* meeting, Mr Eric Macfadyen referred appreciatively to the policy of the Rubber Regulation Committee last year. At the *Ledbury Rubber Estates* meeting Mr Macfadyen demonstrated the effect of lower restriction releases on costs, which had risen by 1½d. per lb.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET	ACCOUNT
APRIL 25	APRIL 27

LITTLE response to the hopefulness engendered by President Roosevelt's message survived the week-end, and even amid the dull weeks that the Stock Exchange has recently experienced, the past week is among the least interesting. Unlike industrials, gilt-edged began to lose ground from the very start, but a steadier trend became apparent in most sections on Wednesday and Thursday.

Gilt-edged were affected by the

general outlook for fixed-interest stocks, by institutional operations, and by the approach of Budget day. On Monday the dated stocks were the worst hit, and War Loan was notably firm. Weakness in the medium-dated stocks became more pronounced on Tuesday, and Defence 2½ per cent. fell no less than a full point to 93, but the short-dated stocks were more resistant. But in mid-week there was some institutional support for the "shorts," and bear-covering brought a steadier tone throughout. Among home corporations, dealing conditions were difficult, since prices required adjustment to gilt-edged levels. Australian issues became steadier after a fall on domestic political news. The

tone in New Zealand stocks also became steadier.

Movements in European bonds were diverse, and not as a rule significant. Japanese issues were helped temporarily by news of the City of Osaka repayment, but the improvement was short-lived, and the bonds gave way in mid-week. Chinese issues sagged. Brazilian bonds lost ground slightly, after making useful gains.

Home Rail stocks were among the most steady sections of the market, but quotations did not change greatly, and little business was passing. Debentures and preference stocks responded to the traffics. Transport "C," however, was

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consistently weak, and lost further on consideration of Mr Pick's statements before the Railway Rates Tribunal. Argentine rails were dull, though fairly steady.

The industrial market remained extremely quiet, but prices showed a satisfactory steadiness, for over the week there was only a small decline on balance. Prices gained slightly on Monday, but tended later to weaken fractionally. Until the international situation is clarified, operators are marking time. Although a slightly firmer tendency was noticeable in mid-week, iron and steel shares were irregular, and diverse movements occurred in individual shares. Indian Iron reacted on the decision to pay no interim dividend. Engineering issues were also irregular and dull, and coal shares inactive. Quotations in electrical equipment issues moved narrowly, and were mixed in character. On Tuesday, Johnson & Phillips were firm in anticipation of the report. The behaviour of the motor group was satisfactory, and in mid-week, with a few exceptions, there was a marked recovery in the "heavies," with Albion in the lead. At first aircraft shares were quiet and steady, but tended to react towards mid-week. Tobacco shares were rather more active after the week-end but more than lost their gains as the week progressed. Brewery issues, at first narrowly uneven, became firmer on moderate support from provincial buyers, and were later held fractionally higher. Textile shares were rather featureless, small upward movements being practically reversed by late mid-week. In the stores group, Marks and Spencers were firm in a generally irregular market. Among the provisions issues, Cerebos moved upwards pending the final dividend announcement. Price movements in the miscellaneous group were diverse, General Refractories being particularly weak, but the net movement of most miscellaneous issues was small over the week.

Following President Roosevelt's message, oil shares improved on Monday. A slight setback then followed on Continental sales of the leaders, but was succeeded by a firmer tendency. In idle trading, rubber shares slowly drifted downwards. Sales were small, but there was no buying support. Tea shares also were neglected, and quotations—where changed—were downwards.

Apart from a mid-week rally, mining shares eased. Kaffirs were inactive, and Cape selling of the developing mines helped to depress prices at first. When these Cape sales ceased in late dealings on Wednesday, an additional fillip was given to a general tendency towards improvement. Paris was not an important factor. After a firm start, Rhodesian copper issues sagged and then rallied. Among other base-metal shares tin issues lost ground.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains	Corres. Day 1938	Security Indices	
			30 ord. shares	20 fixed int.
Apr. 14	4,915	7,295	78.1	116.6
" 17	5,760	7,295	78.7	116.2
" 18	4,660	7,295	78.5	116.0
" 19	4,830	7,245	78.4	115.6
" 20	4,465	7,735	78.4	115.7
1939 High	—	—	88.0	123.5
Low	—	—	73.7	115.6
Jan. 27	—	—	73.7	115.6
Apr. 19	—	—	73.7	115.6

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

ACTUARIES' INVESTMENT INDEX

The Actuaries' index of 160 industrial ordinary share prices stood on Tuesday, April 18, 1939, at 59.5, compared with 60.5 a week ago and 62.0 a month ago. The corresponding yields are 6.02, 5.91 and 5.80 per cent. A selection of the separate indices follows:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Prices 1939 High
	Mar. 21, 1939	Apr. 11, 1939	Apr. 18, 1939	
Banks, etc. (10)	105.9	102.7	100.2	109.0
Aircraft mfr. (5)†	84.1	80.3	78.0	96.7
Elec. mfr. (13)...	120.3	118.5	115.8	128.6
Gas (8)	104.3	102.9	100.5	112.4
Motors (7).....	36.3	35.1	33.9	39.2
Stores, etc. (18)	55.6	54.4	53.0	60.9
Breweries, etc. (20)	110.3	107.7	106.2	117.5

† December 30, 1938 = 100.

New York

WALL STREET, in common with other centres, is adopting a waiting attitude, and throughout the week the volume of trading was abnormally low. Price movements were somewhat varied, but the amount of change was moderate. Monday opened rather lower, and from sheer absence of support prices drifted slightly downwards, although there was no pressure to sell. This phase continued throughout Tuesday, but towards mid-week there was a cautious rally, helped by the news that the British Ambassador would shortly return to Berlin. Turnover, however, remained throughout on a small scale. No section of the market has been prominent, though one of the few really bright features of the week was a rise in American Telephone. Steel mill activity for the current week is estimated by *Iron Age* at 50.5 per cent. of capacity, against 51.5 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				
	Low Apr. 12	High Jan. 4	Apr. 5, 1939	Apr. 12, 1939	Apr. 19, 1939
347 Ind'ts. ...	92.8	114.5	95.8	92.8	93.6
32 Rails	23.6	32.5	25.0	23.6	23.7
40 Utilities ...	77.8	88.3	79.6	77.8	78.9
419 Stocks ...	79.3	95.6	81.8	79.3	80.0
Av. yield * ...	4.05%	3.31%	3.91%	4.05%	4.01%

* 50 Common Stocks. † March 8th.

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

	Apr. 13	Apr. 14	Apr. 15	Apr. 17	Apr. 18	Apr. 19
1939 High	103.2	107.4	105.3	103.5	104.9	104.9
1939 Low	130.3	130.3	130.3	130.3	130.3	130.3

1939 High: 130.3 January 4th. Low: 98.8 April 8th.

TOTAL DEALINGS IN NEW YORK

1939	Stock Exchange		Curb Shares
	Shares 000's	Bonds \$000's	
Apr. 13	860	5,360	127
" 14	620	4,780	104
" 15	660	3,680	85
" 17	520	4,940	83
" 18	440	4,100	78
" 19	440	4,270	76

* Two-Hour Session.

New York Prices

	Close Latest		Close Latest	
	April 13, 1939	April 20, 1939	April 13, 1939	April 20, 1939
1. Ralls and Transport				
Atchafson	27 1/2	27 1/2	Briggs	19 1/2
Balt. & Ohio	5	5 1/2	Chrysler	59 1/2
B.M.T.	10 1/2	10 1/2	Elec. Autolite	20 1/2
Can. Pacific	3 1/2	3 1/2	Gen. Motors	40 1/2
Ches. & Ohio	30	31	Hudson Mtr.	51 1/2
G.N. Ry. Pf.	19 1/2	19 1/2	Nash Kelvnt.	34 1/2
Illinois Cent.	11 1/2	11 1/2	Packard Mtr.	20 1/2
N.Y. Central	14 1/2	14 1/2	Bendix Avtn.	21 1/2
Northern Pac.	8 1/2	8 1/2	Boeing Airp.	61 1/2
Pennsylv. R.	17 1/2	17 1/2	Douglas Air.	36 1/2
Southern Pac.	12 1/2	12 1/2	United Aircraft	50 1/2
Southern Ry.	13 1/2	13 1/2	Air Reduction	15 1/2
Union Pac.	87 1/2	88 1/2	Allied Chem.	161 1/2
Greyhound	16 1/2	17 1/2	Col. Carbon	77 1/2
2. Utilities and Communications				
Am. W. Works.	9 1/2	9 1/2	U.S. Ind. Ale.	32 1/2
C.W. & S.	1 1/2	1 1/2	Alis Electric	34 1/2
Con. Edison	29 1/2	29 1/2	West. Elec.	88 1/2
Col. Gas & El.	6 1/2	6 1/2	American Can	85 1/2
El. Bond & Sh.	8 1/2	8 1/2	Addressograph	20 1/2
Nat. Power & Lt.	7 1/2	7 1/2	Caterpillar	43 1/2
Pac. Gas & El.	29 1/2	29 1/2	Cont. Can.	95 1/2
Pac. Lightng.	43 1/2	43 1/2	Ingersoll Rnd	44 1/2
Pub. Serv. N.J.	33 1/2	34 1/2	Int. Harvester	72 1/2
Stan. Gas & E.	2 1/2	2 1/2	Johns. Manvle	12 1/2
United Corp.	2 1/2	2 1/2	Am. Radiator	60 1/2
Un. Gas Imp.	11 1/2	11 1/2	J.I. Case & Co.	72 1/2
Amer. Tel. & T.	15 1/2	15 1/2	Glidden	16 1/2
Inter. Tel. For.	7 1/2	7 1/2	G. Am. Trans.	43 1/2
Westn. Union	18 1/2	18 1/2	Allied Stores	78 1/2
Radio	6 1/2	6 1/2	Celanese of A.	20 1/2
" B. Pref.	57 1/2	57 1/2	Ind. Rayon	13 1/2
3. Extractive and Metal				
Am. Rol. Mill	14 1/2	13 1/2	Colgate Palm.	144 1/2
Beth. Steel	56 1/2	57 1/2	Eastm. nKdk.	6 1/2
Beth. Steel P.	103 1/2	114 1/2	Gillette	37 1/2
Republic St.	15 1/2	15 1/2	Loews	19 1/2
U.S. Steel	47 1/2	48 1/2	20th Cen. Fox	19 1/2
U.S. Steel Pf.	111 1/2	109 1/2	5. Retail Trade, etc.	
Alaska Pteau	7 1/2	7 1/2	Mont. Ward.	45 1/2
Am. Metal	28 1/2	28 1/2	J. C. Penney	79 1/2
Am. Smelting	39 1/2	40 1/2	Sears Roebck	67 1/2
Anacosta	23 1/2	23 1/2	Walgreen	44 1/2
Bohn Alum	20 1/2	20 1/2	Woolworth	18 1/2
Cerro de Pas.	38 1/2	38 1/2	Borden	41 1/2
Int. Nickel	45 1/2	46 1/2	Cont. Foodst.	22 1/2
Kennecott	31 1/2	31 1/2	Kroger Grey.	24 1/2
Pacific Mines	9 1/2	10 1/2	Nat. Biscuit	24 1/2
Tea. Gif. Sul.	27 1/2	28 1/2	Nat. Dairy	13 1/2
U.S. Smelt.	51 1/2	50 1/2	Am. Tob. B.	79 1/2
Vanadium	19 1/2	19 1/2	Loitard	36 1/2
Atlantic Refg.	19 1/2	19 1/2	Reyn. Tob. B.	25 1/2
Phillips Petr.	34 1/2	33 1/2	Nat. Distillers	13 1/2
Shell Union	11 1/2	11 1/2	Schenley Dis.	13 1/2
Shell Un. Pf.	105 1/2	104 1/2	6. Finance	
Socony Vac.	11 1/2	11 1/2	Comel. Credit	43 1/2
Stan. Oil Cal.	26 1/2	26 1/2	Atlas Corp.	7 1/2
Stan. Oil N.J.	45 1/2	46 1/2	Com. Inv. Tr.	46 1/2
Texas	38 1/2	38 1/2	* ex rights † xd	

Capital Issues

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Conversions	New Money
April 22	£	£	£
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	503,750
By S.E. Intro.	500,000	Nil	463,421
By Perm. to Deal	185,829	Nil	Nil
Sac. Certs. week to April 15	Dr 50,000	Nil	Dr 50,000
Year to date	37,918,912	36,687,847	36,687,847
1939 (New Basis)	59,399,545	46,094,078	46,094,078
1939 (Old Basis)	19,261,760	19,045,695	19,045,695
1938 (Old Basis)	38,664,074	26,608,672	26,608,672
Destination (Excluding Conversions)			
	U.K.	Brit. Emp. ex U.K.	Foreign Countries
Year to date	10,727,073	200,000	2,429,222
1939 (New Basis)	25,760,774	7,359,086	2,429,222
1939 (Old Basis)	15,358,339	3,487,356	200,000
1938 (Old Basis)	20,034,449	4,175,099	2,399,124

(Continued on page 224)

Industry and Trade

Rayon and Cotton.—On Thursday the Cotton Industry (Reorganisation) Bill reached the Committee stage in the House of Commons, and the rayon producers are striving hard to have the Bill amended in order to prevent their industry from passing under the control of cotton interests. The rayon industry has undoubtedly a strong case, for if the present Bill becomes law, there is no guarantee that its interests will not suffer as a result of price and redundancy schemes designed to assist the cotton industry. Something like 55-60 per cent. of the total domestic consumption of rayon yarn goes to the weaving industry, and although part of this is used by the silk, woollen and worsted and linen trades, the bulk of it is woven by the cotton industry and will therefore be covered by the Bill. The proportion of the home consumption of staple fibre processed by the cotton industry is even higher. An increasing proportion of rayon yarn—some two-thirds of the total—is made into pure rayon cloth. The rayon industry's claim to be regarded as a separate industry seems therefore justified. And there appear to be no solid technical reasons why the rayon industry should be linked up with the cotton industry against its will, in a scheme which, after all, is primarily designed to assist the reorganisation of the cotton trade. Unfortunately, the rayon industry, unlike the section of the cotton industry opposing the Bill, has been tardy in registering its complaints. But the industry's belated demand for provisions which will ensure that its interests are not disregarded by the cotton industry nevertheless deserves serious consideration, and the Bill should be modified accordingly, for as the rayon producers rightly point out in a statement of their case, "statutory powers require statutory safeguards against abuse."

Increase in Car Sales.—Sales of semi-luxury goods, such as private cars, are very sensitive to actual and expected changes in incomes. It is therefore of interest that the improvement in new registrations of cars taxed on horse power (mainly private cars) in Great Britain compared with the corresponding month a year earlier began as long ago as last November. Moreover, the improvement has been maintained in subsequent months, and in February—the latest month for which returns are

MOTOR REGISTRATIONS IN GREAT BRITAIN

	No. registered	Cars taxed on h.p.† Compared with a year ago %	Goods vehicles compared with a year ago %
1938—			
January	24,858	-13.7	7,256
February	19,039	-16.8	5,238
March	35,470	-7.5	7,871
April	25,649	-17.6	5,268
May	24,589	-13.1	5,455
June	22,640	-25.9	5,419
July	20,811	-25.5	5,622
August	14,593	-10.5	4,458
September	17,067	-16.0	4,741
October	20,033	-4.8	5,597
November	23,588	+14.3	5,030
December	26,018	+0.9	5,604
1939—			
January	27,326	+9.9	6,538
February	23,509	+23.5	4,617

† Mainly private cars.

available—registrations showed an increase of no less than 23.5 per cent. over the figure for the corresponding month last year, an indication of the improvement in

confidence, reflected also in the estimates of the value of building plans passed and other business indicators. Registrations of goods vehicles, on the other hand, have continued to decline, and the figure for February was still 11.9 per cent. lower than a year ago. It will be interesting to see whether the improvement in private car sales will be maintained in coming months.

Condensed Milk Prices.—Since the middle of 1933 the imports from foreign countries into the United Kingdom of condensed milks and milk powder have been regulated by voluntary agreement between the home producers and the foreign suppliers. Under this arrangement imports from foreign countries have been progressively reduced to about half the level prevailing in 1932-33, and, at the same time, the selling prices of most types of condensed milk and milk powder have been standardised. That the level of prices in the home market is higher than those in other countries was shown by the agreement concluded in September last between the English Milk Marketing Board and the Central Milk Distributive Committee, in which it was laid down that the price of milk sold for manufacture into condensed milk should be 7 1/2 d. per gallon if the product was sold in the United Kingdom and should vary, for condensed milk exported from this country, with the cheese-milk price, within the limits of 6d. and 7 1/2 d. per gallon. The marketing arrangements for these products were, however, seriously disturbed at the end of last year by increased sales of Canadian and New Zealand processed milks, whose exports to this country were not included under the voluntary quota. In face of a sharp fall in selling prices, particularly of milk powder, the Central Milk Distributive Committee appealed to the Marketing Board for a reduction in the price of milk sold for condensing and Sir Stephen Demetriadi was appointed arbitrator. His award, made public last week, recommended that the price of milk sold for manufacture into condensed milk should remain unchanged, pending the result of the negotiations now being carried on for a new and more inclusive price agreement among the suppliers of condensed milk. This award will no doubt be a further stimulus to the English manufacturers to secure a new price agreement. But the British housewife, to whom condensed milk is the cheapest substitute for the expensive liquid milk, may well question the value of trade agreements which enable British manufacturers to export condensed milk to the tropics at lower prices than they charge in this country.

Wheat Discussions.—In January, 1939, the members of the Wheat Advisory Committee agreed that the calling of a world conference would be desirable and that export quotas and minimum wheat prices should be part of any proposed agreement. In February the Sub-Committee submitted a draft agreement to the Governments represented on the main Committee and the chief non-member wheat-producing countries. The replies are now being examined, and although no official announcement on the progress of the current discussions has yet been published, it is learned that the negotiations are proceeding favourably and that a basis for a world wheat conference will probably be found. The discussions have been stimulated by the fact (reported on page 636 of *The Economist* of March 25th) that the area sown to winter wheat in Europe shows a still further increase on the record of 1938, which is only partly counterbalanced by a fall in American sowings.

Overseas Trade in March.—In spite of a large increase in imports of wheat and of petroleum, the value of British imports in March fell by 8.1 per cent. when compared with March, 1938. The value of exports was well maintained, so that the excess of imports over exports

U.K. IMPORTS AND EXPORTS

(£000)

	1937	1938	1939	Change between 1938 and 1939	Per cent.
March					
Total Imports	82,909	84,854	77,976	- 6,877	- 8.1
British Exports	43,470	42,155	41,635	- 521	- 1.2
Re-exports	6,717	5,468	4,923	- 545	- 9.9
Total Exports	50,186	47,624	46,558	- 1,066	- 2.2
Excess of Imports over Exports	32,723	37,230	31,418	- 5,812	- 16.6
Transshipments under bond	3,234	2,885	2,876	- 10	- 0.3
Three Months ended March					
Total Imports	229,943	245,285	218,543	- 26,742	- 10.9
British Exports	121,120	120,870	119,129	- 1,741	- 1.4
Re-exports	18,753	15,792	14,285	- 1,508	- 9.5
Total Exports	139,873	136,662	133,414	- 3,249	- 2.3
Excess of Imports over Exports	90,070	108,623	85,129	- 23,494	- 21.6
Transshipments under bond	9,278	8,205	8,038	- 168	- 2.0

was again reduced. As the accompanying table shows, the adverse balance of trade on merchandise account in the first quarter of the current year was less than four-fifths of that in the corresponding period of 1938.

Overseas Trade by Commodities.—As mentioned in the preceding paragraph, the most striking features of the month's trade returns are the increase in imports of wheat and petroleum, compared with a year ago. Imports of wool and of jute also increased considerably, but imports of cotton were smaller. British exports of iron

BRITISH EXPORTS—MONTH OF MARCH

Item and Measure	1937	1938	1939
Coal	3,043	2,966	2,912
Iron and steel scrap	31,854	4,989	11,741
Pig-iron and ferro-alloys	16,895	5,046	8,927
Railway materials	8,951	16,972	10,365
Total iron and steel manufactures	231,557	176,051	167,917
Textile machinery	4,919	7,211	5,011
Total machinery	35,723	45,720	40,341
Cotton yarns	13,123	13,123	13,113
Cotton piece-goods	178,571	128,709	132,680
Wool tops	4,001	2,508	3,939
Worsted yarns	2,468	1,879	2,751
Woolen tissues	7,153	5,488	5,533
Worsted tissues	3,520	3,099	3,179
Linen piece-goods	9,658	5,229	6,374
Leather boots and shoes	35,628	37,083	32,542
Leather	25,673	15,680	22,698
Paper and cardboard	305,087	334,523	281,361
Locomotives and parts	982	562	916
Motor vehicles and chassis	9,659	10,555	9,448

RETAINED IMPORTS—MONTH OF MARCH

Item and Measure	1937	1938	1939
Wheat	9,757	8,066	13,266
Beef and veal	1,021	1,207	1,339
Mutton and lamb	544	683	777
Sugar (unrefined)	3,442	3,456	4,736
Iron ore and scrap	637	777	406
Raw cotton	1,348	1,220	965
Sheep's and lambs' wool	778	1,220	965
Flax, hemp and jute	38,371	25,746	29,785
Crude petroleum	31,730	41,923	55,993
Hides, wet and dry	122	97	104
Wool pulp	113	125	119
Rubber	161	356	182
Unwrought copper	24,145	30,542	26,371
Pig lead	25,000	29,840	30,520
Tin: Ore and concentrates	2,469	3,662	3,740
Blocks, ingots, slabs and bars	2,016	875	600
Iron and steel manufactures	94	277	102
Machinery	12,136	14,884	12,749

and steel manufactures and of machinery declined in comparison with March, 1938, while exports of textile yarns and piece goods showed small increases. Exports of

iron and steel scrap, mainly in the form of ships sold for breaking-up, were larger than a year ago, although considerably smaller than in March, 1937.

Egyptian Yarn Prices Advance.—In August last year spinners of Egyptian cotton who are members of the price convention decided to grant a 5 per cent. rebate to all customers prepared to buy all their yarn from members of the convention. This movement was generally successful, but at the end of last year it was decided to give yarn users three months' notice of the withdrawal of this concession, the date fixed being April 15th. Towards the end of last week there was heavy buying of yarns as the cancellation of the rebate referred only to new orders. This week list rates have been restored to the level existing last August, and this action has meant virtually an advance of 5 per cent. Buyers are now disposed to resist the new prices as many customers are well covered, and there is some uncertainty as to the developments which may take place in the near future. The members of the price convention control about 83 per cent. of the spindles in this branch of the industry.

Rise in Prices.—There are indications that the upward trend in prices, which was interrupted by the increase in political tension since March, is beginning to reassert itself. Thus, *The Economist's* sensitive indices of the prices of primary products in this country and in the United States rose between March 29th and April 19th. The advance was very marked in the United States, for our latest index for that country has registered a record for the year. The improvement is, however, as yet scarcely noticeable in the more comprehensive indices for the two countries.

SEPTEMBER 18, 1931 = 100

Date	The Economist Indices			Price of Gold (sterling)	U.S.A. Irving-Fisher	France, Statistique Générale	Italy, Milan Chamber of Commerce	Germany, Statistisches Reichsamt
	British Complete Index (sterling)	Primary Products (sterling)	American (dollar)					
1936								
Dec. 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								
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	135.5	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	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
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	151.5	145.1	98.0
Mar. 1	114.0	134.5	127.9	174.9	116.4	152.8	145.1	98.0
Mar. 15	114.4	135.3	125.0	174.9	116.3	153.1	145.1	97.8
Mar. 29	114.4	131.9	123.5	174.9	115.4	153.5	144.9	97.8
Apr. 19	114.5	134.4	129.0	174.9	115.7*	152.5*	...	97.8*

* This figure relates to April 15th.

† Monthly average.

The latest official index for France is slightly lower, but the figures for Italy and Germany show little change. Details of the constituent series of *The Economist* comprehensive index are given below:—

	(1927=100)	Sept. 18, 1931	Apr. 12, 1938	Mar. 29, 1939	Apr. 19, 1939
Cereals and meat...	64.5	87.0	70.0	71.2	71.2
Other foods	62.2	60.4	60.0	59.6	59.6
Textiles	43.7	55.3	53.0	53.3	53.3
Minerals	67.4	93.2	91.1	90.8	90.8
Miscellaneous	65.8	76.2	74.0	73.7	73.7
Complete index	60.4	74.0	69.1	69.2	69.2
1913 = 100	83.1	101.9	95.2	95.3	95.3
1924 = 100	52.2	64.0	59.8	59.8	59.8

A rise in the figures for cereals and meat and textiles was offset by a slight fall in the figures for other foods, minerals, and miscellaneous commodities.

INDUSTRIAL REPORTS

THIS week's industrial news is again fairly cheerful. The demand for coal, allowing for the seasonal reduction in purchases for heating purposes, remains on the upgrade; even in South Wales the position of the industry is steadily improving. The consumption of steel, assisted by defence orders and by the revival in merchant shipbuilding, also remains on the upgrade, but the shortage of scrap is already causing some difficulty here and there. Thus, our Cardiff correspondent reports that it has been found necessary temporarily to suspend operations at four furnaces in South Wales. The returns of the value of building plans passed in March by 142 local authorities show an increase of 12.2 per cent. over the figures for February and one of 8.3 per cent. over those for the corresponding month last year. Reports from the cotton trade suggest some expansion in the volume of new business.

to be reflected in a strong industrial demand. Prices all round remain firm.

Cardiff.—Business on the Cardiff coal market is a little more active. The strike in the United States has led to the purchase of a few cargoes for the West Indies, and there are inquiries for further prompt supplies. Moreover, the Egyptian State Railways have placed a contract for 300,000 tons, and other purchasers include the Finnish and Latvian Railways, the Algiers and Bona electricity works, and the Tunis tramways. But there has been no material improvement in shipments. Last week these totalled 281,800 tons, compared with 301,300 tons in the corresponding Easter week of last year. There has been an increase in stocks during the past week. There are no changes in current permit prices.

Iron and Steel

Sheffield.—Active conditions prevail in the iron and steel market, and business this week has been on a good scale. There is an insistent demand for basic pig iron, supplies of which are hardly more than equal to current requirements. Foundry iron is in rather better request, but forge continues rather weak. With increasing consumption full deliveries of hematite are being made, and new business is of more satisfactory proportions. There is little change in finished iron, though makers are receiving rather better orders for common bars.

There is good buying activity in basic steel billets, and the demand for small steel bars shows further improvement. Strip and wire rods are good features, and structural steel is in considerably better request. The output of steel in this district is being further increased, and more furnaces are being put into operation for the production of stainless and other special qualities.

The shortage of scrap supplies is causing some difficulty pending the arrival of imported material. Heavy basic steel scrap for melting is not easily obtainable in full quantities at up to 59s. per ton, and heavy foundry cast iron is keenly competed for at up to 80s. per ton.

Middlesbrough.—The demand for all classes of iron and steel continues to expand. An additional blast furnace is being lighted this week for the production of basic pig iron. Cleveland foundry pig iron continues in better request now that foundries are unable to obtain supplies of iron scrap. East Coast hematite is in rather better demand and deliveries under existing contracts are being speeded up.

Semi-finished steel is in good demand whilst most departments producing finished steel are busy; sheets and light sections are also in good request.

There is a distinct scarcity of heavy steel melting scrap, and it is now reported that a purchase of 50,000 tons has been made of American scrap for shipment to this country. The consumption of blast furnace coke is increasing but supplies are ample. New business in foreign ore is not heard of, but imports so far this month were about 50 per cent. higher than in the corresponding period of March.

Glasgow.—Steelmakers in the West of Scotland are now very heavily booked, the orders placed covering every class of material and including a substantial tonnage for shipbuilders. Full-time working is already assured for many months to come and buyers are placing orders for forward delivery. The demand is growing, not only for shipbuilding material, which is a very important item, but also for material for practically every branch of the engineering trade and for re-rollers. In addition to the shelter sheets, which are providing such a large amount of work for sheet makers here, demand from manufacturers for both black and galvanised sheets continues to expand and although working at high pressure sheet makers are finding difficulty in satisfying the requirements of users in regard to delivery. Re-rollers of steel bars are also busy this week and the tonnage booked again shows improvement. It is estimated that the value of the new Admiralty orders, which it was announced at the beginning of this week had been placed with Clyde shipbuilders, is in the region of £2½ millions.

Cardiff.—The scarcity of scrap is being felt severely in the steel industry, and although imports are expected at an early date it has been found necessary to suspend operations temporarily at four furnaces. The recent improvement in the tinplate trade is being maintained, and in the week ended April 8th production represented 59.69 per cent. of capacity under the pooling scheme. It is anticipated that the amalgamation of firms in the Llanelli area will lead to the installation of a more modern centralised plant, but no active steps have yet been taken in the direction of rationalisation by the Committee appointed some time ago to deal with the problem of small redundant works. The inland market continues to absorb the bulk of the products of all branches of the iron and steel industry in South Wales. Prices are nominally unchanged.

News from Abroad.—The revival on international steel markets, which began shortly before the Easter recess, has been maintained in spite of the adverse international situation. In some cases inquiries have further increased, but actual purchases of the individual consumers seldom involved large quantities. It appears that a great number of buyers who had postponed their coverings as long as possible, have recently been compelled to enter the market, although part of the purchases resulted from the desire to amplify stocks in case of an emergency. The fact that the buying movement has not gone as far as during the September crisis is widely regarded as proof that the markets are far from consolidated, whereas it is scarcely doubted that as soon as consumers have regained their faith in the price structure, an improvement of purchases over a longer period is very likely.

Germany has recently sold substantial quantities of heavy steel products, particularly to Roumania, Italy, Finland and Japan, on long-term contracts and has also booked prompt orders for Spain and Argentina. The Scandinavian countries showed interest especially in merchant bars, and the

British purchases of semi-products, wire rods and merchant bars have further increased. Inquiries for substantial quantities have recently been received from the Far East.

Although the Cartel has continued selling medium tonnages to several markets at reduced prices in order to curb competition, and although new reductions are intended, e.g. for the South American and South African markets, on the whole the rebates on official prices have further tended to decrease. Thus, the increase in the general price level during recent weeks is estimated at about 5s. (gold) per ton. American competition has recently been less keen on some markets but is still conspicuous in plates. The examination of the alleged American infringements of the export agreement with the Cartel through the London Comptoirs has not yet yielded tangible results, but in view of the improved situation sellers are less susceptible to outside competition than previously.

Textiles

Cotton (Manchester).—A rather better feeling has prevailed on the market, despite much uncertainty with regard to future developments. There has been a recovery in raw cotton prices from the low point reached a week ago. The United States Government are still experiencing much difficulty in finding a solution of the excessive supply problem. The several plans put forward appear to meet with strong opposition from interested parties.

Yarn inquiry has been of fair extent, but buying has not been active. Moderate weights have been put through in coarse American counts. At the end of last week there was heavy buying of Egyptian qualities previous to the withdrawal of the 5 per cent. rebate on prices. A persistent inquiry has been met with in piece goods, and in some directions a useful business has been done. Further buying has taken place for India in regular styles. Probably the best foreign outlet has been South America, and fairly free operations have occurred in printing and finishing qualities. Government contracts have again been placed, and many firms are busy on A.R.P. cloths. General prospects may be considered rather brighter and demand from day to day is sufficient to warrant the assumption that trade would improve quickly if the nervousness relating to political matters could be removed.

Jute (Dundee).—A sharp advance has taken place in raw jute prices during the past fortnight and the value of full group Daisee-2/3 has been raised to £28 15s. per ton for April/May shipment, while new crop, October/November, has been sold at £24 17s. 6d., compared with £23 2s. 6d. only a short time ago. Sellers are now making very few offers of either old or new crop. The reason in the case of the former is that supplies are decreasing and imports into Calcutta rapidly falling off, and new crop reports are unsatisfactory.

The imports of jute into Calcutta this season to April 15th were 8,575,000 bales, while Indian mills' purchases were 5,425,000 bales in the same period. The world requires about 10,000,000 bales this season, and there are fears that this quantity will not be yielded by the crop, which, however, was estimated last September at only 6,696,000

bales. This might have been a warning to consumers to secure their needs as early as possible, but it is understood that there are many who may run short before the new crop becomes available.

Common 8-lb. cops have been fairly freely sold at 2s. 7½d. and 8-lb. spools at 2s. 8½d., after 1d. less had been taken, and all other qualities are ¼d. to ½d. per lb. higher. Cloth has ruled quiet, but manufacturers are now quoting the higher rates of 3¼d. to 3½d. for 10-oz. 40-in. and 2½d. to 2½d. for 8-oz. Calcutta goods have also participated in the rise in prices.

THE COMMODITY MARKETS

PARTLY as a result of the relaxation of political tension, the downward trend in the prices of primary products was reversed in the past week. While the improvement was by no means general, it included the majority of commodities.

Wheat was slightly firmer and raw sugar continued its advance as supplies are now none too plentiful. Cotton prices recovered from the low level to which they had fallen last week, though the American Government's policy remains undefined. Jute was marked up sharply in price on fears of a shortage of supplies. Among the four principal base metals, copper showed a decline, but lead, spelter and tin, the latter on American purchases, were dearer than a week ago. Rubber prices are scarcely changed on the week.

In the United States, Moody's index of the prices of staple commodities (December 31, 1931 = 100) rose from 138.7 to 139.9 during the week ended last Wednesday.

Metals

Copper.—In London, the price of standard copper lost another 7s. 6d. to close on Wednesday at £41 15s. per ton. Demand remained well below normal, the pressure from the political crisis being accentuated by the disappointing March statistics. Consumption in the United States, at 50,486 short tons, was about 11,000 short tons below new production, and stocks rose in March by about 11,500 tons to 320,446 short tons. On the other hand, consumption outside the United States amounted to 107,580 tons, more than 5,000 tons larger than new production; and extra-U.S.A. stocks, at 185,945 short tons, while 1,700 short tons up on the month, are barely sufficient for two months' consumption. The outlook of copper, therefore, depends largely on the course of events in the United States. There the position has improved in the past fortnight owing to the two cuts in the domestic price, which is now 10.50 cents per lb.

Tin.—Some United States buying, which revealed immediately a shortage of current supplies, brought a rise in the London tin price, which closed on Wednesday at £218 10s. per ton. The outlook depends entirely on the maintenance of these purchases, which may be stimulated by the small American stocks. The I.T.C. is meeting on Thursday next to discuss the question of over-exports.

Lead and Spelter.—The cash price of lead gained 6s. 3d. and closed on Wednesday at £14 7s. 6d. per ton, while spelter closed 3s. 9d. higher at £13 7s. 6d. per ton. The turnover was very low throughout the week, but no forced selling was noticeable. According to the *Metallgesellschaft* the world lead smelter output fell from 132,047 metric tons in January to 119,330 metric tons in February, due chiefly to the shorter month. The Mexican strike forced the output in that country in February down to 4,668 metric tons, against the monthly average of last year of 17,256 tons.

Grains

THE Liverpool wheat market has remained steady throughout the week; in view of the large supplies of wheat in exporting countries, the political tension in Europe has not brought any appreciable rise in prices. American wheat and flour, aided by the export subsidy, is selling steadily to the Far East, as well as to Europe; the Department of Agriculture announced last week that between July 1, 1938, and April 1, 1939, some 79 million bushels of wheat and flour have been exported.

Other Foods

Provisions.—With higher prices in Continental supplying countries, egg prices rose further in London during the past week. The bacon market has been steady at the lower prices prevailing in the past ten days. Supplies of English and Scottish lambs have sold readily at Smithfield and prices at livestock markets for fat pigs are also firmly held.

Colonial Produce.—The sugar market continues to be affected by the political tension and prices for refined of all types were advanced by two stages of 1½d. per cwt. At the first tea auctions after the Easter holiday, a strong market developed for Indian and Ceylon grades, with an advance in prices.

Fruit and Vegetables.—Old potatoes maintain their prices, but more interest is now being shown in arrivals of the new crop. Trade in London has been good; English and Guernsey tomatoes are increasing in quantity and salads are in good demand.

Miscellaneous Commodities

Oils and Oilseeds.—Business in these markets is still restricted, but the tone remains steady. The offtake of oil cakes from the mills is poor and consequently crushers are in no hurry to buy. Refined cotton oil has further declined in price to £19 10s. per ton ex Hull, but supplies of soya bean oil are scarce and prices firm.

Rubber.—Little business has been transacted in the past week and price fluctuations, which left the closing price of standard sheet on the spot unchanged compared with last week, reflected changes in political feeling. The American consumption in March proved to be higher than had been expected and stocks declined by 11,600 tons to 219,800 tons.

COMPANY MEETINGS

THE ALLIANCE TRUST COMPANY, LIMITED

SATISFACTORY RESULTS OF DIFFICULT YEAR

DIVIDEND OF 25 PER CENT. MAINTAINED

MR JAMES PRAIN'S ADDRESS

The annual ordinary general meeting of The Alliance Trust Company, Limited, was held in the company's registered office, Meadow House, 64 Reform Street, Dundee, on Wednesday, April 19, 1939.

The chair was taken by Mr James Prain, and after formal evidence of the proper calling of the meeting had been submitted, the Secretary, Mr Alan L. Brown, read the auditors' report to the shareholders.

The Chairman, in moving the adoption of the annual report, said:—

REVENUE AND DIVIDEND

It is now my duty to submit for your approval the directors' report and accounts for the past year. The revenue statement shows an income from investments of £676,000, a figure which falls short of the amount collected in the previous year by £30,000, partly due to a diminution in our regular income but still more to a reduction in the amount of arrears paid up. In that year our income reflected a relatively high level of commercial prosperity in this country and the United States, a level which was not maintained throughout 1937 and the early months of 1938; in addition, as is stated in the directors' report, income of that year had the benefit of exceptional receipts of over £21,000 in settlement of accumulated arrears of dividends, windfalls which have not been repeated to the same extent this year. This is an uncertain form of revenue—the aftermath of depression years—and naturally the number of companies which have yet to deal with their arrears has grown less. The amount, therefore, which we may expect from such sources is not now an important figure. The result then is that there is available out of the year's revenue after payment of the prior charges a sum equal to 36.65 per cent. on the ordinary stock. This, I think, is satisfactory in the circumstances. The main interest of our stockholders lies in a dividend record free from severe fluctuations. If, therefore, in a year of less prosperous conditions we can recommend that last year's distribution of 25 per cent. on the ordinary stock be repeated, we have gone some way towards serving that interest, while the substantial surplus after payment of that dividend puts us in a strong position for the more difficult times that may lie ahead of us.

VALUATION OF INVESTMENTS

The past year may well be described as a year of crisis, and the conditions of crisis are still with us. The indices of market quotations of representative stock exchange securities show by the severity of their fluctuations a record of the hopes and fears we have all experienced and are still experiencing. We have made, as usual, a valuation of our investments at the close of the year on January 31st, the result of which shows that there was a depreciation at that date of 3.83 per cent. on the book value. Beyond recording the fact that at that particular point of time great uncertainty existed in all our minds as to the prospects for peace in the world, the valuation is on this occasion of no great interest, and is of little value to us to-day as a guide to the potential earning power of our investments. Since that date much has happened in the history of Europe. A valuation in the hopeful and buoyant markets of February and early March would have shown a very different result, but in the light of subsequent events of equally transitory interest.

INVESTMENT OUTLOOK

So much for the results of the past year. You will expect me no doubt to give you my views on the outlook for invested funds at the present time. We live in times when great changes, political or economic, happen overnight. I shall content myself, therefore, by outlining as briefly as possible the position as I see it to-day.

To-day our activities are largely confined to the British Empire and the United States. Outside of those areas, with few exceptions, the standards on which an investor must rely no longer exist. For various reasons, ranging from currency restrictions to dishonest appropriation of private property, capital is frightened away.

STIMULUS OF GOVERNMENT EXPENDITURE

In this country we are now in a state of emergency and tension. While it may be true that market quotations which reflect this state of affairs bear little relation to the intrinsic value of the securities themselves, they do point quite clearly to a lack of confidence which in the absence of any stimulus to trade from another quarter would quickly bring about a slump of considerable severity. There is, however, such a stimulus in the form of Government expenditure, which so long as it continues on the present scale will no doubt effectively counteract the absence of private enterprise. It has become evident that this encouragement to trade, whether in the direct form of defence expenditure, or more indirectly as in the shipping subsidy, now covers a wide field. The number of trades involved is large and the increased purchasing power in the communities directly benefiting will find its way into the consumer industries. The immediate outlook, therefore, is by no means one of stagnation but rather one of considerable industrial activity with the emphasis naturally on the iron, steel, and engineering industries. So far as one can take a view there seems ground for expecting that there will be no severe falling off in our income from investments in this country during the current year, subject, of course, to no major crisis arising. I do lay emphasis, however, on the shortness and provisional character of this view. When one looks further ahead, the problems which will arise either from a continuance or a termination of Government expenditure on a large scale, are sufficiently weighty to discourage any facile optimism.

POSITION IN UNITED STATES

In the United States the position seems to me to have changed greatly for the better during the past year. There has been a definite recovery in trade, and although it now shows signs of wavering, that appears to be the result of the unsettling effect of events in Europe rather than lack of confidence in the domestic situation. To observers here the relations between Government and business, which have done so much in recent years to hinder the expansion of trade, appear to be greatly improved. Evidence is not lacking of that improvement—notably in the recent compromise between the Government and one of the large public utility companies—a continuance of which would do much to remove the uncertainty which we have felt in recent years regarding the United States as a field of investment.

I have not attempted on this occasion to give you a detailed survey of present-day conditions, as they appear to me to be of a temporary and artificial nature. It seems likely that in the near future we shall have to adapt ourselves to an entirely new set of conditions, either a war economy or one based on disarmament, but a continuance of the present state of affairs with its vast expenditures and atmosphere of tension is surely not likely to be tolerated for any length of time by any form of society.

Before moving the adoption of the directors' report and accounts, I must once again express my appreciation of the services rendered by our staff here and by our agents in America during the past year.

I now beg formally to move that the directors' report and accounts be adopted and that final dividends be declared as therein recommended, viz.:—On £700,000 preference stock at the preferential rate of 4½ per cent. per annum; on £650,000 preference stock at the preferential rate of 4 per cent. per annum; on £750,000 preference stock at the preferential rate of 5 per cent. per annum; on £100,000 "A" preference stock at the preferential rate of

4 per cent. per annum; and on £1,050,000 ordinary stock at the rate of 14 per cent. actual, making 25 per cent. for the year, all subject to deduction of income tax.

The report and accounts were adopted, and resolutions declaring dividends, re-electing the retiring director, and appointing auditors were unanimously passed.

CHAMPION REEF GOLD MINES OF INDIA, LIMITED

DIVIDEND OF 40 PER CENT.

HON. A. T. J. FRASER'S REVIEW

The ordinary general meeting of the Champion Reef Gold Mines of India, Limited, was held, on the 14th instant, in London.

The Hon. A. T. J. Fraser, D.S.O. (chairman of the company), said:—I think I may once more congratulate you on a very successful year. During the 12 months under review the mill crushed 159,580 tons for a recovery of 70,508 oz. of gold. The average of the ore milled was 9 dwt. and the recovery was no less than 98.24 per cent. Our gold sold at an average price of £7 2s. 2½d., or 2s. 10½d. higher than the previous year. The total income for the year was £483,921, and expenditure, including additional royalty to the Mysore Government, was £293,369, leaving a profit of £190,551, some £11,000 less than the previous year.

The amount standing at profit and loss, after taking in £14,380 from the last account, is £206,726, from which the following amounts must be deducted: £58,012 the interim dividend, £38,800 income tax and N.D.C. reserve, £10,000 written off machinery and plant, £8,000 off Heathcote shaft, and £3,000 transferred to insurance and contingency reserve. There is left a disposable balance of £88,913, some £8,300 less than last year.

From this sum a final dividend of 2s. 3d. per share has been paid (making 4s. in all), which leaves £14,326 to carry forward, practically identical with last year's figure. In thus reducing the total dividend for the year by 3d., or 2½ per cent., the directors were influenced not only by the reduction of £11,000 in the profit, but also by the increased effect of income tax and N.D.C. From 1940 onwards we shall feel the full effect of the new lease which we hold from the Mysore Government. This will cause our contribution under the royalty on profit clause to be half again as much as we are now paying. In a year such as this, when a dividend of 4s., or 40 per cent., is paid, our contribution to the Mysore Government would be approximately £24,000 instead of £16,000, which we pay this year.

PROGRESS OF DEEP DEVELOPMENT SCHEME

During the year very considerable progress has been made with the scheme for deep development, for which extra capital was raised three years ago. Gifford's shaft has been sunk to the required depth and practically all the underground work is finished. A considerable amount of the plant is on the mine; erection of this is commencing, and the remainder will shortly be shipped. The original estimate for shaft sinking, as well as machinery and plant, amounted to £226,000, but it is now calculated that the final figure will approximate £266,000, or £40,000 more than the original estimate.

It is easy to explain how this has come about. When the estimate was made in the spring of 1936 prices were very low, but it took nearly a year to get out details and specifications of this very special and largely novel type of plant, capable of hauling from a depth of 6,500 ft. By the time tenders were asked for the late boom was just starting and prices had risen considerably.

Development for the year has been very satisfactory. On our main producer, Glen's ore-shoot, development has chiefly been confined to opening up the 84th level and sinking winzes to the 85th. The 84th level gives a length of 900 ft., averaging over 38 in. 26½ dwt. The width and grade are fully up to former levels, but the length of the ore shoot is some 20 ft. shorter than at the 82nd. The winzes sunk from this level are 14 ft. shorter than at the deal of work has been done all the way from promising. A great level on the northern folds, and there is no doubt that to the 81st we are opening up a very considerable tonnage of ore in this area though definitely lower than the rich Glen's shoot.

Mr Sydney E. Taylor then gave the shareholders an extensive review of the technical progress at the mine.

The report and accounts were unanimously adopted, and resolutions were passed amending the articles of association in reference to the conversion of shares into stock and converting the 650,000 issued shares of the company into stock.

AGRICULTURAL MORTGAGE CORPORATION, LIMITED

DIFFICULT FARMING YEAR

The tenth ordinary general meeting of the Agricultural Mortgage Corporation, Limited, was held, on the 19th instant, at Stone House, Bishopsgate, E.C., Sir Harry Goschen, K.B.E. (the chairman), presiding.

The Chairman, after having expressed regret that they no longer had Sir Otto Niemeyer as a colleague on the board, in moving the adoption of the report and accounts said: During the year just ended we have granted further long-term loans of £473,522, bringing our grand total of loans up to £12,889,740, secured on first mortgage of 879,038 acres of land, together with the necessary farmhouses and buildings, valued in all at £20,269,022. In addition, loans of a further £174,491 have been approved by the directors and will be completed as soon as the necessary formalities have been complied with.

The total of loans granted under the Improvement of Land Acts has increased to £117,066. These loans are repayable by means of rent charges under the Absolute Order of the Minister of Agriculture and Fisheries of £8,388 per annum.

I am sorry to have to report that the improvement recorded last year in the payment of interest and repayment of principal has not been maintained, and there has been an increase in the total of our arrears. I think, however, that, having regard to the particular difficulties of the past year, we must regard the receipt of 92.6 per cent. of the total due, within seven days of the end of our financial year as not unsatisfactory.

DISAPPOINTING FARMING YEAR

The farming year of 1938 has been a difficult one for almost all producers and there have been very few cheerful features to offset the many disappointments. The dependence of agriculture on weather conditions was again strikingly illustrated, and farmers learned anew the old lesson that moisture is the vital factor which influences crop growth. Up to the beginning of August the year 1938 was exceptionally dry, particularly in the Eastern Counties. Grass keep was short for all classes of stock, and many farmers were compelled to feed full winter rations of concentrates through the early summer months. It was not until September that enough rain fell to revive the pastures to any great extent, and a general shortage of hay gave prospects of expensive winter feeding.

Farmers in general will have no regrets at the passing of 1938. They do, however, entertain new hopes for the future. The Government has pledged itself to find immediate means to aid the industry, and agriculturists are looking forward to a period of stable and remunerative prices such as would bring the industry back to prosperity.

THE ACCOUNTS

I should now like to direct your attention to the balance sheet and profit-and-loss account. Again this year we have had heavy special repayments of loans; £445,000 was accepted otherwise than as provided for in the mortgage contracts, and there is a small decrease in the balance of loans outstanding.

Owing to the international situation the prices of all Government stocks were very depressed at the date of the closing of our accounts, and it was therefore necessary to reserve a sum of £94,000 to write our other investments down to market price. This amount has been provided from general reserve and contingencies account. You will no doubt note that the investments held on account of the Government guarantee fund and special reserve show a market value over £100,000 above the figure at which they stand in the balance sheet.

We have continued our policy of granting new loans at the basic rate of interest of 4½ per cent., a rate actually lower than we are paying on our debenture stocks, and this, coupled with the fact that we still have large surplus funds temporarily invested in Government stocks and earning little more than 3½ per cent., has resulted in a further reduction in net earnings. After making provision for all bad and doubtful debts and setting aside a sum sufficient to cover and not received by the end of our financial year, in addition to reserving the considerable sum necessary to write down our other investments to market price, the amount available on profit and loss account is £3,974. Of this sum £2,664 has been transferred to special reserve, leaving a balance of £1,310 which the directors propose to carry forward.

The report and accounts were unanimously agreed to.

THE KING LINE, LIMITED

FIFTIETH YEAR'S TRADING

A JUBILEE BONUS

SIR VERNON THOMSON ON SHIPPING POSITION

The fiftieth annual general meeting of The King Line, Limited, was held, on the 20th instant, at Winchester House, Old Broad Street, London, E.C.

Sir F. Vernon Thomson, Bt., K.B.E. (Chairman of the company), presided.

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

The Chairman said: Gentlemen, the directors' report and accounts for the year 1938, the fiftieth year of the company's trading, having been circulated to the shareholders, you will, I hope, as customary, take them as read. (Agreed.)

As stated in the directors' report, several profitable voyage contracts entered into in 1937—which, it will be recalled, was an outstandingly good year for shipping—were not completed until 1938, and are accordingly included in this year's profits. These profits are thus largely an overflow from the better trading times of 1937. The year 1938 was not in itself a good year for tramp shipping.

The net profit of the King Line, Limited, for 1938, after providing for cost of Lloyd's Surveys, amounts to £193,017, to which has to be added £22,853 brought forward. The directors have applied the sum of £70,278, plus £13,222 surplus on the sale of an old steamer during the year, making together £83,500, to depreciation of the company's fleet, and have written £26,995 off the book value of investments.

ARREARS OF DEPRECIATION MADE GOOD

Shareholders will be interested to know that the arrears of depreciation upon their ships have now been made good. These arrears had accumulated during the periods of acute depression in the freight markets which were so pronounced during the years 1930-34, when it was not even possible to earn depreciation, let alone make profits.

An interim dividend of 4 per cent. was paid in October and the directors now recommend a final dividend of 4 per cent. less income tax, making 8 per cent. for the year ended December 31, 1938, and in addition a bonus of 5 per cent., less income tax, in order to mark the fiftieth anniversary of the company carrying forward the balance of £71,471. The company being now in a sound position, the directors thought it appropriate and due to the shareholders to celebrate its jubilee in this very modest way, more especially as no dividend was paid during the seven years 1930-36 inclusive.

The King Line, Limited, now own 9 motorships and 5 steamers of a total deadweight of 115,570 tons. The average age of the fleet is 13 years 8 months, and the average age of the motorships 10½ years. The whole stand in the company's books, after deducting depreciation, reserve fund, etc., at £2 15s. 7d. per ton deadweight. Their market value to-day in the aggregate considerably exceeds this. The company has no debenture or other indebtedness.

POSITION OF TRAMP SHIPPING

The economic position of British tramp shipping was much strengthened by the trade recovery and consequent improvement in world freight markets in 1936-37. This improvement unfortunately was short lived, as freights declined substantially during 1938. In the first quarter freight markets were on a remunerative basis, but trade gradually declined during the remainder of the year, freights becoming so unremunerative that tonnage had to be laid up. This company had four vessels laid up at the end of 1938. The volume of world trade in 1938 was nearly 9 per cent. less than that of 1937. Undoubtedly the uncertainty created by the threatening position internationally hampered trade seriously during the period under review.

In the absence of a revival of world trade, the outlook for a more permanent improvement in tramp shipping is not bright, but quite recently there has been a better tone and a broadening demand

in the freight markets. There are some indications that the general trend of world trade may be again on the up-grade, that is, wars and international complications apart. Our boats are well found, and even when laid up are kept in good condition, and are thus always in a position to participate immediately in any trade improvement.

GOVERNMENT ASSISTANCE

For some time the directors have been considering the acquisition of new tonnage, but hitherto have not felt justified in contracting at the present ruling prices as it was impossible at current rates of freight to employ vessels profitably on such a capital value. To meet the present position resulting from shipowners being unable to trade vessels remuneratively at to-day's building costs, H.M. Government are taking steps to bridge the difference to some extent. Although so far full details are not available, the broad lines indicate that this will have the desired effect of modernising the Mercantile Marine and increasing tonnage supplies in case of war.

As you are aware, proposals will shortly be submitted to Parliament for a measure of assistance to the shipping industry in the form of a subsidy. It is encouraging to the British Mercantile Marine to have this tangible evidence that they have the wholehearted support of the British Government. While details are not yet published, it is thought the subsidy proposals will incorporate a sliding scale based on a freight index, the idea being that in the event of much improved freight markets no subsidy would be payable.

I shall be glad to answer any questions to the best of my ability, and now have pleasure in moving: "That the report and accounts, as submitted, be received and adopted, and that a final dividend of 4 per cent. be declared and paid for the year ended December 31, 1938 (making with the interim dividend paid in October last 8 per cent. for the year) together with a jubilee bonus of 5 per cent., less income tax."

Mr George M. Dodd seconded the resolution.

A SHAREHOLDER'S CONGRATULATION

Mr A. Hunt said that it was a happy coincidence that their jubilee meeting should synchronise with the very pleasing condition of their affairs which the chairman had unfolded to them, a position so satisfactory that he was sure shareholders would all join in congratulating the directors on what had been achieved.

The chairman having thanked Mr Hunt on behalf of his colleagues and himself, the resolution was put to the meeting and was carried unanimously.

The chairman, in proposing the re-election of Mr George M. Dodd as a director, said that it had been his privilege to work in the service of the company with Mr Dodd as a colleague for over thirty years. Mr Dodd's great experience of chartering and of the management of tramp ships had been of inestimable value to the company. (Applause.)

The resolution was seconded by Mr Percy Cross and unanimously approved.

The auditors (Messrs James Brown and Sandeman) were re-appointed and the proceedings then terminated.

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

NORWICH UNION LIFE INSURANCE SOCIETY

RECORD NEW BUSINESS
ECONOMY OF MANAGEMENT

The 131st annual general meeting of the Norwich Union Life Insurance Society was held, on the 18th instant, at Norwich.

Mr Ernest Hicks (the president) said that it was a matter of great satisfaction to the directors that in a particularly difficult year such as was 1938 they were able to submit a report which showed continued progress. Indeed, in the matter of new business they had again established a record. In the accounts they had converted all moneys into sterling at the rates of exchange ruling on December 31st last. The total funds were increased by £1,073,405, and now stood at £48,123,716. The net amount of new business, after deduction of re-assurances, was £11,755,700, and of this 69 per cent. was obtained from the United Kingdom (an increase of £500,772 over their previous record), 25 per cent. from the Dominions, and only 6 per cent. from foreign countries. This was the result of a deliberate policy on the part of the board, but nevertheless the necessary cutting down of business from foreign countries was a matter of regret. This Society might claim to have been one of the pioneers of life assurance in the foreign field, but the continued growth of a narrow spirit of nationalism had made it extremely difficult for a British mutual office to carry on life business in many countries. The only countries in which the Society now transacted business outside the Empire were France, Belgium and the Argentine. It would be folly to continue operations in countries where, owing to restrictions, business could not be carried on with fairness to the interests of their other policyholders.

The board had always insisted upon economy of management as being one of the essentials for the proper conduct of a mutual life society, and they were glad to be able to report, particularly in these times, a further reduction in the expense ratio to 14.28 per cent. This represented a fall of .37 per cent. in the year, and, when applied to their premium income of £4,551,477, meant a cash saving of no less than £16,840.

Their mortality experience had again been extraordinarily favourable, and indeed represented a record for the Society.

They had been able during the year to put out no less than £2,000,000 in carefully chosen mortgages, and as a further protection against depreciation the directors had increased their holding of real property.

RATE OF INTEREST EARNED

During the year there had been some increase in the gross rate of interest at which new money could be invested, but unfortunately this had been accompanied by an increase in the rate of income tax, while as investments made some years ago fell in it was impossible to reinvest the money at the old rates. The result had been a fall of 3s. 5d. per cent. in the net rate of interest earned on their total funds. This net rate was still, however, £4 2s. 7d. per cent., which in present circumstances was a very satisfactory one, and he would again remind members that the Society's reserves were held on the basis which assumed a net earned rate of only 2½ per cent. The past year had seen a further considerable fall in the market values of Stock Exchange securities, but, owing to the conservative policy adopted by the board in past years, the margin in their favour between the present market values of their Stock Exchange securities and the values at which they appeared in the balance sheet was a very considerable one.

The new business figures did not include the considerable business which the Society did, and had done for many years in respect of special staff pension schemes. They had a highly skilled department which confined its attentions entirely to this particular aspect of insurance work. This Society, in conjunction with their associated office, the Norwich Union Fire, catered for every class of insurance business. So far as life insurance was concerned, many people during these anxious months must have considered carefully the amounts for which they were insured, and he ventured to suggest that in many cases such amounts must have been found to be not entirely adequate. He would remind members that the ordinary policies issued by this mutual society were in all normal cases entirely unconditional.

A life policy was the only satisfactory way of making proper provision for the increasingly heavy burden of death duties. He hoped that the time might come when the Government would be able to make the concession that policies effected for the purpose of paying death duties should not be aggregated, so as to avoid raising the rate of duty payable in respect of the estate as a whole.

The report was unanimously adopted.

NORWICH UNION FIRE INSURANCE SOCIETY, LIMITED

PROGRESS IN ALL DEPARTMENTS
EFFICIENCY OF THE ORGANISATION

The annual general meeting of the Norwich Union Fire Insurance Society, Limited, was held, on the 17th instant, at Norwich.

Mr Ernest Hicks (the Chairman) said that unfortunately he had to address the members at a time when international affairs were still in a most unsettled condition. The year 1938 was overshadowed from the start by events leading up to the crisis in the autumn, so that the business world had had many distractions little conducive to the progress and development of commerce and industry which provided their opportunity for service. Many of their hopes therefore had been unrealisable, but, having regard to the circumstances with which they had to contend, the results now submitted might be considered satisfactory.

FIRE ACCOUNT

Fire business gave them a premium income of £1,789,270, an increase of £45,465 over the preceding year. The results, as was almost to be expected, were not so profitable as in that period, and the profit was £90,699, or 5.07 per cent. as compared with 9.71 per cent. earned in 1937, a year of revived national prosperity.

ACCIDENT ACCOUNT

When compared with last year, there was an increase in premiums and a larger percentage of profit in the Accident Account, reflecting great credit on the underwriters and their cautious policy, which had made possible such an achievement in the face of the well-known and increasing difficulties with which they had had to contend. The increased premium came very largely from the home field, which was profitable. Their foreign business in this branch presented a difficult problem, particularly motor business. They had, therefore, continued their efforts to develop profitable classes whilst limiting the less desirable, and they believed that the various foreign accounts would have an improving tendency during the current year.

A most gratifying feature was the consistent progress in volume, and general good results of the various home accident departments, in which they catered for almost every contingency which could be guarded against by insurance. The Accident Account as a whole had a premium income of £1,556,031, which was £68,990 more than in the previous year, whilst the profit amounted to £105,409, or 6.78 per cent., as compared with 5.91 per cent. in 1937.

The Marine Account had a premium income of £254,746, an increase of £29,251, and the year 1936, which they had closed, showed a profit.

THE ASSETS

The total assets of the Society now amounted to £6,191,323, an increase of £185,372 over the preceding year. Their Stock Exchange securities had been taken year by year "at or under market value," which in effect had meant that there had been an undisclosed appreciation, which a few years ago ran into big figures. Whilst a substantial amount remained, this difference had diminished in recent years, but on the other hand, their United States investments were still maintained at \$4.86 to the £, whereas the rate at December 31st last was \$4.64, which meant that the sterling value was correspondingly greater.

All three departments of their business showed progress in income and some diminution in the ratio of expenses. The total premiums now amounted to £3,600,047, and the increase in the year aggregated £143,706. In view of world conditions, he felt that this was creditable to the management, but he was sure that their organisation would be capable of obtaining far better results in this direction if world conditions were favourable to the extension of trade, both domestic and international.

Naturally, in view of conditions abroad, their attentions had been specially directed to the home field. With their old connections and widespread organisation they had built up a valuable business which had been making further headway in recent years. This they hoped to see continued, and they never allowed any opportunity to pass for perfecting the service to their insured. In recent times the demand for a most comprehensive technical service had increased enormously, and continued to do so. This service they were continually striving to maintain in the highest state of efficiency so that they might be able to answer every call of the insuring public.

The report and accounts were unanimously adopted.

AMALGAMATED METAL CORPORATION, LIMITED

DIVIDEND OF 7 PER CENT. MAINTAINED

MR HENRY GARDNER'S SPEECH

The tenth ordinary general meeting of the Amalgamated Metal Corporation, Limited, was held, on the 14th instant, at the Chartered Insurance Institute, 20 Aldermanbury, E.C.

Mr Henry Gardner (deputy chairman) presided.

The Chairman said:—Gentlemen, you will, I am sure, regret the absence of your chairman, Mr Sale, and more particularly because the reason is illness. I am happy to say, however, that he is making a good recovery and hopes to be with us again within the next two or three weeks.

We have to deplore the death of Mr J. J. Warren, a member of our board and of that of Henry Gardner and Company. He was the president of the Consolidated Mining and Smelting Company of Canada, Limited, with which company our relations have been very close and friendly for many years. Mr Warren was a loyal friend and a shrewd adviser, and we shall greatly miss him.

The report and accounts having been in your hands for some time, I will, with your permission, take them as read.

The directors' report gives you full information regarding market prices, investments, profits, and the proposed distribution. The accounts give also the corresponding figures for the previous year, so that it is scarcely necessary for me to comment in detail. The chief alteration to note is the change over from cash to stocks. During the year opportunities offered for carrying transactions on the metal and rubber exchanges, and of these we took advantage. The margins were profitable but not large.

You will no doubt notice in this report, as in previous reports, that our market risks are negligible. This is our considered policy.

Whilst on the subject of the accounts I would add a word, not for experts but for those who are less accustomed to analysing figures. Those of the Amalgamated Metal Corporation, which is a holding company, naturally contain little information. That company merely distributes what it receives from its constituent companies, and the dividend depends entirely on those receipts—that is, on the dividends paid by the constituent companies. It is therefore to the consolidated balance sheet of the constituent companies that you should look for the most important information and for those facts which would enable you to arrive at the value of your investment.

Before turning to more general topics, there are one or two subjects of particular interest to which I would like to refer.

EXPANSION ON TECHNICAL SIDE

The changes in the investment group have not been important. The most notable expansion in our business is on the technical side. Our technical companies are Huntington, Heberlein and Company, Limited, and the British (Non-Ferrous) Mining Corporation, Limited; the former are chemical and metallurgical engineers and the latter are primarily engaged in managing mining companies. Their activities are greatly increasing in their ordinary field, and, in addition, a new process known as the sink and float process, of which we think highly, has been developed. It is now past the experimental stage, and the first plant on a commercial scale has treated 40,000-50,000 tons of lead-zinc ore, has eliminated 55 per cent. of the gangue at very low cost, and the losses of the metals contained have been negligible, so that the total recovery has shown a very marked improvement. The process, whilst not of universal, is nevertheless of wide application, and will in many instances very greatly increase recoveries and reduce costs. Sales of plant have already begun on a compounded royalty basis and we have many inquiries.

The Greenside Mine, to which the chairman referred last year, has been put into production on a preliminary scale and is an interesting development of base-metal mining in the United Kingdom.

The political and financial events of the past 12 months need not be discussed in detail because most of them will be only too fresh in your memory. Suffice it to say that for your board and for the management it has been a period of difficulty and uncertainty. That the board is able to recommend the repetition of a dividend of 7 per cent. is, therefore, as gratifying to them as, no doubt, it is to you, and all the more because it can be paid without trenching upon our reserves or upon our handsome carry-forward.

RE-ARMAMENT AND METALS

I must now turn to wider subjects. At the beginning of the year I was inclined to a moderate optimism. The expected industrial

revival in the United States had begun and appeared likely to continue, and even recent events may perhaps not stop it. If this is so, there will be favourable reactions in the rest of the world.

Those not closely in touch with the industry are, I think, apt to overrate the effect of the demands for re-armament on the non-ferrous metals. Whilst this demand has certainly done much to keep up the activity of our industry during the last year, our experience shows that prices and turnover are more favourably influenced by demand for normal industrial purposes than for re-armament. The state of uncertainty that makes re-armament a necessity kills much enterprise and probably cancels more orders than it creates.

Of the four metals with which we are principally concerned three are under control. The tin restriction scheme is the most complete, and the producers of copper and lead have taken steps to regulate production in accordance with the requirements of the market. In all three cases the objective of these schemes is to provide the consumer with sufficient supplies at a reasonable price to avoid the mining, smelting, and distribution of wasting assets at a loss, and to prevent heavy stocks from accumulating and weighing on the market. The prices at which these schemes aim may be considered reasonable and no attempt has been made, or is likely to be made, to exploit buyers. There is no arrangement covering spelter at the present moment, but hopes are entertained that an agreement may ultimately be reached.

RUBBER

Another commodity in which we are vitally interested is rubber, which again is controlled. Difficult conditions faced the Control Committee throughout 1938.

The 90 per cent. rate of release ruling at the end of 1937 produced a heavy increase in world stocks, which reached some 565,000 tons last April. The Control Committee took increasingly drastic action to check this, and by the end of 1938 the quota had been brought back to only 45 per cent. Stocks declined by the end of 1938 to some 457,000 tons, and the Committee's action was considerably helped by a welcome rally in the U.S.A. rate of consumption, which had fallen to very low levels in the first half of the year.

The export quota is now at 50 per cent. for the first half of this year, and, if world consumption can be maintained at its present rate, a still further decline in the stock figure is anticipated.

Naturally the unsettled state of world affairs has seriously interfered with market activity. Prices fluctuated rather widely: 1938 opened at about 7½d. and dropped to 5d. in March, since when the price level has gained ground, and a little over 8d. was established early this year.

It is perhaps a satisfactory feature that, in spite of the latest crisis, the market has kept round the 8d. basis. This steadiness can be attributed to a sound market position based on a favourable statistical situation.

What the future has in store for us it is impossible to forecast, but the metals are part of the vital necessities of modern civilisation, whether in peace or war, and we have a first-class organisation and a very strong financial position. It is certain that the stocks in the hands of consumers are small and that any improvement in the general political conditions would be followed quickly by a buying movement.

I must conclude with a tribute to our staff, to whose efforts so much is due during the difficult times through which we have been and are indeed still passing. We give our warm thanks to every member of the staff, whether in the constituent or subsidiary companies.

I now move the following resolution:—"That the directors' report, balance sheet and profit and loss account for the year to March 31, 1939, as now presented, be and are hereby approved and adopted and that a dividend of 7 per cent., payable less tax, in respect of the year to March 31, 1939, upon the ordinary shares of the Corporation be and is hereby declared payable on April 18, 1939, to the members now on the register."

Captain Oliver Lyttelton, D.S.O., M.C., seconded the resolution, which, in the absence of question or comment, was put to the meeting and carried unanimously.

The retiring directors, Sir George E. Leon, Bt., Mr William Mure, Mr William Murray, the Hon. R. M. P. Preston and Mr R. C. Stanley, were re-elected, and Messrs Deloitte, Plender, Griffiths and Company having been re-appointed auditors, the proceedings terminated.

DAILY MIRROR NEWSPAPERS, LIMITED

MR JOHN COWLEY'S REVIEW

The nineteenth ordinary general meeting of the Daily Mirror Newspapers, Limited, was held, on the 20th instant, in London, Mr John Cowley (Chairman of the Company) presiding.

The Chairman said: The profit of your company for the year ended February 28th last amounted to £313,559 14s. 11d. From this sum we have placed £20,000 to reserve account and allocated £10,000 as a provision for pensions. We propose to pay a final dividend of 7½ per cent., making a total payment on the ordinary shares of 15 per cent. for the year.

Owing to the world financial depression, your company's investments, which are many, have suffered a serious depreciation in value and our income from this source has been reduced. However, the earnings of the *Daily Mirror* newspaper itself have been maintained, despite dearer newsprint, during the year under review.

Each year, for several years past, at our meetings, I have made reference to the newsprint industry.

These references have been made for three reasons. The first because paper is the largest item of expenditure in the production of a national newspaper, the second because of the question of security of supplies and safeguarding of a proper price, and the third because your company has big holdings in two large paper mills—Messrs Albert E. Reed and Company in England and the Anglo-Canadian Paper Mills in Quebec.

NEWSPRINT CONSUMPTION

At our meeting a year ago I spoke of the big decrease in the consumption of newsprint. There has been so great a fall in the demand that some mills in Canada are producing but little more than fifty per cent. of their capacity. On this basis few newsprint mills in that country are able to earn dividends or even meet their first charges. I stress the position of the newsprint industry in Canada because of your company's holdings in the Anglo-Canadian Pulp and Paper Mills, Limited. In that company we have a very large financial interest comprising debentures, preference and common shares. Despite the abnormal conditions prevailing in the industry that company has been fortunate so far in being enabled to meet its debenture interest and sinking fund obligations. I regret to say, however, that if there is no rapid increase in the demand for newsprint, the Anglo-Canadian company may be faced with a position which will jeopardise the payment of its full debenture interest.

NO CANVASSING

Shareholders' money continues to be squandered by certain national newspapers in their endeavours to increase circulation figures.

The management of the *Daily Mirror* does not resort to this means of securing new readers. The motto of your paper is "No canvassing, no free gifts." As I mentioned a year ago, this policy has paid your company and we have a 100 per cent. goodwill of every newsagent in the country as a result.

A newspaper bought on its merits is worth possibly five times as much to an advertiser as a newspaper which is purchased as the result of having been canvassed. Advertisers know this, and it is one of the chief reasons why the *Daily Mirror* carries an increasing volume of advertisements at a time when business conditions generally are not good. Our motto, "No Canvassing. No Free Gifts," has earned for the *Daily Mirror* the goodwill of advertisers and newsagents. This policy pays us. It pays the advertiser and it pays the newsagent.

During the year your directors have made what they consider to be a sound investment. Although for some years, several of the London morning papers have had complete printing plants in Manchester, the *Daily Mirror* has been satisfied with just an additional printing establishment in London necessitated by additional pages and increasing sales.

However, your directors considered it wise to safeguard the interests of the business by adding to this plant all the equipment necessary for producing your newspaper from start to finish: in effect, an independent unit has been created. In order to accommodate this plant two extra floors have been added to our Clerkenwell premises. The total cost of this safeguard will be over £100,000. The buildings at Geraldine House and Back Hill are now so equipped that both the *Daily Mirror* and the *Sunday Pictorial*, which we print under contract, can be completely produced and published at either establishment. The question of arranging printing facilities outside London has not been overlooked.

The report and accounts were adopted.

SUNDAY PICTORIAL NEWSPAPERS (1920), LIMITED

A DIFFICULT YEAR

The nineteenth ordinary general meeting was held, on the 18th instant, in London.

Mr John Cowley, who presided, said: The profit for the year ended February 28, 1939, after providing for income tax, national defence contribution, working, office and other expenses, contingencies, etc., amounted to £155,726 6s. 11d., which is £63,156 less than the profit of the previous year. We recommend the payment of a final dividend of 3½ per cent., which will make a total dividend of 10 per cent. on the ordinary shares.

The reserve account has been made up to £320,000 by the addition of £20,000, and the addition of £5,000 to the provision for pensions brings this account up to £70,000. Similar provisions have been made for a good many years.

The item creditors, surplus on sale of investments and reserve for contingencies, is down by £39,070 at £495,561 3s. 7d. This reflects a real reduction in the amount we owed at the date of the balance sheet, the reserves included being higher.

VALUE OF INVESTMENTS

Investments at cost or under figure at £2,282,372 14s. 1d. are down by £39,611. The difference is caused mainly through the redemption of part of our holding of Anglo-Canadian Pulp and Paper Mills, Ltd., debentures. The effect of this redemption is reflected in the improved cash position. You will notice a foot-note on the balance sheet regarding the value of our investments. Last year at our meeting I made reference to the drop in the market value of our holdings after the date of the balance sheet, and mentioned the possibility of having to utilise part of our reserves to write down our investments if prices did not recover. You will therefore not be altogether surprised at the necessity for the foot-note on the balance sheet to which I have called your attention.

A year ago, after I had given a brief review of the previous year's business, I expressed the hope that the year 1938 would bring a clearer political atmosphere and with it a restoration of confidence which would reflect itself in better trade and improved newspaper advertising. That hope, I regret to say, was not fulfilled. Following the Austrian crisis in March last year, there was no return of confidence during the summer. On the contrary, the lack of confidence was further increased in September, when events, in connection with the Sudetenland, came to a head. This further shock, coming upon an already depressed world, was devastating in its effect upon business generally, and inevitably newspaper advertising suffered severely. Also, your company, as the holder of investments in the newspaper and newsprint industries, has suffered a reduced income from these sources. The effect of these factors is, of course, shown in the accounts you have before you.

EFFECTS OF UNREST

Since the close of our last financial year, February 28, a further shock was administered to the world by the invasion of Czechoslovakia and Memel, followed later by the occupation of Albania. What the effects of these latest German and Italian moves will be I will not venture to predict, but it is obvious that until there is a return to a better feeling, and contentment on the Continent of Europe, there cannot be that sense of security which would enable trade to make headway, and lead to the restoration of prosperity. It is a little early yet to envisage what will be the outcome of the call for peace made by President Roosevelt.

Last year I made reference to the company's interest in the Canadian newsprint industry. We have, as you know, considerable financial interests in Messrs. Albert E. Reed and Company in England and the Anglo-Canadian Pulp and Paper Mills, Limited, in Canada. While the Reed business has suffered in its earnings, consequent upon the depression referred to, the Anglo-Canadian Company has suffered to a greater degree. In common with other Canadian newsprint companies, it has been adversely affected by the depression which prevails in America, but, in addition to this, the temporary financial embarrassment of one of the largest consumers of newsprint in the United States has added further to the difficulties of the Anglo-Canadian Company.

However, there is a bright side to the gloomiest conditions. You have in the *Sunday Pictorial* an excellent property, capable of big expansion in sales and advertisement revenue if only world conditions sufficiently improve to enable business to go ahead in a normal way. When better conditions prevail, you will, I hope, find the improvement reflected in the accounts of your company.

The report and accounts were unanimously adopted.

RUBBER PLANTATIONS INVESTMENT TRUST, LIMITED

DIVIDEND OF 10 PER CENT.

The thirtieth ordinary general meeting of the Rubber Plantations Investment Trust, Limited, was held, on the 19th instant, at 19 Fenchurch Street, London.

Mr H. J. Welch (the chairman) said that notwithstanding that the period since their last meeting had been one of continual international anxiety, advantage had been taken of low prices to increase the Trust's investments in rubber and tea shares and also to sell relatively higher-priced or poorer quality shares and re-invest the proceeds in more promising securities. The result had been to improve the intrinsic value of their investments and their dividend-earning capacity, their main object being to ensure the safety of capital and to increase their revenue-earning capacity.

With the sale of their tea plantations to the Sumatra Tea Estates, Limited, the Trust had ceased to be the direct owner of plantations and, except for undeveloped lands standing in the balance sheet at £1, all its investments now consisted of debentures, shares or other securities. Of the total book cost of £3,318,396 of investments, nearly 54 per cent. of the 268 holdings was invested within the British Empire and 45 per cent. within the Netherlands East Indies; 54 per cent. was employed in rubber, 29 per cent. in tea and 12 per cent. was in cash or invested in banks and other securities. Of the total, 94 per cent. was in ordinary shares or stock.

VALUATION OF INVESTMENTS

The valuation of their investments at December 31st last amounted to £3,357,404 and showed an appreciation over book cost of £39,008. In these days too much importance was not to be placed upon a valuation, especially of plantation shares, at any particular date, but they had brought their valuation up to a few days ago, and that showed a depreciation on book cost of £166,393, which, of course, was amply covered by their reserves.

During 1938 their gross income had been £273,480 as compared with £265,938 in the previous year, and it was proposed to pay a final dividend of 6 per cent., less tax, making a total of 10 per cent. for the year. It was difficult to forecast the prospects for the current year. The total dividends—especially those receivable in the first half of the year—would doubtless be reduced. They had in the dividend equalisation reserve a sum equal to nearly 3½ per cent. net upon their capital, and that was available for dividends whenever it was required and circumstances justified its use. He would add that in his opinion the comparative quality of their plantation investments had never been better.

There were still too many small companies which were compelled to work under less economic and efficient conditions than their larger brethren. It became increasingly obvious that the salvation of the rubber industry would depend upon more economic production and the consequent lower price at which rubber could be supplied to the world. Perhaps the most important collective enquiry which would be likely to help the industry would be a searching one into the possibility of reducing the cost of producing crude rubber and placing it upon the market. In such a search savings of very small fractions of a penny per lb. should not be despised.

He was of opinion that plantation companies, and especially rubber companies, were not the proper subject for debentures and preference shares; the income was too irregular and the fixed interest or dividends payable often became almost intolerable in times of depression. Among the special points for investors to consider were the net capital cost per planted acre and the amount of net liquid assets possessed by a company. The differences of assessment per acre under regulation should be taken into consideration, and the provision for amortisation of planted areas. The division of profits up to the hilt in dividends was to be deprecated, and depreciation of buildings, etc., should be amply provided for. The best companies generally complied with these conditions.

THE OUTLOOK

In existing international conditions any forecast of the rubber-producing industry must be a "shot in the dark." Should political tension slacken, there was hope that the improvement in American consumption might continue. At present it seemed to him that absorption this year was not likely to fall short of one million tons. The use of rubber for agriculture, the substitution of rubber for steel-tired vehicles, its growing employment in upholstery, the increasing uses of rubber in automobiles for purposes other than tyres, and numerous other uses, offered a large potential field for expansion of consumption.

The report and accounts were unanimously adopted.

LANADRON RUBBER ESTATES, LIMITED

SOUND FINANCIAL POSITION

The 31st ordinary general meeting of the Lanadron Rubber Estates, Limited, was held, on the 20th instant, in London.

Mr Eric Macfadyen (the chairman) said that a year ago they had had under review the best accounts of a decade; those now before them made a poor showing by comparison. Their accountable crop had had to be limited to 1,375,587 lbs., against 1,831,715 lbs.; they had had a rise in cost, due in the main to the reduced output, of three farthings per lb., and an average realised price nearly 2d. lower. Profits, in consequence, had dropped from £33,549 to £11,299, and their dividend recommendation was 3 per cent., as against 9 per cent.

One pleasant feature was the appearance of a profit on Sungei Sabaling Estate in place of a loss. That marked a definite stage in the progress of that young property. For two months last year they had tapped there and got highly encouraging results. He had no doubt that investment would pay Ledbury and themselves well once conditions justified tapping the place commercially. Both companies had decided to utilise the new planting rights allotted to them in extending Sungei Sabaling. These extensions, which would bring the cultivated area up to 1,275 acres, were the chief work in progress on the estate. On Lanadron Estate, where some of the rubber was almost 40 years old, they were engaged in an extensive programme of replanting. Lanadron continued in the class of cheap producers, and, as bark reserves were if anything improved, it should hold its own in that respect. As to the financial position of the company, in relation to their commitments they were amply provided with funds.

They were under a deep obligation to the Rubber Regulation Committee. The years in which they had been in the saddle had been critical and difficult. The aggregate international quotas of 1,519,000 tons for 1938 did not exaggerate total productive capacity and, as absorptive capacity this year could not be put much higher than one million tons, it was easy to guess the position if there had been no international agreement. Unregulated during those years rubber might easily have ruled under 4d. per lb. throughout and could frequently have been below 2d., as in 1932. The Committee had earned their gratitude and commended their confidence.

The report was unanimously adopted.

LEDBURY RUBBER ESTATES, LIMITED

DIVIDEND OF 3 PER CENT.

The 30th ordinary general meeting of the Ledbury Rubber Estates, Limited, was held, on the 20th instant, at 1 Great Tower Street, London, E.C.3.

Mr Eric Macfadyen (the chairman) said that apart from the £5,000 of tin receipts put to reserve, the year's trading had resulted in a profit of £6,275. That was a low figure compared with the previous year. The accountable crop was reduced in round figures from 661,000 lbs. to 440,000 lbs., due to the lower rate of releases allowed and as a consequence costs had risen fully 1½d. per lb. Not only did those factors tell against the profit-earning capacity of the company, but in addition the net sale price was nearly ½d. per lb. under the corresponding figure for 1937. Those facts would explain the reason why they did not feel justified in recommending a higher dividend than one of 3 per cent. They would then carry forward to next account rather more than the balance brought in.

The estates had been maintained in good order. A further 28 acres were replanted, bringing the replantings to date up to 143 acres. They had this year sanctioned the replanting of an additional 147 acres on Kinrara and it was with this policy of replanting in mind that £5,000 of the tin receipts had been transferred to property depreciation reserve.

Owing to the low quota releases allowed to the tin mining industry, Sione Tin (F.M.S.), Limited, had mined a comparatively small area, just under 8½ acres during the year. Satisfactory reports continued to be received regarding Sungei Sabaling Estate. For the short time during which two of the fields were tapped, the yields were exceptionally good. That young property had 815 acres planted.

Under prevailing political conditions little could be said regarding the current year's prospects. The permissible export for the first two quarters of 1939 had been fixed at 47½ per cent. in Malaya and unless the outlook clarified in such a way as to put fresh confidence into markets, the 1939 prospects for rubber companies were not such as to promise much improvement on 1938 results.

The report was unanimously adopted.

BRITISH ENKA ARTIFICIAL SILK COMPANY, LIMITED

IMPROVING OUTLOOK

The fourteenth ordinary general meeting of shareholders of the British Enka Artificial Silk Company, Limited, was held, on the 17th instant, in London.

Mr A. D. Carmichael presided.

Mr J. H. Jennings, F.C.I.S., on behalf of the secretaries (Union Corporation, Limited), read the notice convening the meeting and the auditors' report.

The Chairman, in the course of his remarks, said:—Operations for the year resulted in a working loss of £7,976, but it should be remembered that this loss arises after charging an exceptional expense of £34,367 for special renovations in the factory, and after writing down our wood pulp to the market price at the end of the year, whilst we incurred some expenditure on Air Raid Precautions.

The major reason for the working loss is the state of trade during the year. In common with other rayon producers, we had the lowest demand for our product for many years. After the first three months of the year we had to reduce our production considerably, but in spite of this stocks continued to increase, and we finally had to make a further material reduction. This necessarily meant a very serious increase in cost price, as it is impossible to reduce expenses *pro rata* to the reduction of production. Although we were working on a rather better selling price for the latter part of the year, these serious reductions in production meant that margins of profit entirely vanished.

MORE EFFICIENT PRODUCTION

During the year we have completely renovated and adjusted our plant to give us increased efficiency. As a consequence we now have a thoroughly efficient and up-to-date plant capable of producing good quality rayon at a low cost price. In the current year

we have already felt the benefit of this, and as we have been able to increase considerably our production, we are at the present time working with a margin of profit.

The British Viscose Association, to which Mr Pott referred in his speech last year, has worked in a very satisfactory manner throughout the period under review. We have taken an active part in the membership of this and believe that it is largely due to the formation and satisfactory working of this association and its happy relationships with Messrs Courtaulds, Limited, that the better price position in the industry has been achieved.

We have noted with great satisfaction the arrangements between the two leading rayon producers, and we hope that the industry is now entering a period of prosperity. These arrangements, combined with the benefits derived from the British Viscose Association, make me hopeful that we shall be working on a somewhat better price level for the whole of the current year.

EXPANDING INDUSTRY

We have again improved the quality of our product, and it is now the very best in the market. If confidence can be restored and we have a reasonable demand for our product, our company can look forward to a genuine turn in its fortunes. We have confidence that our industry is an expanding one and that our company will share in that expansion. Export trade is negligible and can only be done at prices which are quite unprofitable, but in the home market we believe there will be an increase in rayon consumption, which could be fostered to the full if the heavy excise tax of 6d. per lb. were removed.

We have continued to receive the assistance and collaboration of A.K.U., and we are greatly indebted to them for the technical advice which has resulted in the renovations and improvements to our plant enabling us to reduce our cost of production.

The report and accounts were adopted. At the subsequent extraordinary general meeting the motion for the change of name of the company to "British Enka, Limited," was passed.

(Continued from page 212)

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1939 (New Basis)	16,583,919	2,300,796	17,884,715
1938 (New Basis)	20,083,390	4,108,277	24,191,667
1939 (Old Basis)	12,807,435	928,447	13,735,882
1938 (Old Basis)	14,580,122	2,280,722	16,860,844

Note.—"Old Basis" includes only public issues and issues to shareholders only. "New Basis" includes all new capital in which permission to deal has been granted.

CONVERSIONS AND REPAYMENTS

City of Osaka Five per Cent. Sterling Bonds.—The Yokohama Specie Bank announce that these bonds, which mature May 1st, will be duly repaid on that date. The outstanding balance is £1,787,660 out of a total issue of £3,084,940 made in 1909.

SHORTER COMMENTS

Company Results of the Week.—The decline in profits generally experienced by brewers is reflected in the WHITBREAD & CO. accounts, but the 18 per cent. dividend is repeated. Rubber companies' profits are still running at about half the level recorded for 1937. The drop in CHEVIOT earnings, however, from £47,120 to £34,201, is relatively moderate. JOHN I. JACOBS AND COMPANY have reduced the ordinary dividend from 8 per cent. to 6 per cent., but the company did not feel the full force of the 1938 drop in tanker freights, since a certain amount of business had been arranged ahead. Profits of SELFRIDGE PROVINCIAL STORES for the year to January 31st last are £172,825, compared with £115,795 earned in the preceding six-months' period. ARMY AND NAVY STORES have experienced a sharp decline in net profits, which amount to £128,306 against £174,683. BRYANT AND MAY total profits have fallen by no more than 1½ per cent. to £622,365, and the 25 per cent. tax free dividend is repeated. The 1936-37 accounts of ITAS LTD. have been amended, since when originally presented they did not show certain liabilities.

A loss for 1937-38 of £80,447 is shown, and this is practically the same as the (corrected) loss for 1936-37. LAURENCE SCOTT AND ELECTROMOTORS report higher profits, at £105,388 against £95,680. Output was considerably higher, but owing to Government supervision of costs, profits did not rise in proportion. A substantial rise in earnings from £75,757 to £220,399 is shown by JOHN MACKINTOSH AND COMPANY, who are amalgamating with their subsidiary, A. J. CALEY AND SON. A moderate fall in SKEFKO BALL BEARING profits has not affected the distribution, which remains at 30 per cent. tax free. The AULT AND WIBORG dividend is reduced by 1 per cent. to 14 per cent., and earnings amount to £51,430 against £55,028. Satisfactory stability of profits is shown by W. T. HENLEY'S TELEGRAPH WORKS, for trading results are only 1½ per cent. lower at £445,159. In common with similar types of business, AUSTIN REED show a drop in profits, but the dividend is again 10 per cent. Aggregate operating profits of the subsidiaries of ENO PROPRIETARIES are £174,366, against £204,487. The Overseas group did better than in 1937, but a substantial sum was set aside in respect of exchange restrictions. Another company which reveals stability of profits is EVER READY TRUST, whose gross revenue totals £31,690, against £33,764.

MISCELLANEOUS

Lever Bros. and Unilever Ltd., Lever Bros. and Unilever N.V.—Final dividends: English Co., 6 per cent., making 10 per cent. for 1938; Dutch Co., 4½ per cent., making 7½ per cent. Net profits (before appropriations, after taxation), £6,319,244 (against £6,576,317) and Fl. 27,083,588 (against Fl. 23,217,516) respectively. To make Dutch Co's. net profits comparable with previous year, add to 1937 profits Fl. 3,243,510, representing preferential dividends of subsidiaries now replaced by preference capital of Dutch Co. Report will be published April 26th.

Marks and Spencer.—Final dividend is 27½ per cent., making 42½ per cent. (same). Capital bonus on "A" and "A" Ordinary again 10 per cent. Profits, £1,781,958, against £1,602,450. To reserve, £342,203.

J. and P. Coats, Ltd.—Net profit, £1,535,297, against £2,077,459. Total distribution for year, 10 per cent. (same). From dividend reserve, £200,000. Carry forward £481,865 (£551,568).

Babcock & Wilcox.—Preliminary statement shows profits of £809,902, against £601,058. Final dividend of 6 per cent. plus 2½ per cent. bonus, making for year 12½ per cent., against 10 per cent.

Selfridge Provincial Stores.—Trading profits for year to January 31, 1939, £172,825, against £115,795 for previous six months. Debenture interest, £33,948. Tax absorbed £10,766 more at £25,202. Net leases depreciation, £5,000 (£2,500). Net profit, £54,840, against £48,640 for six months. Carry-forward raised from £10,917 to £11,381. Ordinary dividend reduced from 3½ to 2½ per cent.

Sir Lindsay Parkinson and Company.—Net profit 1938, £197,384 (£63,649). Deferred ordinary dividend, 18½ per cent. (3s. 7½d.), compared with 10.0346d. per share for period July 13 to December 31, 1937. The 5 per cent. preferred ordinary shares receive a total for year of 12½ per cent. From 1938 profits, £50,000 to general reserve and £70,000 for tax and N.D.C. (against £18,050). Carry forward, £7,221.

Associated Manganese Mines of South Africa.—Trading profits for 1938, £74,517. In previous three-month period to end of 1937, profits were £35,145. Net profits, £63,724. Tax provision raised from £2,000 to £3,812. To general reserve, £20,000 (£10,000). Ordinary dividend, 10 per cent. against 7½ per cent. for initial period. Carry-forward raised from £8,324 to £16,285.

Henley's Telegraph Works.—Profits for 1938, £374,042, against £383,112, after depreciation of £61,012 (£60,602). Ordinary dividend maintained at 20 per cent., including 5 per cent. bonus. To reserve, £100,000 (£100,000); £9,168 to reserve against trustee securities, and £7,000 against depreciation of these securities since December 31, 1938. Carried forward, £415,394 (£426,520).

(Continued on page 229)

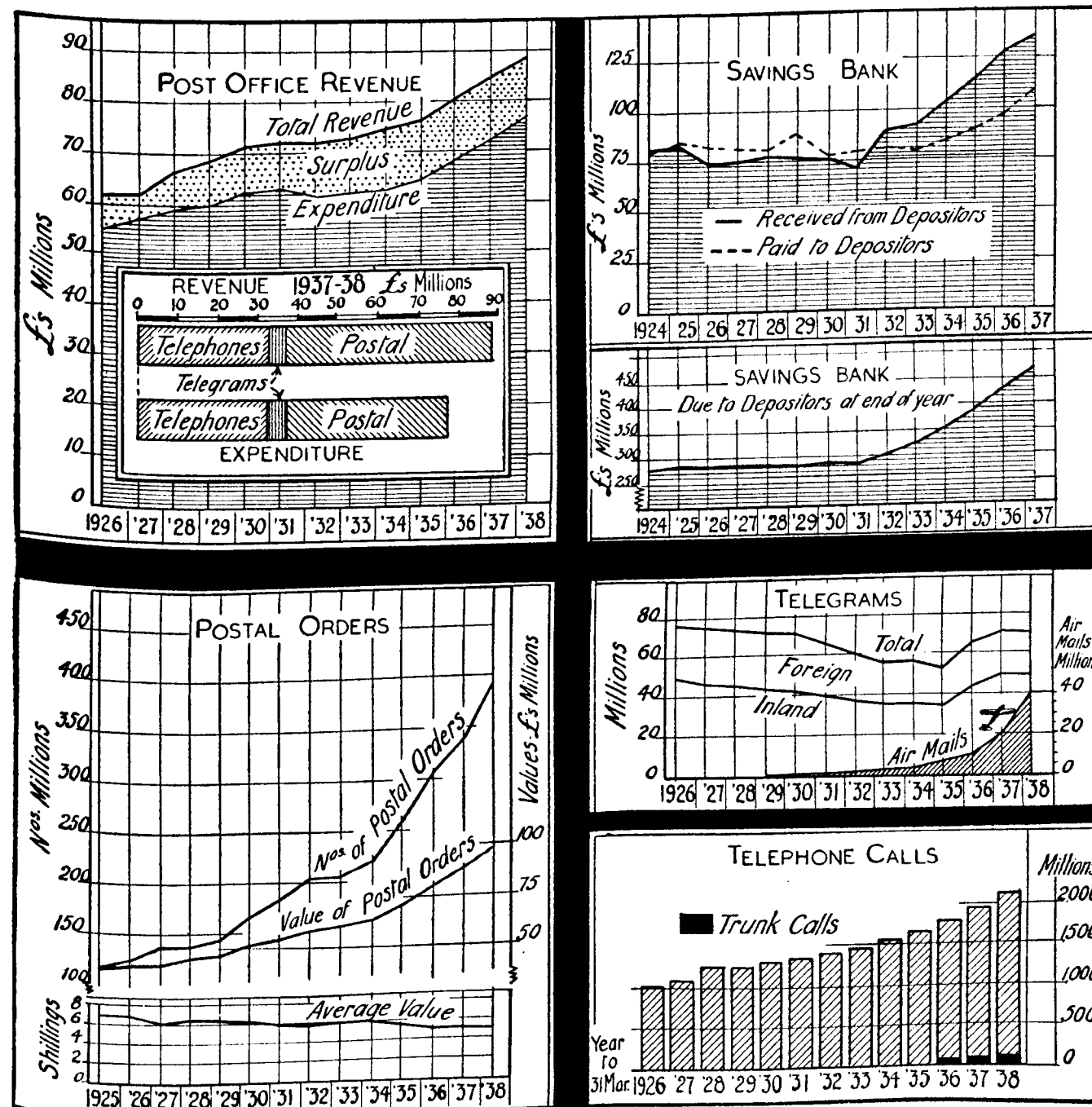
CURRENT STATISTICS

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

The Post Office



The figures for savings banks are for calendar years; all others are for financial years ended March 31st.

Finance

GOVERNMENT RETURNS

For the week ended April 15, 1939, total ordinary revenue was £10,433,000, against ordinary expenditure of £18,995,000. Thus, including sinking fund allocations, the deficit accrued since April 1, 1939, is £18,658,000, against £13,842,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	Apr. 1, 1938, to Apr. 16, 1938	Apr. 1, 1939, to Apr. 15, 1939	Week ended Apr. 16, 1938	Week ended Apr. 15, 1939
ORDINARY REVENUE				
Income Tax	7,244	8,040	853	1,512
Sur-tax	2,470	2,440	610	600
Stamp duties	3,390	2,800	1,520	1,230
Stamps	330	300	330	300
Nat. Defence Cont.	300	790	80	270
Other Inland Rev.	40	100	10	40
Total Inland Rev.	13,774	14,470	3,403	3,952
Customs	9,274	8,503	3,774	3,849
Excise	2,100	1,910	900	1,010
Total Customs and Excise	11,374	10,413	4,674	4,859
Motor duties	2,559	2,517	1,109	1,071
P.O. (Net Receipts)	400	500	300	550
Receipts from Sundry Loans	58	55	...	...
Misc. receipts	342	38	250	1
Total Ordinary Rev.	28,507	27,993	9,736	10,433
SELF-BAL. REVENUE P.O. and Broadcasting	2,300	2,100	900	800
Total	30,807	30,093	10,636	11,233

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	Apr. 1, 1938, to Apr. 16, 1938	Apr. 1, 1939, to Apr. 15, 1939	Week ended Apr. 16, 1938	Week ended Apr. 15, 1939
ORDINARY EXPENDITURE				
Interest & Management of National Debt	22,137	22,377	4,091	4,499
Other Consol. Fund Services	277	279	...	146
Total	22,414	22,656	4,091	4,745
Supply Services	19,700	23,750	11,200	14,250
Total Ord. Expend.	42,114	46,406	15,291	18,995
Sinking Funds	235	245	...	...
SELF-BALANCING EXPENDITURE P.O. and Broadcasting	2,300	2,100	900	800
Total	44,649	48,751	16,191	19,795

After raising Exchequer balances by £62,503 to £2,604,702, the other operations for the week (as shown below) raised the gross National Debt by £8,625,000 to about £8,320 millions.

WEEK'S CHANGES IN DEBT

(£ thousands)		NET INCREASES		NET REPAYMENTS, ETC.	
Treasury Bills	7,975	Public Debt Adv.	1,050	P.O. and Tel. etc.	350
Bullion Adv.	25	N. At. Shipping	25		
	9,050		425		

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to April 15, 1939, are shown below:—

(£ thousands)		Ordinary Rev.	
Ordinary Exp.	46,406	Gross. Borr.	27,993
Inc. in balances	105	Less Sinking Funds	245
	46,511	Net borrowing	18,518
			46,511

FLOATING DEBT

(£ millions)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1938						
Apr. 16	522.0	306.8	28.6	1.5	858.9	335.4
Dec. 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
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
" 18	356.0	505.7	41.8	...	903.5	547.5
" 25	366.0	502.2	43.4	...	911.6	545.6
Apr. 1	387.0	510.8	34.4	...	932.2	545.2
" 15	394.0	511.7	35.4	...	941.2	547.2

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

TREASURY BILLS

(£ millions)

Date of Tender	Amount			Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted	
1938				
Apr. 15	45.0	85.6	45.0	10 2.82
Dec. 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	67.8	23.0	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
" 17	40.0	73.8	40.0	10 1.32
" 24	45.0	77.9	45.0	14 7.44
" 31	45.0	77.9	45.0	26 6.72
Apr. 6	35.0	58.0	32.0	26 2.83
" 14	30.0	51.3	30.0	31 2.37

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 April 14th applications at £99 12s. 2d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted at about 50 per cent. and applications at higher prices in full. £30.0 millions of Treasury bills are being offered on April 21st.

NATIONAL SAVINGS CERTIFICATES

Sales in		Number		Purchase Price	
Thirteen weeks to:—					
April 2, 1938		9,057,665		6,793,248	
April 1, 1939		8,465,337		6,349,003	
Week to:—					
April 2, 1938		659,551		494,663	
March 25, 1939		540,916		405,687	
April 1, 1939		594,841		446,131	

BANK OF ENGLAND RETURNS

APRIL 19, 1939

ISSUE DEPARTMENT

(£ thousands)		Govt. Debt.	
Notes Issued:		11,015,100	
In Circulation	485,004,032	Other Govt. Securities	287,463,098
In Banking Dept.	41,155,973	Other Secs.	707,139
		Silver Coin	814,663
		Amt. of Fid. Issue	300,000,000
		Gold Coin & Bullion	226,160,005
		(per oz. fine)	
		526,160,005	526,160,005

BANKING DEPARTMENT

(£ thousands)		Govt. Secs.	
Props. capital	14,551,000	Other Secs.	101,976,164
Reserve	3,133,182	Discs, etc.	6,742,265
Public Depts.	22,128,795	Securities	24,225,101
Other Depts.			
Bankers	96,473,161		30,967,368
Other	38,830,040		
	135,303,201		
		Notes	41,155,973
		Gold & Silver Coin	1,018,615
			175,118,118

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

THE WEEK'S CHANGES

(£ thousands)

Both Departments		Compared with	
		Apr. 19, 1939	Last Week
COMBINED LIABILITIES			
Note circulation	485,004	- 4,699	- 10,573
Deposits: Public	22,129	+ 4,390	+ 4,102
Bankers	96,473	- 1,173	- 9,988
Others	38,830	- 2,106	- 2,705
Total outside liabilities	642,436	- 3,588	- 13,754
Capital and reserve	17,686	+ 9	+ 17
COMBINED ASSETS			
Govt. debt and securities	400,454	- 7,144	+ 83,220
Discounts and advances	6,742	+ 466	+ 1,490
Other securities	24,932	+ 3,156	+ 3,735
Silver coin in issue dept.	815	+ 2	+ 306
Gold coin and bullion	227,179	+ 59	+ 100,043
RESERVES			
Res. of notes & coin in banking department	42,175	+ 4,640	+ 10,530
Proportion of reserve to outside liabilities	26.7%	+ 2.7%	+ 7.0%
(a) Bank, dept. only ("proportion")			
(b) Gold stocks to deposits and notes ("reserve ratio")	35.4%	+ 0.2%	- 14.5%

† Revalued from Mar. 1, 1939, in accordance with the Currency and Bank Notes Act, 1939.

COMPARATIVE ANALYSIS*

(£ millions)

	1938				1939			
	Apr. 20	Mar. 29	Apr. 5	Apr. 12	Apr. 19	Apr. 12	Apr. 5	Apr. 19
Issue Dept.:								
Notes in circ.	495.6	482.0	491.5	489.7	485.0			
Govt. debt	30.8	44.2	34.7	36.5	29.2			
Govt. debt and securities	199.6	298.9	299.1	298.9	298.9			
Other sec.	0.4	0.3	0.1	0.3	0.7			
Silver coin	0.0	0.8	0.8	0.8	0.8			
Gold, valued at s. per f. oz.	326.4	226.2	226.2	226.2	226.2			
Deposits:								
Public	18.0	21.8	16.0	17.7	22.1			
Bankers	106.5	98.5	91.9	97.7	96.5			
Others	36.1	36.3	40.5	40.9	38.8			
Total	160.6	156.6	148.4	156.3	157.4			
Bkg. Dept. Secs.								
Govt. Govt.	117.6	102.3	100.4	108.7	102.0			
Discs, etc.	8.2	4.8	8.5	6.3	6.7			
Other	20.8	22.4	21.5	21.5	23.2			
Total	146.6	129.5	130.4	136.5	148.9			
Banking dept. reserve	31.6	45.2	35.8	37.5	42.2			
"Proportion"	19.7	28.9	24.1	27.0	26.7			
Reserve ratio†	49.9	35.6	35.6	35.2	35.4			

* Government debt is £11,015,100; capital £14,551,000. † Gold stocks in both departments and 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; Lithuania, of March 25th; Iran, of April 1st; Argentina, Egypt and Roumania, of April 8th; Canada, Danzig, Denmark, Greece, Hungary, India, Java, Jugoslavia and Poland, of April 15th.

U.S. FEDERAL RESERVE BANKS

Million \$'s

12 U.S.F.R. BANKS		Apr. 21, 1938	Mar. 23, 1939	Apr. 13, 1939	Apr. 20, 1939
RESOURCES		1938	1939	1939	1939
Gold certis. on hand and due from Treas.		10,642	12,308	12,717	12,877
Total reserves		11,104	12,723	13,102	13,267
Total cash reserves		453	406	376	381
Total bills discounted		10	3	3	3
Bills br. in open mkt.		1	1	1	1
Total bills on hand		10	4	4	3
Industrial advances		17	14	14	13
Total U.S. Govt. secs.		2,564	2,564	2,561	2,564
Total bills and secs.		2,591	2,582	2,582	2,581
Total resources		14,383	16,008	16,447	16,632
LIABILITIES					
F.R. notes in circn. ...		4,121	4,335	4,394	4,418
Aggregate of excess mkt. bank res. over reqts.		2,490	3,360	3,880	4,000
Deposits—Member-bank reserve account		7,547	8,989	9,528	9,743
Govt. deposits		1,438	1,222	1,015	951
Total deposits		9,323	10,722	11,057	11,202
Cap. paid in and surplus		307	311	311	311
Total liabilities		14,383	16,008	16,447	16,632
Reserve to depts. and F.R. notes		82-6%	84-5%	84-8%	84-9%
U.S.F.R. BANKS AND TREASURY COMBINED RESOURCES					
Monetary gold stock		12,841	15,075	15,430	15,605
Treasury and Nat. Bk. currency		2,681	2,834	2,842	2,844
LIABILITIES					
Money in circulation...		6,368	6,758	6,835	6,858
Treasury cash and deposits with F.R. Bks.		3,592	3,965	3,722	3,674

BANK CLEARINGS

LONDON

(£ thousands)

	Month of March			Week ended Wednesday		Aggregate from January 1 to	
	1938	1939	Change	Apr. 20, 1938	Apr. 19, 1939	Apr. 20, 1938	Apr. 19, 1939
Number of working days:	27	27	%	4	6	92	91
Town	2,915,224	2,704,859	- 7.2	445,958	617,368	10,313,343	9,433,114
Metropolitan	183,063	176,519	- 3.6	28,675	38,983	665,704	631,105
Country	321,918	319,563	- 0.7	49,938	74,204	1,160,059	1,135,970
Total	3,420,205	3,200,941	- 6.4	524,571	730,555	12,139,106	11,202,189

PROVINCIAL

(£ thousands)

	Month of March			Week ended Saturday		Aggregate from January 1 to	
	1938	1939	Change	Apr. 16, 1938	Apr. 15, 1939	Apr. 16, 1938	Apr. 15, 1939
No. of working days:	27	27	%	5	5	91	89
BIRMINGHAM	10,583	10,631	+ 0.4	1,928	1,534	38,666	37,512
BRADFORD	3,593	3,783	+ 5.2	634	657	13,136	12,990
BRIISTOL	5,913	5,754	- 2.6	1,062	862	19,791	19,358
HULL	3,977	3,605	- 9.3	687	711	13,878	12,691
LEEDS	4,341	4,734	+ 9.0	760	546	16,398	16,486
LEICESTER	3,309	3,287	- 0.6	552	552	11,467	11,187
LIVERPOOL	24,799	22,884	- 7.7	4,406	4,096	84,800	75,569
MANCHESTER	43,958	43,147	- 1.8	8,065	7,423	154,559	146,809
NEWCASTLE	6,865	7,102	+ 3.4	1,297	1,002	24,902	23,671
NOTTINGHAM	2,323	2,216	- 4.6	429	332	8,388	7,747
SHEFFIELD	4,857	4,922	+ 1.3	873	665	18,724	16,865
Total: 11 Towns	114,518	112,065	- 2.1	20,799	18,380	404,685	381,875
DUBLIN	...	...	...	7,105	5,261	92,046	98,016†

MONEY RATES

LONDON

	Apr. 13, 1939	Apr. 14, 1939	Apr. 15, 1939	Apr. 17, 1939	Apr. 18, 1939	Apr. 19, 1939	Apr. 20, 1939
Bank rate (changed from 2½% June 30, 1932)	2	2	2	2	2	2	2
Market rates of discount							
60 days' bnkrs. drafts	1-11½	7½	1	1	1	1	1
3 months' do.	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
4 months' do.	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
6 months' do.	2-2½	2-2½	2½	2-2½	2-2½	2-2½	2-2½
Discount Treasury Bills							
2 months'	1-11½	7½	1	1	1	1	1½
3 months'	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Loans—Day-to-day	1½-1	1½-1	1½-1	1½-1½	1½-1½	1½-1	1½-1
Short advances	1½-1	1½-1	1½-1	1½-1½	1½-1½	1½-1	1½-1
Discount houses at call	1½	1½	1½	1½	1½	1½	1½
At notice	1½	1½	1½	1½	1½	1½	1½

Comparison with previous weeks

	Short Loans	Bank Bills			Trade Bills		
		3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1939							
March 23	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
30	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
April 5	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
13	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
20	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—						
	Apr. 20, 1938	Mar. 22, 1939	Mar. 29, 1939	Apr. 4, 1939	Apr. 12, 1939	Apr. 19, 1939
Call money	1½	1½	1½	1½	1½	1½
Time money (90 days' mixed coll.)	1½	1½	1½	1½	1½	1½
Bank acceptances	1½	1½	1½	1½	1½	1½
Members—eligible, 90 days	1½	1½	1½	1½	1½	1½
Non-mem.—eligible, 90 days	1½	1½	1½	1½	1½	1½
Commercial accept., 90 days	1½	1½	1½	1½	1½	1½

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges

(Range of the day's business)

London on	Par of Exch. per £	Apr. 14, 1939	Apr. 15, 1939	Apr. 17, 1939	Apr. 18, 1939	Apr. 19, 1939	Apr. 20, 1939
New York, \$.	4.862½	4.68-4.67½	4.67½-4.68½	4.68½-4.69½	4.69½-4.70½	4.70½-4.71½	4.71½-4.72½
Montreal, \$.	4.862½	4.68½-4.69½	4.69½-4.70½	4.70½-4.71½	4.71½-4.72½	4.72½-4.73½	4.73½-4.74½
Paris, Fr.	124.21	176½-177	177-178	178-179	179-180	180-181	181-182
Brussels, Bel.	35.00a	27.81-27.80	27.80-27.81	27.81-27.82	27.82-27.83	27.83-27.84	27.84-27.85
Milan, L.	92.46	88.97½-88.97	88.97-88.98	88.98-88.99	88.99-89.00	89.00-89.01	89.01-89.02
Zurich, Fr.	25.22½	20.86-20.85	20.85-20.86	20.86-20.87	20.87-20.88	20.88-20.89	20.89-20.90
Athens, Dr.	375	540-555	540-555	540-555	540-555	540-555	540-555
Amst'd'm, Fl.	12.107	8.81-8.81½	8.81½-8.82½	8.82½-8.83½	8.83½-8.84½	8.84½-8.85½	8.85½-8.86½
Berlin, Mk.	20.43	11.67-11.68	11.68-11.69	11.69-11.70	11.70-11.71	11.71-11.72	11.72-11.73
Registered Marks							
Br. India Rup.	†18d.	172½-173	173-174	174-175	175-176	176-177	177-178
Hong Kong, \$	†1	14½-14½	14½-14½	14½-14½	14½-14½	14½-14½	14½-14½
Shanghai, \$	†1	8.81½-8.81½	8.81½-8.81½	8.81½-8.81½	8.81½-8.81½	8.81½-8.81½	8.81½-8.81½
Rio, Mil.	†5.899d.	20.15-20.17	20.17-20.18	20.18-20.19	20.19-20.20	20.20-20.21	20.21-20.22
B. Aires, \$	11.45	17.13½-17.13½	17.13½-17.13½	17.13½-17.13½	17.13½-17.13½	17.13½-17.13½	17.13½-17.13½
Valparaiso, \$	40	116½-116½	116½-116½	116½-116½	116½-116½	116½-116½	116½-116½
Montevideo, \$	†51d.	18-19	18-19	18-19	18-19	18-19	18-19
Lima, Sol.	17.38	22½-23½	23½-24½	24½-25½	25½-26½	26½-27½	27½-28½
Mexico, Pes.	9.76	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd
Manila, Pes.	†25.66d.	25½-25½	25½-25½	25½-25½	25½-25½	25½-25½	25½-25½
Moscow, Rbls.	...	24.80½-24.80½	24.80½-24.80½	24.80½-24.80½	24.80½-24.80½	24.80½-24.80½	24.80½-24.80½

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 in 18 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 £	April 14, 1939	April 19, 1939	April 20, 1939
Helsingfors, M.	193.23	226½-227½	226½-227½	226½-227½
Madrid, Pt.	25.22½	42½-42½	42½-42½	42½-42½
Lisbon, Esc.	110	110-110½	110-110½	110-110½
Budapest, Pen.	27.82	23½-24½	23½-24½	23½-24½
Prague, Kc.	§164½	Nominal	Nominal	Nominal
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	205-215	205-215	205-215
Kyovo, 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	19.85-19.85	19.85-19.85	19.85-19.85
Stockholm, Kr.	18.159	19.35-19.35	19.35-19.35	19.35-19.35
Copenhagen, Kr.	18.159	22.35-22.35	22.35-22.35	22.35-22.35
Alexandria, Pst.	97½	97½-97½	97½-97½	97½-97½
Kobe, Yen	†21.83d.	13½-14½	13½-14½	13½-14½
Singapore, S.	12.11	27½-28	27½-28	27½-28
Batavia, F.	12.11	8.78-8.78	8.78-8.78	8.78-8.78
Bangkok, Baht	†21.83d.	22½-23½	22½-23½	22½-23½

Usance: T.T., except Alexandria (Sight). * Sellers. † Pence per unit of local currency. ‡ Par 197½ since koruna devaluation on February 17, 1934. Rate for payments to the Bank of England. (f) Under Anglo-Spanish Agreement. (k) Under Anglo-Turkish Agreement. (l) Nominal. (m) Official.

LONDON—FORWARD

(Closing quotations)

London on	Apr. 14, 1939	Apr. 15, 1939	Apr. 17, 1939	Apr. 18, 1939	Apr. 19, 1939	Apr. 20, 1939
New York cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	1-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
3 "	2-1½	2-1½	2-1½	2-1½	2-1½	2-1½
6 "	3-2½	3-2½	3-2½	3-2½	3-2½	3-2½
Paris, francs	(d)	(d)	(d)	(d)	(d)	(d)
1 Month	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
3 "	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
6 "	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Amsterdam, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½
3 "	2-1½	2-1½	2-1½	2-1½	2-1½	2-1½
6 "	3-2½	3-2½	3-2½	3-2½	3-2½	3-2½
Brussels, cent.	(d)	(d)	(d)	(d)	(d)	(d)
1 Month	42-47	60-65	54-59	50-55	50-55	50-55
3 "	60-70	75-80	70-80	65-75	70-80	70-80
6 "	80-90	90-95	85-95	80-90	85-95	85-95
Geneva, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	3-1	3-1	2-1	2-1	2-1	2-1
3 "	5-3	5-3	4½-2½	4½-2½	4½-2½	4½-2½
6 "	7-5	8-6	7-5	7-5	7-5	7-5

(p) Premium.

(d) Discount.

EXCHANGE RATES—cont.

NEW YORK

New York on	Apr. 13, 1939	Apr. 14, 1939	Apr. 15, 1939	Apr. 17, 1939	Apr. 18, 1939	Apr. 19, 1939
London :—	Cents	Cents	Cents	Cents	Cents	Cents
60 days	467 ¹⁷ / ₃₂	467 ¹⁷ / ₃₂	467 ²⁹ / ₃₂	467 ¹⁷ / ₃₂	467 ⁵ / ₁₆	467 ¹⁷ / ₃₂
Cables	468 ¹ / ₁₆	468 ¹ / ₁₆	468 ¹ / ₁₆	468 ¹ / ₁₆	468	468
Demand	467 ¹⁵ / ₁₆	467 ¹⁵ / ₁₆	468 ¹ / ₁₆	467 ¹⁵ / ₁₆	467 ¹⁵ / ₁₆	467 ⁸ / ₁₆
Paris, Fr.	2.64 ³ / ₈	2.64 ¹ / ₁₆	2.65 ¹ / ₈	2.64 ⁷ / ₈	2.64 ⁷ / ₈	2.64 ³ / ₈
Brussels, Bel.	16.81	16.81 ¹ / ₄	16.82	16.81 ¹ / ₂	16.81 ¹ / ₂	16.80 ¹ / ₂
Switzerland, Fr.	22.42 ¹ / ₂	22.42 ¹ / ₂	22.43	22.43	22.43	22.43
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, Mk.	40.09 ¹ / ₂	40.00 ¹ / ₂	40.05	40.03	40.03 ¹ / ₂	40.05
Amsterdam, Guilder	53.08	53.08	53.09	53.08	53.09	53.09
Copenhagen, Kr.	20.89 ¹ / ₂	20.89 ¹ / ₂	20.91	20.89 ¹ / ₂	20.89	20.89
Oslo, Kr.	23.52	23.52	23.53	23.52	23.52	23.52
Stockholm, Kr.	24.12 ¹ / ₂	24.12 ¹ / ₂	24.13 ¹ / ₂	24.12 ¹ / ₂	24.12	24.11
Athens, Dr.	0.86	0.86	0.86	0.86	0.86	0.86
Montreal, Can. \$	99.400	99.400	99.430	99.430	99.500	99.430
Yokohama, Yen	27.31	27.31	27.32	27.31	27.31	27.31
Shanghai, \$	16.18	16.18	16.18	16.18	16.18	16.18
B. Aires, Pes.	29.03	29.03	29.06	29.03	29.03	29.03
Rio, Milreis†	5.50*	5.50*	5.50*	5.50	5.50	5.50

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended April 16 (£'000)					Aggregate Gross Receipts, 15 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Goods	Total	Passenger	Merchandise	Coal & Coke	Goods	Total
L.M. & S.—										
1938	700	416	220	636	1,336	6,318	7,256	4,344	11,600	17,918
1939	484	436	213	649	1,133	6,211	6,601	4,393	10,994	17,205
L. & N.E. (a)—										
1938	418	281	192	473	891	4,135	5,132	4,006	9,138	13,273
1939	328	311	227	538	866	4,088	4,605	3,892	8,497	12,585
Great Western—										
1938	289	163	98	261	550	2,634	2,956	1,830	4,786	7,420
1939	205	168	91	259	464	2,629	2,796	1,721	4,517	7,146
Southern—										
1938	429	53	24	77	506	4,142	908	529	1,437	5,579
1939	321	53	27	80	401	4,145	845	526	1,371	5,516
Total—										
1938	1836	913	534	1447	3,283	17,229	16,252	10,709	26,961	44,190
1939	1338	968	558	1526	2,864	17,073	14,847	10,532	25,379	42,452

(a) Week ended April 15.

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	— 713	— 688	— 274	— 63
Weekly Figures				
Av. weekly decrease, 1st half 1939	— 47.53	— 45.86	— 18.26	— 4.20
Latest week compared with 1938	— 25	— 86	— 86	— 105
Latest week compared with average 1927-30	— 282	— 157	— 120	— 1

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended April 14, 1939 (£'000)			Aggregate Gross Receipts 15 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1938	1.9	0.4	2.3	25.2	6.6	31.8
1939	3.8	0.3	4.1	27.3	6.4	33.7
Great Northern—						
1938	10.6	8.6	19.2	122.5	131.9	254.4
1939	14.2	8.4	22.6	131.9	145.3	277.2
Great Southern—						
1938	35.3	40.0	75.3	430.1	609.4	1039.5
1939	41.5	34.9	76.4	440.6	601.7	1042.3

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					Rhodesian Anglo-American	5%*	May 23	5%*	5%*	Murex	7 1/2%	May 11	7 1/2%	7 1/2%*
Bank of Montreal	2%	June 1	2%	2%	INDUSTRIALS					Newton (John M.)	17 1/2%	May 11	17 1/2%	17 1/2%*
Bank of N. Zealand	5%	June 1	5%	5%	Airedale Collieries	(a) 5 1/2%	May 13	5 1/2%	5 1/2%	Parkinson (Sir L.)	12 1/2%	May 15	12 1/2%	12 1/2%*
Union of Scotland	18pa*	June 1	18pa*	18pa*	Associated Automatic	5 1/2%	May 13	5 1/2%	5 1/2%	Rankes, Ltd.	12 1/2%	May 15	12 1/2%	12 1/2%*
INSURANCE					Associated Fisheries	10 1/2%	May 13	10 1/2%	10 1/2%	Renold Chain	3%	Apr. 29	3%	3%*
Economic Insurance	20 1/2%	May 10	20 1/2%	20 1/2%	Ault and Wiborg	5 1/2%	May 13	5 1/2%	5 1/2%	Rubber & Trop. Tst.	2%	May 13	2%	2%*
Licenses and General	14 1/2%	May 10	14 1/2%	14 1/2%	Austin Reed	5 1/2%	May 13	5 1/2%	5 1/2%	Sec. Scot. Mort. Tst.	2%	May 13	2%	2%*
London and Lancs	10 1/2%	May 10	10 1/2%	10 1/2%	Bovis (I/-)	5 1/2%	May 13	5 1/2%	5 1/2%	Selfridge Prov. Stores	2 1/2%	May 13	2 1/2%	2 1/2%*
Northern Assurance	40 1/2%	May 17	40 1/2%	40 1/2%	Bristol Ltd. Breweries	5 1/2%	May 13	5 1/2%	5 1/2%	South Eastern Gas	3 1/2%	May 13	3 1/2%	3 1/2%*
Yorkshire Insurance	30 1/2%	May 17	30 1/2%	30 1/2%	C.N.A. Investments	5 1/2%	May 13	5 1/2%	5 1/2%	Streamline Filters	12 1/2%	May 13	12 1/2%	12 1/2%*
TEA & RUBBER					Calcutta Electric	5 1/2%	May 13	5 1/2%	5 1/2%	Sudan Salt	3 1/2%	Apr. 25	3 1/2%	3 1/2%*
Besokei Plantations	6 1/2%	May 13	6 1/2%	6 1/2%	Charrington & Co.	5 1/2%	May 13	5 1/2%	5 1/2%	Tobacco Sec. Tst.	5%	May 13	5%	5%*
Ceylon Prop. Tea	5 1/2%	May 13	5 1/2%	5 1/2%	Clyde Paper	5 1/2%	May 13	5 1/2%	5 1/2%	Waldorf Hotel	3 1/2%	May 13	3 1/2%	3 1/2%*
Cons. Malay Rub.	5 1/2%	May 13	5 1/2%	5 1/2%	Colonial Wharves	5 1/2%	May 13	5 1/2%	5 1/2%	West Lon. Elec. Tst.	3 1/2%	May 13	3 1/2%	3 1/2%*
East Java Rubber	5 1/2%	May 13	5 1/2%	5 1/2%	Cons. Water Rosario	5 1/2%	May 13	5 1/2%	5 1/2%	Whitbread & Co.	12 1/2%	May 13	12 1/2%	12 1/2%*
Glentafte Tea	5 1/2%	May 13	5 1/2%	5 1/2%	Deb. Secur. Invest.	5 1/2%	May 13	5 1/2%	5 1/2%					
Scottish (Ceylon) Tea	7 1/2%	May 13	7 1/2%	7 1/2%	Delany (John)	5 1/2%	May 13	5 1/2%	5 1/2%					
Seaford Rubber	5 1/2%	May 13	5 1/2%	5 1/2%	Elephant Trd. (S.A.)	5 1/2%	May 13	5 1/2%	5 1/2%					
Spring Valley Tea	6 1/2%	May 13	6 1/2%	6 1/2%	For. Amer. & Gen. Inv.	5 1/2%	May 13	5 1/2%	5 1/2%					
Straits Rubber	5 1/2%	May 13	5 1/2%	5 1/2%	Gen. Scottish Trust	5 1/2%	May 13	5 1/2%	5 1/2%					
Tangga Batu Rubber	5 1/2%	May 13	5 1/2%	5 1/2%	Goodlass Wall	5 1/2%	May 13	5 1/2%	5 1/2%					
United Sumatra Rub.	5 1/2%	May 13	5 1/2%	5 1/2%	Ideal Building	5 1/2%	May 13	5 1/2%	5 1/2%					
MINING					Jacobs (John L.)	5 1/2%	May 13	5 1/2%	5 1/2%					
Ayer Hitam Tin	2 1/2%	May 31	2 1/2%	2 1/2%	Mallandain (A. E.)	5 1/2%	May 13	5 1/2%	5 1/2%					
Bushick Mines	2 1/2%	May 31	2 1/2%	2 1/2%	Mallinson (G.) & Sons	5 1/2%	May 13	5 1/2%	5 1/2%					
Hong Kong Tin	2 1/2%	May 31	2 1/2%	2 1/2%	Met. Elec. Cable	5 1/2%	May 13	5 1/2%	5 1/2%					
Larut Tin Fields	2 1/2%	May 31	2 1/2%	2 1/2%										
Martha Gold (Waihi)	15 1/2%	May 5	15 1/2%	15 1/2%										

LONDON TRANSPORT BOARD

	Receipts	Compared with prev. Year
Week ending April 15, 1939, before pooling	612,000	+ 57,800
Total, 12 weeks to date	23,820,000	+ 225,900
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	+ 255,008
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	26 Mar. 31	Rs. 11,81,975	- 77,347	Rs. 6,46,564	+ 3,90,380
Bengal-Nagpur	52 Mar. 31	Rs. 11,71,000	- 60,167	Rs. 9,45,773	- 2,70,041
Bombay, Bar. & C.I.	1 Apr. 10	Rs. 34,62,000	- 2,01,000	Rs. 34,62,000	- 2,01,000
Madras & S. Mah.	52 Mar. 31	Rs. 23,39,000	- 3,91,793	Rs. 7,53,80,176	- 32,26,789
S. Indian	50 Mar. 20	Rs. 14,28,998	- 1,10,019	Rs. 5,28,83,217	- 13,53,706

CANADIAN

	15 Apr. 14	15 Apr. 14	15 Apr. 14	15 Apr. 14
Canadian National	3,515,534	+ 220,991	48,083,837	+ 385,496
Canadian Pacific	2,499,000	- 60,000	34,277,000	- 829,000

SOUTH & CENTRAL AMERICAN

Name	Weeks Ending	Gross Receipts for Week		Aggregate Gross Receipts	
		1939	+ or -	1939	+ or -
Antofagasta	15 Apr. 16	£13,330	+ 200	£206,690	+ 326,400
Argentine N.E.	41 Mar. 15	£146,600	+ 9,200	£6,416,900	+ 20,246
B.A. and Pacific	41 Mar. 15	£9,094	- 571	£398,069	- 817,000
B.A. Central	40 Mar. 1	£112,221	- 206,000	£58,875,299	- 50,683
B.A. Gt. Southern	41 Mar. 15	£158,809	- 15,012	£6,028,287	- 312,963
B.A. Western	41 Mar. 15	£958,000	- 270,000	£30,399,000	- 17,680
Central Argentine	41 Mar. 15	£59,429	- 16,749	£1,885,794	- 3,492,250
Central Uruguay	41 Mar. 15	£218,250	- 377,850	£79,016,450	- 216,641
Leopoldina	15 Mar. 15	£131,405	- 23,440	£4,901,310	- 287,405
Mexican Railway	15 Mar. 15	£154,690	- 16,358	£6,654,310	- 11,008
Nitrate	15 Mar. 15	£116,283	- 3,650	£25,881,000	- 587,000
United of Havana	15 Mar. 15	£16,932	- 399	£311,303	- 23,440
	15 Mar. 15	£7,512	- 86	£38,118	- 14,917
	15 Mar. 15	£27,974	- 3,670	£970,396	- 87,708

* 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

(For headings, see Overseas Traffic table)

	14 Apr. 10	14 Apr. 10	14 Apr. 10	14 Apr. 10
Transit Receipts	£280,300	+ £3,400	£2,582,300	+ £223,600

† 10 days.

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					Corresponding Period Last Year	
					Prefce. Amount	Dividend		Carried to Reserve, Deprecia-tion, etc.	Balance Forward	Net Profit	Divi-dend
						Amount ^t	Rate				
		£	£	£	£	£	%	£	£	£	%
Breweries											
Whitbread and Co.	Dec. 31	261,964	288,805	550,769	43,477	184,392	18	60,000	262,970	331,827	18
Financial Land, etc.											
Ever Ready Trust	Mar. 31	2,755	28,084	30,839	...	24,000	8	2,684	4,155	29,638	8
Hudson's Bay Co.	Dec. 31	97,957	256,721	354,678	57,750	51,402	2½(c)	150,000	95,526	319,308	3c.
Rubber and Tropical Tst. ...	Mar. 31	2,416	5,144	7,560	...	4,388	6	...	3,172	4,923	6
Gas											
Bombay Gas Co.	Dec. 31	46,365	29,630	75,995	...	24,000	8	6,349	45,646	29,712	8
Hotel, Restaurants, etc.											
Gordon Hotels	Dec. 31	44,300	Dr. 16,515	27,785	...	...	...	...	27,785	26,576	Nil
Iron, Coal and Steel											
Amalgamated Colls. (S.A.)...	Dec. 31	30,250	262,563	292,813	...	196,000	10	59,407	37,406	254,551	10
Edinburgh Collieries	Jan. 31	Dr. 32,735	Dr. 3,337	Dr. 36,072	...	...	...	...	Dr. 36,072	31,786	Nil
Wharcliffe Silstone Coll. ..	Dec. 31	14,455	25,683	40,138	2,143	6,494	7½	19,250	12,251	34,132	10
Rubber											
Bandjarsarie (Java)	Dec. 31	1,116	3,303	4,419	...	2,344	5	950	1,125	9,336	15
Bekoh Consolidated	Dec. 31	9,519	9,067	18,586	...	6,518	3	2,861	9,207	(a)	(a)
Bukit Tupah	Dec. 31	2,698	8,565	11,263	...	5,500	4½	3,000	2,763	18,319	6½
Central Travancore.....	Dec. 31	383	8,622	9,005	2,798	1,116	2½	4,000	1,091	10,948	3½
Changkat Salak	Dec. 31	8,075	16,269	24,344	6,764	5,356	6	4,100	8,124	29,252	14
Chersonese (F.M.S.).....	Dec. 31	19,809	10,690	30,499	...	11,328	11d.	2,000	17,171	28,125	11d.†
Cheviot	Dec. 31	23,529	34,201	57,730	...	26,200	10	5,000	26,530	47,120	12½
Dusun Durian	Dec. 31	38,318	9,002	47,320	...	5,960	3	2,950	38,410	19,944	6
Edinburgh	Nov. 30	2,144	3,252	5,396	...	...	...	3,000	2,396	8,480	2½
Golconda (Malay)	Dec. 31	1,652	7,437	9,089	...	5,650	5	1,750	1,689	12,972	9
Grand Central (Ceylon)	Dec. 31	41,124	48,258	89,382	...	39,591	3	5,076	44,715	99,779	7
Kasintoe	Dec. 31	5,103	3,865	8,968	...	3,600	3	...	5,368	10,521	8
Labu (F.M.S.).....	Dec. 31	23,379	31,429	54,808	...	23,456	10	5,800	25,552	52,593	15
London Asiatic	Dec. 31	83,800	77,715	161,515	...	67,420	10	11,700	82,395	130,517	12½
Rubber Estates of Krian ...	Dec. 31	2,438	2,276	4,714	...	2,175	2½	155	2,384	9,226	6
Selangor River	Dec. 31	1,547	14,936	16,483	...	12,000	4	2,000	2,483	21,407	7
Shelford.....	Dec. 31	2,815	4,669	7,484	...	3,200	4	...	4,284	11,056	12
Tangga Batu	Dec. 31	2,192	377	2,569	...	344	2½	...	2,225	1,117	3
Shipping											
Cunard Steam Ship	Dec. 31	177,846	70,134	247,980	...	...	...	33,895	214,085	57,841	Nil
Cunard White Star	Dec. 31	223,152	473,755	696,907	...	...	...	11,868	685,039	1,257,775	Nil
Jacobs (John I.)	Dec. 31	24,115	106,971	131,086	5,175	21,750	12½	57,900	46,261	154,918	17½
Shops and Stores											
Army and Navy Stores	Jan. 28	103,055	128,306	231,361	...	102,500	12½	16,831	112,030	174,683	15
Austin Reed	Feb. 20	39,156	97,304	136,460	34,000	25,250	10	37,262	39,948	109,181	10
Hope Brothers	Feb. 28	64,743	51,286	116,029	16,500	24,000	6	12,825	62,704	64,608	8
Selfridge Provincial Stores .	Jan. 31	10,916	54,840	65,756	...	54,375	2½	...	11,381	(a)	(a)
Tea											
Ceylon Tea Plantations ...	Dec. 31	45,270	64,366	109,636	10,578	37,600	10	16,000	45,458	73,915	12½
Craig Estates.....	Dec. 31	4,452	4,052	8,504	...	2,500	5	1,500	4,504	4,466	5
Eastern Produce and Estates	Dec. 31	33,715	68,035	101,750	3,600	53,280	16	7,000	37,870	70,035	17½
Glentaffe	Dec. 31	1,821	1,657	3,478	...	1,402	3	500	1,576	2,440	2½
Rangalla Consolidated	Dec. 31	555	6,592	7,147	...	2,992	5	3,898	257	10,878	6
Telegraphs & Telephones											
Oriental Telephone, etc.	Dec. 31	57,261	145,258	202,519	13,215	68,424	12½	57,527	63,353	142,432	12½
Trusts											
Second Scottish Northern...	Mar. 15	18,315	36,918	55,233	11,820	21,322	11½	...	22,091	40,685	11½
U. States and S. American...	Apr. 4	44,800	62,954	107,754	17,917	34,583	9½	5,000	50,254	67,047	9½
Waterworks											
Monte Video Waterworks ...	Dec. 31	180,683	78,597	259,280	...	65,000	4	...	194,280	124,391	4½
Stroud Water	Dec. 31	816	2,986	3,802	500	1,738	10 & 7	1,000	564	4,005	10 & 7
Other Companies											
Alexander, Fergusson & Co.	Dec. 31	15,735	28,890	44,625	2,538	17,500	25½	6,000	18,587	22,212	20½
Associated Automatic	Mar. 31	1,862	15,216	17,078	...	15,152	5	...	1,926	15,060	5
Ault and Wiborg	Mar. 31	7,520	51,430	58,950	5,782	21,289	14	24,379	7,500	55,028	15
British Thermostat.....	Jan. 31	12,847	31,586	44,433	...	27,750	18½	...	16,683	30,431	18½
Bryant and May	Mar. 31	140,952	602,365	743,317	67,200	393,500	25½	150,000	132,617	612,168	25½
Cellon Limited	Dec. 31	4,589	27,769	32,358	3,915	11,600	20	10,000	6,843	28,197	20
Dale (John) Metal Cont.....	Dec. 31	22,151	18,484	40,635	4,125	7,875	10	...	28,635	18,786	5½
Eno Proprietaries	Dec. 31	33,113	99,973	133,086	40,219	50,750	7	6,500	35,617	136,381	11
General Refractories	Dec. 31	10,075	48,779	58,854	...	...	...	33,690	25,164	104,726	16
Hall (Matthew) & Co.	Dec. 31	890	26,694	27,584	...	9,062	25	15,000	3,522	21,282	Nil
Henley's (W. T.) Telegraph	Dec. 31	426,520	435,054	861,574	9,000	260,000	20	177,180	415,394	443,713	20
Itas Limited.....	Oct. 31	Dr. 80,650	Dr. 80,447	Dr. 161,097	...	...	...	Dr. 161,097	Dr. 80,650	Dr. 80,650	Nil
Laurence, Scott & Electro ...	Dec. 31	6,500	105,388	111,888	...	60,149	15	44,758	6,981	95,680	15
Mackintosh (John) & Sons ...	Dec. 31	103,844	220,399	324,243	57,500	...	...	41,959	224,784	75,757	Nil
Olympic Portland Cement....	Dec. 31	28,427	28,982	57,409	...	14,053	7½	13,614	29,742	27,729	7½
Oxendale & Co. (Props.) ...	Feb. 28	6,748	31,373	38,121	23,357	4,531	12½	3,500	6,733	35,411	16½
Pollard (E.) and Co.	Dec. 31	19,686	50,491	70,177	18,820	21,442	7	7,695	22,220	62,372	7½
Pullman (R. & J.)	Dec. 31	744	Dr. 9,775	Dr. 9,031	...	...	...	Dr. 9,031	...	100	Nil
Rothmans Limited	Feb. 20	27,435	39,836	67,271	15,950	8,000	18½	15,221	28,100	34,012	22-916
Scammell Lorries	Dec. 31	16,903	46,558	63,461	...	16,127	10	31,000	16,334	46,886	Nil
Skefko Ball Bearing	Dec. 31	314,993	251,168	566,161	...	150,000	30½	...	416,161	275,149	30½
Sudan Salt	Dec. 31	2,678	15,655	18,333	9,212	6,300	3	...	2,821	15,086	3
Suvretta Limited.....	Mar. 31	696	Dr. 1	695	...	...	...	...	695	(a)	(a)
Total Profits, 1939, in £,000's :	No. of Cos.										
To April 15	769	32,689	98,522	131,211	18,138	53,212	...	25,486	34,375	107,683	...
To April 22	833	35,560	103,169	138,729	18,622	55,475	...	26,669	37,963	113,704	...

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 "cum div." shares. 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			
High		Low		High		Low		High		Low		High		Low		High		Low		High		Low		High		Low	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
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1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
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1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
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1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939																							

Industry and Trade

COMMODITY STATISTICS

Coal

COAL OUTPUT ('000 tons)

District	Week ended		January-March	
	Apr. 1, 1939	Apr. 8, 1939	1938	1939
Northumberland	295.6	229.4	3,544.6	3,512.6
Durham	681.0	531.5	8,539.3	8,096.5
Yorkshire	952.9	773.4	12,106.1	11,885.9
Lancs, Cheshire and N. Wales	381.3	279.5	4,556.4	4,600.2
Derby, Notts & Leicester	737.1	587.6	9,455.4	9,539.0
Staffs, Worcs, Salop and Warwick	443.2	371.6	5,376.3	5,504.7
South Wales & Monmouth	763.4	754.3	9,900.2	8,869.3
Other English districts	125.2	95.7	1,471.4	1,411.9
Scotland	633.5	630.1	7,987.7	7,939.2
Total	5,013.2	4,253.1	62,937.4	61,359.3

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton

RAW COTTON delivered to Spinners ('000 bales)

Variety	Week ended		Total Deliveries	
	Apr. 6, 1939	Apr. 14, 1939	Aug. 1, 1938	Apr. 14, 1939
American	16.0	15.3	932	729
Brazilian	5.9	4.4	219	203
Peruvian, etc.	3.6	2.5	90	86
Egyptian	8.8	4.1	257	229
Sudan Sakel	2.3	2.5	108	98
East Indian	9.0	15.0	252	290
Other countries	2.9	3.6	129	116
Total	48.5	47.4	1,987	1,751

Metals

SALES ON LONDON METAL EXCHANGE

	Week ended		From Jan. 1 to Apr. 19, 1939	
	Apr. 12, 1939	Apr. 19, 1939		
Copper	3,350	4,900	92,860	
Tin	695	1,885	21,020	
Lead	2,750	4,500	91,700	
Spelter	1,700	2,150	57,370	

U.K. STOCKS

	Apr. 8, 1939	Apr. 15, 1939
Copper (Br. official whouses):		
Refined	5,785	6,654
Rough	26,462	26,511
Tin (London and Liverpool)	12,745	12,561

METALS—(cont.)

TINPLATE INDUSTRY

	Week ended		
	Apr. 9, 1938	Apr. 1, 1939	Apr. 8, 1939
Production—per cent. of capacity	47.46	51.68	59.69
Shipments—warehouse and in vans	7,598	4,122	2,995
Shipments	83,448	60,528	

Foods

WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)

From	Week ended		Season to	
	Apr. 8, 1939	Apr. 15, 1939	Apr. 15, 1938	Apr. 15, 1939
N. America	469	384	16,862	21,676
Argentina and Uruguay	401	444	6,095	7,306
Australia	355	280	10,542	8,782
Russia	21	4	4,789	4,477
Danube and dist.	73	232	5,682	7,192
India	...	...	1,108	424
Other Countries	25	32	648	1,084
Total	1,344	1,372	45,726	50,941

To	Week ended		Season to	
	Apr. 8, 1939	Apr. 15, 1939	Apr. 15, 1938	Apr. 15, 1939
U.K.	331	251	11,355	12,411
"Orders"	237	396	9,443	11,890
France	5	14	658	920
Belgium	109	25	3,803	3,410
Holland	61	32	2,437	2,756
Italy	5	71	804	1,075
Greece	44	94	1,651	958
Scandinavia	33	24	1,230	1,214
Other European Countries	111	38	5,551	4,244
Ex-European Countries	408	427	8,794	12,063
Total	1,344	1,372	45,726	50,941

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

From	Week ended		From Jan. 1 to	
	Apr. 8, 1939	Apr. 15, 1939	Apr. 15, 1938	Apr. 15, 1939
Argentina	145	174	24	319
Atlantic America	46	106	445	152
Danube Region	97	87	250	184
S. & E. Africa	55	8	5	63
Indo-China, etc.	28	21	44	49
Total	371	396	777	767

OTHER FOODS

	Week ended	
	Apr. 8, 1939	Apr. 15, 1939
BACON:		
Arrivals in London (bales):		
Danish	...	14,873
Canadian	...	5,621
Dutch	...	3,166
Lithuanian	...	1,898
Polish	...	5,001
Cocoa:		
Movement in Lond. (bags):		
Landed	5,856	13,963
D/d for home consumption	13,489	5,156
Exports	339	274
Stocks, end of week	144,135	152,668

OTHER FOODS—(cont.)

	Week ended	
	Apr. 8, 1939	Apr. 15, 1939
COFFEES:		
Movements in Lond. (cwt.):		
Brazilian—Landed	686	118
D/d for home consn.	383	680
Exports	8	27
Stocks, end of week	5,592	5,003
Central and S. American:		
Landed	6,209	7,993
D/d for home consn.	2,342	2,192
Exports	1,425	481
Stocks, end of week	82,158	87,478
Other kinds—Landed	6,271	9,371
D/d for home consn.	5,222	5,779
Exports	587	440
Stocks end of week	185,287	188,439
MEAT:		
Supplies at Smithfield (tons):		
Total	9,009	8,177
Beef and veal	...	4,211
Mutton and lamb	...	2,616
Pork and bacon	...	674
Poultry, etc.	...	...
SUGAR:		
Movements, London and Liverpool (tons):		
Imports	28,798	23,302
Deliveries	12,173	15,381
Stocks, end of week	221,288	229,209
TEA:		
Sales on Garden A/c. (pkgs.):		
N. India	19,710	...
S. India	3,151	...
Ceylon	20,563	...
Java	...	...
Sumatra	4,781	...
Africa	48,205	...
Total	...	...

Miscellaneous Commodities

MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL

	Week ended	
	Apr. 8, 1939	Apr. 15, 1939
Landed	639	1,170
Delivered	1,930	1,354
Stocks, end of week	70,518	70,334

WORLD SHIPMENTS OF LINSEED ('000 tons)

	Week ended		From Jan. 1 to	
	Apr. 8, 1939	Apr. 15, 1939	Apr. 15, 1938	Apr. 15, 1939
Argentina to—				
U.K. and Orders	12.5	1.3	140.8	153.2
Continent	10.1	9.0	231.2	254.0
U.S.A. and Canada	7.0	11.8	130.2	187.2
Australia, Brazil, etc.	...	0.2	8.7	7.6
Calcutta to—				
U.K. and Orders	1.0	0.1	8.6	23.5
Continent	...	...	...	0.1
Bombay to—				
U.K. and Orders	11.0	...	38.5	48.4
Continent	0.3	...	2.2	4.2
Madras to U.K.	...	...	...	...
India to—				
Australia, etc.	0.2	...	2.8	4.7
U.S.A.	...	...	...	1.1
Sundries	...	...	...	...
Total	42.1	22.4	563.0	684.0

AMERICAN WHOLESALE PRICES

	Apr. 12, 1939	Apr. 19, 1939		Apr. 12, 1939	Apr. 19, 1939		Apr. 12, 1939	Apr. 19, 1939
	Cents	Cents		Cents	Cents		Cents	Cents
GRAINS (per bushel)—			METALS (per lb.)—cont.			MISCELLANEOUS (per lb.)—cont.		
Wheat, Chicago, May	68 3/4	69 1/8	Tin, N.Y., Straits spot	46.25	47.50	Cotton, Am. Mid. May	7.90	8.23
Winnipeg, May	60 3/4	61	Lead, N.Y., spot	4.75	4.75	Lard, Chicago, May	6.17 1/2	6.27 1/2
Maize, Chicago, May	47 3/4	49 1/8	Spelter, East St. Louis, spot	4.50	4.50	Petroleum, Mid-cont. crude		
Oats, Chicago, May	29 3/4	30 1/8				33 deg. to 33.90, at well		
Rye, Chicago, May	42 3/4	43 1/8	MISCELLANEOUS (per lb.)—			per barrel	96	96
Barley, Winnipeg, May	37 3/4	38 1/8	Cocoa, N.Y., Accra, May	4.32	4.35	Rubber, N.Y., smkd. sheet spot	15 3/4	15 3/4
			Coffee, N.Y., cash			Do. do. May	15 3/4	15 3/4
METALS (per lb.)—			Movement in Lond. (bags):			Sugar, N.Y., Cuban Cent.	2.90	2.95
Copper, Connecticut	10.50	10.50	Landed	5.856	13.963			
Rough	10.05	10.12 1/2	D/d for home consumption	13.489	5.156			
Tin (London and Liverpool)			Exports	339	274			
			Stocks, end of week	144,135	152,668			

BRITISH WHOLESALE PRICES

CEREALS AND MEAT

GRAIN, etc.			
Wheat—			
No. 2. N. Man. 496 lb.	s. d.	s. d.	
Eng. Gaz. av., per cwt.	27 3	27 6	
Liv. May, per cental	4 1	4 2	
.....	4 4	4 5	
Flour, per 280 lb.—			
Straights, d/d London	22 6	23 0	
Manitoba, ex store	21 3	21 3	
.....	22 9	22 9	
Barley, Eng. Gaz., av. per cwt. ...	7 2	7 5	
Oats, "	5 10	5 11	
Maize, La Plata, landed, 480 lb. ...	27 0	27 0	
Rice, No. 2 Burma, per cwt.	7 10 1/2	8 0	
MEAT—			
Beef, per 8 lb.—			
English long sides.....	{ 4 4	4 6	
.....	{ 5 0	5 0	
Argentine chilled hinds	{ 3 6	3 10	
.....	{ 4 0	4 3	
Mutton, per 8 lb.—			
English wethers	{ 5 4	5 8	
.....	{ 6 0	6 8	
N.Z. frozen wethers	{ 2 6	2 6	
.....	{ 3 4	3 4	
Lamb, per 8 lb.—			
N.Z. frozen	{ 4 6	4 6	
.....	{ 5 2	5 2	
Pork, English, per 8 lb.	{ 6 4	6 4	
.....	{ 6 10	6 10	
BACON (per cwt.)—			
English	...	95 0	
Danish	...	96 0	
Dutch	...	89 0	
Irish	...	83 0	
.....	...	94 0	
HAMS (per cwt.)—			
Canadian	100 0	{ 98 0	
.....		{ 100 0	
United States	{ 92 0	90 0	
.....	{ 95 0	92 0	

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 March 31	Three months ended March 31	Month ended March 31	Three months ended March 31
	1938	1939	1938	1939
I.—Food, Drink and Tobacco—				
A. Grain and Flour	6,950,975	5,653,927	20,517,532	15,199,676
B. Feeding-stuffs for Animals	1,087,070	960,369	3,046,277	2,800,845
C. Animals, Living, for Food	605,701	913,332	1,676,767	2,286,726
D. Meat	8,244,530	8,687,444	22,538,098	22,355,787
E. Dairy Produce	6,560,384	6,515,249	19,250,298	18,787,525
F. Fresh Fruit and Vegetables	3,954,810	3,269,035	9,717,357	9,385,091
G. Beverages and Cocoa Preparations	3,234,655	3,481,181	10,679,715	10,800,338
H. Other Food	4,226,034	4,618,888	12,433,622	14,185,128
I. Tobacco	2,223,257	1,628,672	6,391,881	4,783,273
Total, Class I	37,087,616	35,728,097	106,251,547	100,584,389
II.—Raw Materials and Articles Mainly Unmanufactured—				
A. Coal	1,612	1,583	4,407	3,782
B. Other Non-Metalliferous Mining and Quarry Products and the like	408,499	381,079	1,191,091	1,056,402
C. Iron Ore and Scrap	1,586,929	518,351	5,077,048	1,404,013
D. Non-Ferrous Metalliferous Ores and Scrap	1,434,505	1,366,797	4,523,435	4,026,418
E. Wood and Timber	2,180,766	1,835,211	7,625,479	6,468,240
F. Raw Cotton and Cotton Waste	3,097,813	2,489,286	9,975,793	6,596,309
G. Wool, Raw and Waste, and Woollen Rags	4,593,928	4,885,779	12,689,279	14,304,044
H. Silk, Raw, Knobs and Noils	275,066	181,140	784,105	437,107
I. Other Textile Materials	1,177,427	1,106,335	3,992,415	3,798,427
J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	3,496,450	2,560,425	8,908,446	7,101,837
K. Hides and Skins, Undressed	2,200,369	1,576,594	6,238,719	5,173,438
L. Paper-making Materials	1,360,358	880,702	4,669,032	3,307,631
M. Rubber	1,220,971	934,037	3,828,886	2,095,892
N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	979,776	870,286	2,699,571	2,345,253
Total, Class II	24,014,469	19,587,605	72,207,706	58,118,793
III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel	285	971	1,612	1,987
B. Pottery, Glass, Abrasives, etc.	679,898	580,467	1,845,852	1,565,083
C. Iron and Steel and Manufactures thereof	2,718,347	1,172,063	7,665,345	3,004,091
D. Non-Ferrous Metals and Manufactures thereof	3,256,284	3,310,428	9,807,924	9,188,847
E. Cutlery, Hardware, Implements and Instruments	660,222	609,684	1,793,305	1,593,769
F. Electrical Goods and Apparatus	266,604	234,465	776,482	663,896
G. Machinery	2,228,344	2,340,084	6,114,119	5,930,582
H. Manufactures of Wood and Timber	539,246	525,441	1,726,109	1,441,886
I. Cotton Yarns and Manufactures	312,092	287,835	855,465	773,956
J. Woollen and Worsted Yarns and Manufactures	350,066	401,391	996,993	1,092,466
K. Silk Yarns and Manufactures	498,314	495,488	1,415,382	1,352,845
L. Manufactures of other Textile Materials	429,635	425,589	1,142,450	1,182,763
M. Apparel	1,105,231	864,155	2,433,449	2,108,317
N. Footwear	333,042	367,610	785,435	843,953
O. Chemicals, Drugs, Dyes and Colours	1,169,295	1,387,730	3,153,457	3,589,265
P. Oils, Fats and Resins, Manufactured	4,144,243	4,232,128	11,944,317	11,115,730
Q. Leather and Manufactures thereof	619,671	700,566	1,637,311	1,826,597
R. Paper, Cardboard, etc.	1,376,171	1,179,266	4,119,784	3,396,751
S. Vehicles (including Locomotives, Ships and Aircraft)	589,448	538,569	1,681,433	1,462,757
T. Rubber Manufactures	78,925	91,426	200,432	202,172
U. Miscellaneous Articles wholly or mainly Manufactured	1,893,169	2,171,667	5,097,715	5,445,858
Total, Class III	23,158,532	21,917,023	65,194,371	57,783,571
IV.—Animals, not for Food	247,492	332,040	690,941	792,826
V.—Parcel Post	345,540	411,609	940,480	1,263,739
Total	84,853,649	77,976,374	245,285,048	218,543,318

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 March 31	Three months ended March 31	Month ended March 31	Three months ended March 31
	1938	1939	1938	1939
I.—Food, Drink and Tobacco—				
A. Grain and Flour	164,074	145,448	435,056	360,221
B. Feeding-stuffs for Animals	83,165	86,257	178,988	210,511
C. Animals, Living, for Food	403	2,046	654	4,429
D. Meat	96,313	126,796	271,668	352,542
E. Dairy Produce	86,644	80,087	224,091	224,252
F. Fresh Fruit and Vegetables	10,585	19,392	61,545	83,333
G. Beverages and Cocoa Preparations	930,579	1,205,119	3,441,745	3,434,227
H. Other Food	979,555	1,035,597	2,726,622	2,846,195
I. Tobacco	436,611	434,435	1,248,096	1,222,565
Total, Class I	2,787,929	3,135,177	8,588,465	8,748,077
II.—Raw Materials and Articles Mainly Unmanufactured—				
A. Coal	3,102,426	2,937,085	8,831,784	8,422,976
B. Other Non-Metalliferous Mining and Quarry Products and the like	93,090	94,927	243,256	268,993
C. Iron Ore and Scrap	20,887	34,949	54,789	196,613
D. Non-Ferrous Metalliferous Ores and Scrap	223,120	154,374	629,339	515,140
E. Wood and Timber	9,985	10,441	20,567	21,545
F. Raw Cotton and Cotton Waste	45,953	65,025	122,855	141,813
G. Wool, Raw and Waste, and Woollen Rags	541,748	603,287	1,495,283	1,674,140
H. Silk, Raw, Knobs and Noils	28,094	107,406	63,935	335,229
I. Other Textile Materials	27,831	25,716	75,654	52,680
J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	302,795	230,236	813,386	603,898
K. Hides and Skins, Undressed	113,737	121,404	386,004	365,283
L. Paper-making Materials	105,962	120,203	312,279	312,284
M. Rubber	20,257	22,591	63,004	59,853
N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	292,239	311,755	741,691	775,000
Total, Class II	4,928,124	4,839,399	13,853,826	13,739,368
III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel	236,648	235,177	978,543	939,499
B. Pottery, Glass, Abrasives, etc.	784,183	781,546	2,277,067	2,178,598
C. Iron and Steel and Manufactures thereof	3,924,998	3,204,089	11,559,119	8,599,448
D. Non-Ferrous Metals and Manufactures thereof	1,059,800	1,277,498	3,086,419	3,721,086
E. Cutlery, Hardware, Implements and Instruments	773,030	830,518	2,265,581	2,186,496
F. Electrical Goods and Apparatus	1,196,279	1,130,374	3,559,441	3,217,988
G. Machinery	5,362,699	5,104,467	14,689,405	14,196,365
H. Manufactures of Wood and Timber	110,313	109,197	283,621	275,312
I. Cotton Yarns and Manufactures	4,891,535	4,597,899	14,142,569	12,557,186
J. Woollen and Worsted Yarns and Manufactures	2,509,822	2,709,388	7,989,990	7,890,661
K. Silk Yarns and Manufactures	532,202	508,365	1,583,503	1,406,978
L. Manufactures of other Textile Materials	1,008,952	1,030,123	2,853,323	2,827,574
M. Apparel	841,865	897,272	2,459,844	2,434,420
N. Footwear	198,686	175,374	536,114	434,529
O. Chemicals, Drugs, Dyes and Colours	1,969,366	2,106,823	5,571,978	5,545,120
P. Oils, Fats and Resins, Manufactured	432,067	378,491	1,410,017	1,223,309
Q. Leather and Manufactures thereof	324,624	421,476	919,193	1,096,393
R. Paper, Cardboard, etc.	621,251	576,220	1,838,392	1,630,648
S. Vehicles (including Locomotives, Ships and Aircraft)	4,096,166	3,705,550	10,539,635	13,481,080
T. Rubber Manufactures	145,659	136,236	374,089	373,789
U. Miscellaneous Articles wholly or mainly Manufactured	2,516,271	2,748,092	6,926,761	7,372,404
Total, Class III	33,536,416	32,664,175	95,844,604	93,530,863
IV.—Animals, not for Food	49,410	72,042	141,116	162,499
V.—Parcel Post	853,494	923,784	2,441,928	2,948,263
Total	42,155,373	41,634,377	120,869,939	119,129,089

OIL OUTPUTS

British Burmah Petroleum.—Output of crude oil for March, 1939: 55,080 barrels.

British Controlled Oilfields, Ltd.—Total output for week ended April 1, 1939, 17,076 barrels. Total output week ended April 15, 1939: 17,100 barrels.

Phoenix Oil and Transport.—Output of crude oil of the Phoenix Group for March, 1939: 46,610 tons.

Venezuelan Oil Concessions, Ltd.—Total output week to April 1, 1939, 906,712 barrels. Total output for week ended April 15, 1939, was 1,216,951 barrels.

Trinidad Petroleum Development Company, Ltd.—Output week ended April 1, 1939, 53,340 barrels. Output week ended April 8, 1939: 54,704 barrels. Output for March, 1939: 235,022 barrels. Deliveries for March, 1939, including purchased oil: 208,705 barrels. Output for week ended April 15, 1939: 53,383 barrels.

THE ECONOMIST

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Money and Men

IF one large preliminary assumption can be made, Sir John Simon's second Budget can be regarded as a workmanlike achievement and exempted from any but detailed criticism. The figure of £24 millions once having been arrived at, as the gap between existing revenue and the expenditure to be charged against it, the Chancellor's proposals for levying the additional taxation required were fair and reasonable. There are, as with all Budgets, matters on which different persons would have arrived at somewhat different conclusions. Thus, Sir John very properly decided to lay new taxation on the motor industry which would both increase the revenue and release some of the industry's resources of plant and skilled labour for armament work. But it is legitimate to question whether the first object could not have been equally well, and the second better, secured by raising at least part of the money from a tax on the sale of cars, especially new cars. It is, after all, not the use of large cars that absorbs skilled labour but the production of new cars.

Again, granted that something of the order of £11 millions had to be raised by indirect taxation, it may be questioned whether it was right to confine the increases to sharp rises in the rates of duty on tobacco and sugar, which are consumed in very different proportions by different people. Or, again, even given the anomalies of the present medicine stamp duties and the administrative and other difficulties of devising a substitute, is there really a strong case for abandoning revenue of three-quarters of a million

a year? But these are matters of detail appropriate to the Committee stage of the Finance Bill. In its main outlines, and subject to the over-riding preliminary assumption, the Budget should meet with general approval.

The hypothesis by which this conclusion is governed, and on which Sir John Simon's Budget speech was wholly founded, is this: that it is possible, in these times, to mark off a portion of the national finances—and that the least dynamic portion—to surround it with a picket fence of arbitrary demarcations and to consider it without any relation to what is happening, and to what is likely to happen, outside the charmed circle. Any such assumption is manifestly untenable. Yet Sir John Simon clung to it with single-minded tenacity.

It is common ground that a very large part of this year's defence expenditure will have to be borrowed. But there is no economic issue facing the country nearly as important as the decision how much to borrow. At the inception of defence borrowing, the principle was laid down that recurrent costs at least should be met from taxation, and non-recurrent costs from borrowing. It is questionable whether that principle was ever closely applied, and it has certainly gone by the board now. But the Chancellor offered nothing to take its place, save the statement that "if there is a limit to what can be conveniently or tolerably raised by taxation, there is also a definite limit to what can be wisely and successfully raised by borrowing." Are we to take the fact that an additional £20 millions was put on

to revenue to mean that the limit of borrowing is £380 millions? Or would it be safe to assume that any further additions to the costs of re-armament will be similarly divided between taxation and borrowing in the proportion of two to three? Is the limit to borrowing a static one, or can it be said to vary with the economic conditions of the country, in particular with the volume of unemployed resources of labour and capital available for use? All these are questions of the very first magnitude. It is no exaggeration, but the literal truth, to say that the social stability of the country depends upon the correct answers being given to them. They will have to be answered within a few months, certainly before the next Budget. But Sir John Simon offered no guidance on them to the country.

Much also depends upon the precise means by which this year's borrowing is accomplished, upon the proportion in which it is divided between the floating and the funded debt. If the Chancellor did not wish to initiate a debate on the generalities of defence borrowing, vitally important though they are, he might have provided some light on this technical matter, which is very proper for the attention of the Chancellor of the Exchequer. But on this, too, he was silent. Or again, he might usefully have spoken about the measures that the Government proposed to take to control the general economic effects on prices and the labour supply of the gigantic borrowings foreshadowed. It is impossible to hold that these effects will not soon be very disturbing, and imprudent to hold that nothing should be done about them. We are, by universal admission, in a state rather more than halfway from peace to war. But we still have no adequate notion of the Government's plans for the financial side of a war economy.

These are the real issues of financial policy. The £24 millions with which the constructive part of the Budget speech was concerned is in any case an arbitrary figure—the Chancellor could have made it £24,000 or £124 millions if he had chosen. In the shadow of the fundamental problems he left untouched, it fades into insignificance. Budget Day has acquired its importance because it traditionally provides a survey, on the widest canvas, of the national finances as a whole. There should be a Budget Day, in this sense, in 1939. We have not had it yet.

It was widely known while Sir John Simon was speaking that the Cabinet had decided on a measure of compulsory military service, and the official announcement was made on the next day by the Prime Minister. The plan is to impose on young men between their twentieth and twenty-first birthdays the compulsory obligation of undergoing six months' training in the Regular Army. After the six months they will have the option of three and a half years' service in the Territorial Army or of passing to a Special Reserve. Provision is made for anticipating or postponing the period of service in case of need and, by a welcome provision, conscientious objectors will be exempted if they will undertake work of national importance. The numbers affected will be small. At the time of the 1931 Census there were 309,798 males in Great Britain aged 12, who would be 20 now. The figure will be reduced by deaths, by exemptions, by postponements and by medical rejections, so that the net figure may be no more than about 200,000. But this may only be a beginning, and in any case it is the principle that matters.

The necessity for these measures is widely, if not universally, accepted. Nevertheless, there will be a considerable body of opposition. For those who oppose on genuine grounds of conscience, or because they believe the voluntary principle should have been given a more extended chance of proving its efficacy, there will be nothing but respect. It is a little more difficult to understand the position of those who have steadily urged a foreign policy of mounting commitments, but now consider the interests of Labour endangered by the necessary counterpart of those commitments. But by any of the normal tests, the over-

whelming majority of public opinion approves the principle.

But though it is thus possible to approve the substance of the Government's decision, it is far more difficult to feel happy about either the manner or the time of its announcement. For one thing, it increases still further the artificial character of the Budget. The £50 millions of Defence Supplementaries foreseen by the Chancellor can hardly have included any provision for the new measures, and the whole question of increased borrowing or increased taxation is thus raised before the Finance Bill has even been brought in.

There is, however, another financial issue raised by the new measures. The Prime Minister's announcement recognised that it would be utterly inequitable to introduce the conscription of man-power without at least laying plans for the conscription of wealth, and he attempted to give some embodiment to this phrase. He pointed out, first, that wealth was already heavily conscripted by direct taxation; secondly, the Government would introduce legislation to tighten the control of armament profits; and thirdly, in time of war, measures would be taken to "impose special penalties on profiteering" and to provide that "any increase of profit or increases of individual wealth should be appropriately curtailed to the benefit of the State." These are steps in the right direction, but, as is this Government's wont, only steps where strides would be more fitting. The first of the three points is almost irrelevant; for whatever the "conscription of wealth" means, it means something more than the mere maintenance of existing progressive taxation. Any system of profit-control inevitably suffers from the dilemma that, if it is effective, it hinders production, and the recently published report of the Comptroller and Auditor-General on the Air Ministry's price control system is not encouraging to those who believe that the profit can be "taken out of war" by this means. And lastly, most people will argue that increases in profits or wealth in wartime should be more than "curtailed," and that it is not merely increases in income, but existing incomes also that will have to be subject to very heavy impositions. The Government's conception of the conscription of wealth (admittedly not a pleasant thing to contemplate) is somewhat diluted.

This, in fact, brings us to the kernel of the whole matter. By general consent, the adoption of conscription is one of the most serious steps that the British people can be asked to take in time of formal peace. This in itself is sufficient reason against indulging in partisan controversy at this time. But it would be to ignore the realities of the situation not to inquire whether the present Cabinet provides the inspiring leadership necessary for such a grave departure. The present Government is, in substance, a single-party Government—one, moreover, which, at least until very recently, has been bitterly distrusted by the formal oppositions. It has not even enjoyed the unanimous support of its own followers. On issue after issue of the great problems of foreign policy and defence, the Government has taken one stand, its critics another. On issue after issue the Government's policy has been proved wrong, its critics' policy proved right. There has hardly been a precise utterance of policy but the words have had to be eaten. Conscription is the latest case, and has involved the Prime Minister in placing upon his pledge a meaning that was certainly not attached to it by those to whom it was addressed. The Labour Party, it is true, is in its usual state of doctrinaire futility and is thereby tempting the Cabinet to play the party game. But there are men within the Conservative ranks and outside the Government whose competence is at least equal to many of those within and who have the added advantage of having been consistently right. Conscription requires a strong and popular Government if it is to be imposed without danger to the national unity. The only way in which the Government can preserve its moral solvency is by extending its basis without further delay to the widest possible extent.

Seeking Peace

ON Friday evening Herr Hitler addresses the Reichstag in reply to President Roosevelt's appeal for guarantees of non-aggression. As we go to press nothing is known of what the Fuehrer will say, though it is as nearly certain as may be that he will reject the President's proposals, denouncing them as uncalled-for, impertinent, provocative and mischief-making. This has been the tone of the German Press, which has lately excelled itself in personal vilification of the President; and the diplomatic manoeuvres of the dictatorships suggest the same line.

Faced with President Roosevelt's call to the bar of world opinion, and with the intensified efforts of England to complete the structure of collective resistance to aggression in Europe, Germany and Italy have been conducting a busy diplomatic drive. To Italy has fallen the task of winning over Yugoslavia to the Axis, to be used with Hungary and Bulgaria as a counterpoise to the countries, Poland, Roumania and Greece, which have already accepted a British guarantee. Here Count Ciano's success in securing an economic and political agreement of some scope at Venice cannot conceal his failure to obtain Yugoslav adhesion to the Anti-Comintern Pact; and the Germans' attempt to persuade M. Gafencu, Roumanian Foreign Minister, on his way via Berlin to London, that his country's real interests lie with the Axis and not the Peace Front, has been even less successful. Nor has the effort to secure from the Axis's third partner, Japan, firm pledges of military aid borne fruit.

Meanwhile, to the small States for whom President Roosevelt sought a guarantee from the dictators the Fuehrer has addressed a questionnaire, asking whether they knew of the President's intentions beforehand and whether they do in fact feel menaced by the Reich. The questionnaire has little more than a formal significance. It is a peculiarity of the Latin language that certain suffixes are appended to questions according to whether the answer "yes" or "no" is expected. Herr Hitler's questions have the same character, expecting as they do an inevitable disclaimer of any suspicions of the Reich's intentions from countries who cannot feel themselves sufficiently safe to speak more frankly. The implied suffix to his questions is *num* or "surely not?" In most cases the negative answers, which the Fuehrer presumably wishes to fling back in the American President's face on Friday, were a foregone conclusion. According to report, only Roumania and Egypt have permitted themselves in their answers to throw any doubts upon the peaceful and friendly nature of German policy, and it is significant that both these countries enjoy specific pledges of British protection.

It is unlikely, therefore, that the Fuehrer will have any signal triumphs to bruit abroad on Friday. But, whatever the tenor of his discourse, the problem for England and her allies is clear. Whether he places his cards on the table at last or not, whether his conclusion is a challenge or a defiant *apologia*, the question is: What is to be our attitude to the German claims for restitution, economic, territorial and colonial, many of which before the rise of Herr Hitler were accepted by almost all parties in England as *prima facie* reasonable? It is of the essence of President Roosevelt's own plan that, given acceptable guarantees of non-aggression, Germany's grievances in trade and the supply of raw materials should be the subject of fair discussion and arbitration, and it is not wise, or just, for a completely intransigent attitude towards these matters to develop in England, as a consequence of our sharpened realisation of the dire and immediate menace of the aims and methods lately pursued by Herr Hitler.

Our task now is clearly to plan for war, so that we may be so strongly prepared that no war will come merely because only the aggressor is ready. It is the job of our Government, not only to complete the Peace Front by pledges and agreements, but also to render those pledges and agreements effective, abroad by dispensing economic, as well as the promise of military, aid to our friends, and at home by the fullest and speediest mobilisation of all our resources. There must be not the slightest slackening in any of these preparations because of any words that may come from Berlin.

But we must plan for peace, too. *Si pacem vis para bellum* is only a short-term policy at best. It postpones war, but does not remove its causes, and mounting armaments inevitably mean conflict at the last. That we have embarked upon a policy of power arises from the incorrigible employment of force by the dictators themselves. That it is now next to impossible to consider concessions to German and Italian claims springs from the brutal methods signalised by the indefensible theft of Bohemia, Moravia and Albania; and the possession of these spoils by the aggressors is the greatest barrier of all to the cool discussion of their claims. Yet it is our aim to seek peace: we do not wish to seem to encircle Germany or to stifle her rightful demands; we must make clear beyond a peradventure where we stand. War is a bloody and inconceivable horror, however idealistically we may couch our calls for national service to-day, and it will settle nothing. We need to draft at once the peace settlement we are prepared to sign if the preliminary lunacy of warfare can be averted.

The first item of our policy is, admittedly, a short and sharp "no." We can make no concessions of any kind to threats of force. We cannot even discuss the claims of Germany and Italy until they can advance not merely assurances but effective guarantees in earnest of their good faith and limited and peaceful intentions. The policy of appeasement has been a ghastly and dangerous failure, and there must be no more of it. Too many pledges have been broken for the democracies to have faith in the dictators' promises, so long as their guns are pointing and their men arrayed. We must be implacable against aggression in thought and word, no less than in deed. Realistically, in present conditions, we must hold what we have. If Sir Neville Henderson's sudden return this week to Berlin, swiftly followed by the envoy of France, betokens a readiness to woo Herr Hitler with soft words, it was a grave error. It was unwise in any case, even if the British Ambassador bore a warning to the Fuehrer on the eve of his fulminations, because it spelled weakness in the reading of the Germans and Italians themselves and weakening in the eyes of America. It invited and received a rebuff.

The second item in our policy, for the sake of peace, must be generosity in return for security. If we can get from Herr Hitler effective and reliable guarantees of his peaceful intentions, then we must for honesty's sake be ready to discuss his grievances with an open mind. We must be prepared to consider concessions in the colonies which were wrested from Germany with the sole excuse of force. Italy's claims in the Mediterranean, Germany's desire to assist her minorities in Europe, the vexed frontiers of Central Europe could then all be reconsidered—as they cannot to-day. In the avoidance of Armageddon we have all a part to play. If it is our view that, in no circumstances, are we ready to discuss or concede, then we have accepted war as inevitable—unless we are rashly gambling on the fact that Germany may never feel

strong enough, or reckless enough, to wage it. Yet we must have guarantees before we can seek peace properly. A beginning would be the pledges of non-aggression that President Roosevelt is seeking; but that is not sufficient, since pledges are habitually broken under the pressure of the creeds that rule the Central Powers. The ghost of Czecho-Slovakia is a grim warning. Demobilisation, full and entire, would be a beginning, too, though this again would promise no more than a brief lull in aggression and much less than its cessation. Only disarmament, military and economic, promised, organised and maintained for a reasonable period, could suffice to create the conditions in which Germany could seek and find the relief she calls for. In such conditions we could be open-handed. We could build a bridge anew between the dictatorships and ourselves and prevent catastrophe. With-

out them we can only keep our powder dry and look into an arid future.

It may be said that these conditions cannot be secured; that the seizure of Czecho-Slovakia and Albania—like the rape of Manchuria and Abyssinia—is not only the reason why we seek guarantees, but also the demonstration that we shall not get them. If this is true, then we must face the truth that any sure prospect of peace has slipped out of sight; just as, if on the other hand we refuse utterly to contemplate any concessions in any circumstances to Nazis and Fascists, we must face the same warlike outlook. Only good faith and good will, tangibly proven, can buttress peace. For these we look to Berlin, for we ourselves have broken no major pledges and, as we wait, our hand is unhappily on the trigger. The next and deciding word is with Herr Hitler. The last may be ours.

Education for Work

THERE is already a shortage of skilled workpeople in England and, as the Government's defence demands upon industry grow, this shortage will become more acute. The shortage is not simply one of men and women trained in specific industrial skills. There is also a lack of workers trained and experienced in the principles and methods of manual and mechanical processes. It is, in fact, a shortage of educated citizens.

The cause is twofold—apart from the wasting effect of long years of depression in the not very distant past. In our present provision for technical education there are faults of outlook and attitude; and there are defects of organisation. On the one hand, technical training is regarded and treated as inferior to more academic and literary instruction; and, on the other, its arrangement is uncompact and haphazard. Both flaws have their origins in history.

Technical education, like all branches of English education, is not based on any thought-out scheme. It is the product of the *ad hoc* adaptations of a hundred years. Here, as in the case of elementary education, the rôle of the State has been to aid and supplement voluntary effort until, bit by bit, a national system has emerged. The industrial revolution broke up the old craft apprenticeship system; and, because England had fifty years' start on its rivals in industrialisation, the Government had no incentive to see to the filling of the gap, until the rise of foreign competition made technical training an obvious national asset. Meanwhile, it was left to private agencies to provide vocational instruction. It was groups of artisans who established the mechanics' institutes of the early nineteenth century; it was local and private effort that set on foot the first science and art classes; it was the London Livery Companies who founded the City and Guilds Institute; and it was a private benefactor, Quintin Hogg, who formed the first of the Polytechnics. These were the prototypes of the diverse institutions that grew up to make the outline of a system of technical education.

At first, the State's function was simply to supervise through the Science and Art Department. Then it was to assist by grants-in-aid. Finally, it was to assume direct responsibility, first, by creating local technical education authorities in 1889, and, secondly, by encouraging the general education authorities set up in 1902 to take over the voluntary technical institutions. To-day, only about 4 per cent. of technical schools and colleges are independently run; but the whole of the municipalised system bears the marks of its unplanned and scattered origins. Technical education has never been properly dovetailed with other types of schooling; nor has its relation to the needs of industry ever been fully worked out. The basis of

the system is still voluntary, in striking contrast to the compulsory day continuation schools and apprenticeship training of Germany or the subtle French blend of centralisation and local autonomy with its *tax d'apprentissage*. Neither employers nor young workers are under any obligation to make use of the facilities for technical education, which vary startlingly from district to district; and technical education (including commercial training as well) tends to be a part-time trimming, rather than an integral part of either business life or of education in general.

It has an amateur status, so to speak, and its place in public esteem is a subordinate one. This is not for lack of repeated expert advice to the contrary. Fifty years ago Matthew Arnold, an inspector of schools, wrote:—

The technical school is in fact a secondary school, to follow the elementary school, after some manual training has been given.

Royal Commissions have echoed this; and it was precisely the view taken, only a few months ago, in the Spens Report on secondary education, which suggested the creation of technical high schools to be parallel with secondary schools and equal in status with them.

The barriers are social and economic. Secondary school training as we know it has a prestige value; it provides the *entrée* to universities and a passport to medium-paid posts in business. Technical education is left to the labourer and the clerk who must leave school very young to earn their living, and then, if they are ambitious, spend their evenings, after a full day's work, in study.

The outstanding feature of English technical education is that it is predominantly part-time evening work. There are about 1,050,000 students at all sorts of technical (including commercial) institutions and just over 40,000 are full time. For over a million, technical or commercial education is an "extra." There are, perhaps, 25,000 full-time pupils in the junior technical and commercial schools, which provide children over eleven years of age with continued general education plus some preparation for employment, either in a specific trade or, more generally, in some industry or occupation, such as building, engineering or housewifery. Another 8,000 or so are full-time pupils in technical day classes, and, perhaps, 10,000 senior pupils are taking full-time courses at technical colleges. In addition, a further 45,000, though part-time, are receiving instruction during the day, and so are not being called upon to pile their essential technical training on top of a full week's work; of these, there are some 25,000 at technical day classes in colleges and other institutions; and another 20,000 or so at the less vocational day continuation classes, for which employees between the ages of fourteen and

eighteen may be released on certain days by arrangement with their employers—2,500 are in day continuation classes actually provided by business firms for their own young workers. The balance of the 1,050,000 technical and commercial students—about 970,000—are not only part-time pupils. They are also spare-time pupils, like the hundreds of thousands more who seek training by correspondence.

This state of affairs is wasteful and inefficient. The essential link in true technical training is too often lacking; that is, close co-ordination between practical work and instruction, involving careful co-operation in organising and conducting classes between employers, working "learners" and educational authorities. Too many evening students attend classes blindly as individuals, with only an uncertain hope of advancement as their spur. Too few can approach their courses as correlated parts of their daily work. Too many fall by the wayside; and too few skilled artisans are turned out.

The outlines of reform are easy to sketch, and their achievement depends upon technical instruction being brought to rank on a parity with all other sorts of education. It should begin in the elementary school with the manual training for all that Matthew Arnold wanted, a training much more purposive in principles and methods than the scattered manipulative exercises that too often feature in curricula. It should continue either in the technical high school, where a general syllabus would be focused upon industrial techniques, or in full or part-time day courses, jointly arranged by employers, trade unions and technical teachers as preparation for specific trades or industries. From the high schools and the trade and industrial classes equally should be chosen the picked pupils to pass on, with the aid of scholarships, to technical colleges and the technical departments of universities. Students at technical high schools and in trade classes should be given experience in workshop practice. Juvenile industrial

workers should compulsorily attend part-time day classes for a fixed number of hours every week. At colleges and universities no degree or diploma should be given in a technical subject until an extensive period of practical work has been done. Technical training should be woven into the fabrics of education and industry alike.

Much has been done in these directions already. Part-time courses for apprentices are common. The National Certificate examinations set at technical institutions are prepared by professional technical bodies under State supervision. But apprenticeship covers too small a section of industry nowadays, and too many workpeople are left to their own spare-time devices. Day technical classes and day continuation schools are steps on the right road. Junior technical and trade schools are doing excellent work. But the bulk of industry's youthful human material is still going to waste. Something more comprehensive is needed, and more speed in the present welcome progress.

The director of French technical education has proposed that every young person employed between the ages of fourteen and seventeen should be automatically deemed an apprentice and therefore be obliged to intersperse his or her work with the relevant courses of technical instruction. This is the right policy. In England we have our charter in the Education Act of 1918, which envisaged

a complete and systematic plan of further education properly related to elementary and secondary schools and universities, adapted to local needs and particularly to industrial needs, and offering to each student facilities for a course of instruction suited to his or her requirements.

So far we have not made full use of it. This year we shall spend on technical education almost exactly 1 per cent. of our defence expenditure. We ought not to waste such restricted means; and industrialists, even more than administrators, have a powerful part to play in ensuring that next time England's industry is at full stretch there will not be the scarcity of skill we are menaced with now.

The Budget Accounts

SIR JOHN SIMON is not the man to depart from a tradition as venerable as that which dictates the form of a Budget speech. He dealt first with the results of last year, then with the prospects for the current year as they appeared on the published Estimates and the yield to be expected from the existing taxes. Then, having established the figure of the prospective deficit, he turned aside, in the traditional manner, to deal with minor matters until the markets were closed. At the end came his proposals.

The Chancellor's remarks on last year's experience added comparatively little to what was already known. He revealed that the yield of customs had gained both from forestalling in March and also from the failure of the domestic sugar beet crop, which led to larger imports, but had lost from the provisions of the Trade Agreement with the United States. He ascribed the good yield of surtax to the measures taken against evasion, but gave no special explanation of the surprisingly large fall in the revenue from the death duties. On the expenditure side, he pointed out that the Civil Supplementaries had exceeded the Budget provision mainly for non-civil reasons, such as A.R.P. and the trouble in Palestine. Savings on other votes, however, brought the total of the Civil Supply votes to £7,750,000 less than the Budget estimate.

When he turned to the present year the Chancellor retained the provision for the service of the National Debt at last year's figure of £230 millions, in order to leave a margin for the statutory sinking funds. The other Consolidated Fund items show increases, mainly because of

the transfer to this section of the Budget of Irish charges. For Supplementary Estimates on the Civil Supply Services, Sir John allowed a margin of £5 millions, hoping to secure savings on some of the votes. This brought the provisional total of expenditure to £922,444,000, including £227,738,000 for defence. The Civil Estimates show an increase of £12 millions over last year, and the Chancellor pointed out that this was mainly due to increased expenditure (most of it automatic) on the social services. Civil expenditure, apart from debt, defence and war pensions, has increased by £186 millions since 1925, and the expenditure of local authorities out of rates in the same period has risen by about £42 millions.

The next section of the speech was the estimate of revenue for the coming year on the existing basis of taxation. Customs and Excise were put at £2½ millions below last year's yield; the correctness of this estimate will depend very largely on the policy pursued by the Government regarding the balance of trade, which is almost sure to be an issue within the twelve months. Income tax is expected to produce £9 millions less and surtax, with its longer time-lag, £3½ millions more. The yields of Death Duties and Stamps were put at the same figure as last year—perhaps pessimistically in the former case and certainly optimistically in the latter. N.D.C. will bring in the originally estimated sum of £25 millions. The minor items brought the total figure, estimated hopefully, to £918,330,000, leaving a deficit of just over £4 millions.

Of the minor items, the two which deserve mention are

THE BUDGET IN FIGURES

TABLE I

EXPENDITURE (£'000s omitted)

	Budget Estimate 1938-39	Actual Issues 1938-39	Budget Estimate 1939-40	Col. (3) compared with Col. (2)
	(1)	(2)	(3)	
Consol. Fund Services : Int. and Management of Nat. Debt	230,000	216,781	230,000	+ 13,219
Payments to N. Ireland	8,900	9,459	10,000	+ 541
Other Cons. Fd.	3,200	4,825	7,200	+ 2,375
Total	242,100	231,065	247,200	+ 16,135
Supply Services : Army (inc. Ordnance)	86,041	85,661	83,087	- 2,574
Navy	93,707	95,945	69,399	- 26,546
Air	73,500	72,800	66,561	- 6,239
Civil Defence	8,493	17,783	8,691	- 9,092
Margin for Supple- mentaries	...	...	20,000	+ 20,000
Total Defence...	261,741*	272,189*	247,738*	- 24,451
Civil Votes (exc. Broadcasting)	416,273	409,383	427,860	+ 18,477
Margin for Supple- mentaries	10,000	...	5,000	+ 5,000
Revenue Depts. (exc. P.O.)	14,284	14,143	14,646	+ 503
Total Supply Services	702,298*	695,715*	695,244*	+ 471
Total Ordinary Expen- diture	944,398*	926,780*	942,444*	+ 15,664
Sinking Fund	...	13,219	...	- 13,219
Grand Total	1,024,840*	939,999*	942,444*	+ 2,445

* Exclusive of sums spent out of loans under the Defence Loans Act, as follows : 1938-39, £90 millions (Budget Estimate) ; £128 millions (actual) ; 1939-40, £342½ millions (Budget Estimate—actual will be at least £30 millions higher).

TABLE II

REVENUE (£'000s omitted)

	Budget Estimate 1938-39	Actual Receipts 1938-39	Estimate for 1939-40 on basis of existing taxation	Col. (3) compared with Col. (2)
	(1)	(2)	(3)	
Inland Revenue : Income Tax	341,250	335,901	327,000	- 8,901
Sur-tax	62,000	62,530	66,000	+ 3,470
Estate Duties	88,000	77,430	77,000	- 430
Stamps	24,000	20,980	21,000	+ 20
National Defence Con- tribution	20,000	21,890	25,000	+ 3,110
Other	1,250	1,550	1,250	- 300
Total	536,500	520,281	517,250	- 3,031
Customs and Excise : Customs	227,950	226,326	222,500	- 3,826
Excise	116,150	114,200	115,500	+ 1,300
Total	344,100	340,526	338,000	- 2,526
Motor Vehicle Duties ...	36,000	35,608	37,200	+ 1,592
Total Receipts from Taxes	916,600	896,415	892,450	- 3,965
Post Office net receipt...	8,670	9,500	7,200	- 2,300
Post Office Fund	2,400	1,400	1,600	+ 200
Crown Lands	1,330	1,330	1,330	...
Sundry Loans	5,250	5,699	5,000	- 699
Miscellaneous	10,500	12,941	10,750	- 2,191
Total Ordinary Re- venue	944,750	927,285	918,330	- 8,955

TABLE III.—REVENUE AND EXPENDITURE, 1939-40

ESTIMATED REVENUE

	£	£
Inland Revenue— Income Tax	327,000,000	
Sur-tax	70,000,000	
Estate Duties	80,000,000	
Stamps	21,000,000	
National Defence contribution	25,000,000	
Other Inland Revenue	1,250,000	
Total Inland Revenue	524,250,000	
Customs and Excise— Customs	232,560,000	
Excise	116,460,000	
Total Customs and Excise	349,020,000	
Motor Vehicle Duties	43,450,000	
Total Receipts from Taxes	916,720,000	
Post Office net receipt	7,200,000	
Post Office Fund	1,600,000	
Crown Lands	1,330,000	
Sundry Loans	5,000,000	
Miscellaneous	10,750,000	
TOTAL ORDINARY REVENUE	942,600,000	
Self-balancing— Post Office	79,634,000	
Broadcasting	3,765,000	
Total Self-balancing	83,399,000	
TOTAL REVENUE	1,025,999,000	

ESTIMATED EXPENDITURE

	£	£
Consolidated Fund— National Debt	230,000,000	
Northern Ireland	10,000,000	
Misc. Cons. Fund	7,200,000	
Total Consolidated Fund	247,200,000	
Supply Services— Defence— Army	83,087,000	
Navy	69,399,000	
Air Force	66,561,000	
Civil Defence	8,691,000	
Margin for Supplementaries	20,000,000	
Total Defence	247,738,000	
Civil— I. Central Govt. & Finance	2,664,000	
II. Foreign and Imperial	15,387,000	
III. Home, Law and Justice	19,104,000	
IV. Education	63,344,000	
V. Health, Labour & Insur.	172,319,000	
VI. Trade, Industry & Trans.	44,646,000	
VII. Works and Stationery	14,110,000	
VIII. War Pensions	42,096,000	
IX. Contributions to Local Revenues	54,170,000	
Margin for Supplementaries	5,000,000	
Tax Collection	14,646,000	
Total Civil	447,506,000	
Total Supply Services	695,244,000	
TOTAL ORDINARY EXPENDITURE	942,444,000	
Surplus	156,000	
Total	942,600,000	
Self-balancing— Post Office	79,634,000	
Broadcasting	3,765,000	
Total Self-balancing	83,399,000	
TOTAL EXPENDITURE	1,025,999,000	

the decision to take into the Exchequer—not necessarily this year—the sum of £1½ millions from the unclaimed dividend account, and the announcement of further measures, with retrospective effect, against the evasion of surtax and death duties by the ingenious manipulation of one-man companies. Before tackling his main problem, the Chancellor also reduced two small taxes and imposed one new one. The proposals of the Select Committee on the Medicine Stamp Duties were not accepted owing to the administrative difficulties involved, and Sir John took the unexpected step of repealing the duties altogether. The “living theatre” was also given a further relief from entertainments duty. To offset these losses of revenue, a new excise tax was imposed on photographic film, with a corresponding increase in the existing customs duty.

The first indication of the character of the Budget came when the Chancellor announced his intention of raising from revenue £20 millions of the £50 millions which it would be necessary to provide for Defence Supplementaries owing to the new measures decided upon since the Estimates were framed. (This figure of £50 millions apparently allows nothing for the cost of the conscription measures announced on the day after the Budget.)

This raised the prospective deficit to £24 millions, which Sir John proposed to levy both from the direct and from the indirect taxpayer—or, more accurately, both from the well-to-do and from the mass of the people. The motor vehicle duties were selected for the major part of the burden designed to be laid on the more comfortably endowed. The stiff increase from 15s. to 25s. per horsepower, as from January 1st next, will provide £6¼ millions

towards this year's deficit. A further £4 millions is to be found from surtax; the standard rates, which have been raised by 10 per cent. since 1931, are to be further increased by 5 per cent. up to £8,000 and by 10 per cent. above that figure. There is also to be an increase of 10 per cent. in the rates of Estate Duty on all estates of over £50,000. (The new rates and their incidence are detailed in a note on page 247.) The indirect taxpayer provides £11 millions, £7 millions by a stiff increase of 2s. a lb. on tobacco, and £4 millions by an increase of ¼d. per lb. (a quarter of the present rate) on sugar. The effect of these changes is as follows:—

	1939-40	Full year
	£	£
Apparent deficit	4,200,000	...
Defence Supplementaries	20,000,000	...
Repeal of Medicine Stamp Duties	590,000	770,000
Reduction of Entertainments Duty	190,000	290,000
	24,980,000	1,060,000
Unclaimed dividends	...	1,500,000
Photographic films	800,000	1,005,000
Motor vehicles	6,250,000	11,500,000
Surtax	4,000,000	5,000,000
Estate Duty	3,000,000	5,000,000
Tobacco	7,000,000	8,000,000
Sugar	4,000,000	4,500,000
	25,050,000	36,505,000

The result is to leave a formal surplus on this year's accounts of £156,000. The delayed full effect of the changes will produce an automatic increase of revenue of £11,175,000 next year. The final balance sheet of the year is shown in Table III opposite.

NOTES OF THE WEEK

The Diplomatic Mêlée.—The clear and direct line in British foreign policy which has restored Anglo-French initiative to the affairs of Europe has been somewhat confused this week by the sudden and unexpected return of the British Ambassador to Berlin. Though no return to an earlier policy was, it is said, intended, the reversion to the tactics of warning Herr Hitler, familiar during the September crisis, has once more caused suspicion and doubt in the minds of those smaller countries for whom there could be no going back once the anti-aggression policy was adopted. Though the precise nature of Sir Neville Henderson's mission has not—no doubt owing to the studied contempt of the Germans—been revealed, the fact that it was accompanied by a firm declaration that this country did not “in any way” recognise the annexation of Czechoslovakia, and that it was followed by conscription in this country, seems to show that it was a diplomatic blunder rather than a political change of heart on the part of the British Government—a blunder underlined by the studied discourtesy of Herr von Ribbentrop in refusing to receive the Ambassador. More serious has been the failure to produce definite and concrete results in the Anglo-French talks with Soviet Russia. Although the talks are said to be progressing well and to show a definite approximation to each other of the views of the Eastern and Western Powers, the considerable delay which has already taken place has been well exploited by Germany in her relations with the smaller Powers of Central and South-Eastern Europe. The talks with Turkey are also apparently in the same state. The visits of M. Potemkin, Soviet Vice-Commissar for Foreign Affairs, to Bucharest, Sofia and Ankara, show that Russia is taking direct steps to counter German activity and assimilate Russian and Turkish policy. The renewal of diplomatic contact between Bulgaria and Soviet Russia is of first-rate importance and, if pursued, may yet prove decisive in the future affairs of the Balkan Peninsula and the balance of power in Europe.

Ministerial Changes.—Neither in the supply of Ministers nor in the supply of materials for the defence services have the Prime Minister's latest arrangements been of the happiest. The choice of Mr Burgin to be Minister of Supply was hardly inspiring, and the series of routine adjustments that followed has not produced any very noticeable accession of strength to the Ministry. Captain Euan Wallace, whose work as Financial Secretary to the Treasury has not invited criticism, was moved to the Ministry of Transport, where Mr Burgin has left a very great deal to be done; Captain Crookshank, whose tenure of the Department of Mines was marked by laborious and disappointing days with the Coal Bill, borne with skill and patience, came to the Treasury on the eve of the Budget;

THE WORLD OVERSEAS

This week the section of *The Economist* that is devoted to contributions by Our Correspondents in countries overseas and by other experts on the spot contains articles on:—

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M. Reynaud's New Plan	247
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Mr Geoffrey Lloyd, who was the first to inject some energy at the Home Office into air-raid precautions, before Sir John Anderson took charge, was given the Ministry of Mines with the mission of making pits safer for miners; and Captain Peake was promoted to the Under-Secretaryship at the Home Office. The reshuffling of these reasonably competent and comparatively youthful men only underlined the deficiencies in the Government which so unnecessarily complicate Mr Chamberlain's task of persuading his critics to accept extraordinary measures. The absence of Mr Churchill and Mr Eden from the Cabinet is still the Prime Minister's greatest handicap.

* * *

Supply Problems.—Second thoughts about the organisation of supplies involved in the appointment of Mr Burgin have not altered the first impression that his powers as Minister of Supply are to be needlessly curtailed. He is to have authority simply to enforce the prior claims of the Government for War Office supplies and certain defence materials. The War Office, faced with the task of equipping the Regular Army and a doubled Territorial Army, as well as the young men now to be conscripted, is in great need of this reinforcement; but the wider issues which have been exercising the minds of the advocates of a Supply Ministry for many months—problems of allocation and priority which will be made enormous as the Government's £630 millions of defence expenditure come into the markets for men and materials—are left untouched. The essence of the supply problem is the apportionment of claims, not only between the services, all of which have competing claims for labour and materials as well as common needs for the creation of reserve plant and equipment, converted and ready for use, but also between military and civil requirements. The existing Ministerial priorities committee is another organ of co-ordination, not of executive action; it has not the controlling powers needed to redesign the nation's productive economy in these ways. It will be folly to wait until the inevitable bottle-necks, rivalries and dislocations have developed before putting into operation the complete authority which, it is announced, the actual Ministry of Supply Bill will provide for. The whole Bill, and nothing less than the whole Bill is wanted at once.

* * *

Jugoslavia on the Anvil.—The pressure of the Rome-Berlin Axis on Yugoslavia has been brought this week to bear directly on M. Cincar-Markovitch, the Yugoslav Foreign Minister himself, in visits to Venice over the week-end and to Berlin on Wednesday of this week. The contradiction between the policy which the national interest requires and that which external circumstances permit has given rise to a number of conflicting reports as to the extent of Yugoslavia's surrender to the demands of the Axis Powers. Yugoslavia is now suffering the full consequences of the policy of M. Stoyadinovitch. Having been the sure ally of none, she finds not a single effective ally on whom she can rely. Having opened the gates to German and Italian intrigues in Central Europe and the Balkans, she now finds herself the direct object of those intrigues. Having prised open the Little Entente for Germany and Hungary, she finds herself expected also to prise open the Balkan Entente. Having facilitated the German disruption of Czecho-Slovakia, she finds herself, in the absence of any other single industrialised State between Germany and Russia, before a choice she is unwilling to make. Having opposed in September, 1936, the proposal that the Little Entente as a whole should make a pact of mutual assistance with France, she finds herself to-day without the guarantee of the Western Powers or the shelter of the Little Entente. In addition, in the economic sphere, she has come under a dangerous degree of German dominance. As is shown by a full account of her economic position on page 248, Yugoslavia, more than any other country, was economically

affected by the annexation of Bohemia and Moravia. Though official quarters in London insist that "Jugoslavia is not lost," there is no sign that sufficient pains are being taken by the British and the French to conduce to this end, and more should be done than is being done. As for the Yugoslav Government, they would be thankful to achieve neutrality and the continued integrity of their frontiers. It is clear that Italy has no interest in the disruption of Yugoslavia by Germany, and has this time promoted concord rather than discord in the Serb-Croat talks, which are reported to have reached a final agreement. But should the continuation of a Yugoslav State prove inconvenient to the Axis, Italy may insist that intervention is an Italian and not a German right. The presence of Germany on the Adriatic is even less desired in Rome than was her presence on the Brenner.

* * *

Roumania's Position.—The visit of the Roumanian Foreign Minister to London has proved an unmitigated success. The impression made by M. Gafencu on all those with whom he came in contact was as happy as seems to have been the impression made on M. Gafencu himself. The seriousness with which both countries are taking their common foreign policy has caused considerable mutual satisfaction. Though the economic consequences of this policy are being discussed in Bucharest by the delegation headed by Sir Frederick Leith-Ross, and the military and naval consequences will have to be discussed by the competent experts, the fact that M. Gafencu came from Poland, Berlin and Brussels, and returns to his country via Paris and Rome, enables the two Governments to judge the exact political situation of Roumania in relation to Europe as a whole. M. Gafencu was well received in Poland, as was to be expected in view of the Roumanian-Polish alliance which is being gradually strengthened to cover all emergencies and not exclusively an attack from the East. In Berlin, M. Gafencu was also pleasantly received, in spite of the disfavour into which his two allies have fallen, and the powers of resistance which Roumania is showing to the "penetration" envisaged by the German-Roumanian trade agreement. The position of Roumania, though worse than that of Poland in so far as her relations with Hungary and Bulgaria are concerned, is stronger in respect of her close relations with Turkey and her less negative attitude towards Soviet Russia. Roumania, to a limited extent, has inherited the rôle of her ally Czecho-Slovakia, and her safety depends on the effectiveness this time of co-operation between Eastern and Western Europe. Though she has not the military strength or the strategic position of Czecho-Slovakia, she has the advantage of being accessible by sea from the West and by land from Russia. The utilisation of this advantage depends on the primary agreement between the Black Sea Powers themselves and on close relations between Britain, Turkey and Russia.

* * *

Civil Defence.—It cannot be too strongly stated that the aim of urban defence against air raids is to enable essential industrial and distributive activities to be carried on with the maximum degree of safety for citizens consonant with this aim. This is why, on balance, Sir John Anderson and his expert advisers, whose conclusions were made public this week, have decided in favour of dispersed shelters, giving protection against blast and splinters, rather than mass underground refuges. There are other powerful reasons, too: the construction of deep, bomb-proof shelters for the whole civilian population would cost a very great deal and, more cogently, would divert resources on a large scale from the purposes of active defence; the technical difficulties of building a shelter system that would give sufficiently speedy and uncongested access to its users have not yet been overcome and any kind of deep shelter would take a long time to construct. Even if these views are granted, however, there is much ground still to be gained. The key points are vital services which, all these arguments apart, must have

very heavily protected shelters, have still to be chosen; and so far the system of dispersed shelters officially favoured for general use has itself only been begun. There is still a scarcity of steel garden shelters, as well as of the reinforced basements, communal shelters and street refuges that are to supplement them. And the rejection of deep shelters will necessitate some expansion in evacuation plans. If the time factor and the need for speedy preparation have been a strong argument in ruling out deep shelters, they are an even stronger argument in favour of completing the alternative arrangements. Sir John Anderson has planned his precautions with common sense and a cool head, but the sooner the goods are delivered the sooner will his contribution to national safety be fully appreciated.

* * *

Freedom and Censorship.—Some sort of control over the disclosure of news and the dissemination of opinion is inevitable in war-time and, as Mr Chamberlain has truly said, we can scarcely be said to be at peace even now. Already calls for a censorship are being made and rumours are abroad about the Government's restrictive intentions. Actually much of this excitement is misguided. The request of Sir George Broadbridge, Conservative M.P. for London and an ex-Lord Mayor, for the immediate appointment of a censor, a request which has made Sir George something of a hero in the Nazi Press, is a case in point. It is not to protect essential secrets or to further the defence of the realm that he has made his suggestion; it is simply and solely to limit freedom of speech and writing, in the interests of business activities which thrive upon confidence and optimism, even if these, by being falsely founded, lead in the end to limitless calamity. Sir George will surely receive short shrift. Gossip is also busy about the Government's alleged plans to take over the British Broadcasting Corporation. Here again the tales are, to say the least, premature. The B.B.C.'s independence of direct control, like the liberties enjoyed by the Press, has engendered a sense of responsibility in comment and statement that makes control needless and unwise until it is a question of preserving official secrets.

* * *

In essence the position of individual private Members of Parliament is similar to that of the Press and the B.B.C. The final report of the Commons' Select Committee on the Official Secrets Acts, issued this week, makes this point. The Committee deprecate the introduction of legislation, either to define Members' immunity from prosecution under the Acts or to state their liability to penal action. The privileges Members enjoy to seek out information and to base criticism upon it in the interests of their constituents are, like all parliamentary privileges, purposely imprecise. So long as individual Members are properly discreet, so long as the House as a whole, with its power to imprison or expel Members, keeps a watchful eye upon their proceedings in this respect, and so long as Ministers do not abuse the authority given them by the Official Secrets Acts, so long will the present position of privileged freedom tempered by good sense remain too valuable to destroy. It is only when the State is likely to be directly endangered by irresponsibility—not when weaker minds are disturbed by the painful truth—that newspapers, broadcasters and politicians will require to be curbed by regulation. We will not be able to escape control, but we can eke out the term and scope of the freedom we prize by our own discretion.

* * *

Investment Overseas.—Last week, in reply to a question in the Commons, the Chancellor of the Exchequer made an announcement of capital importance. There already exists an embargo, operated "unofficially" through

the Foreign Transactions Advisory Committee, on the purchase of foreign securities for resale. Now, it is the earnest wish of the Chancellor that British capital shall not be transmitted abroad by the purchase of securities for investment. The complete mobilisation at home of the country's financial resources for purposes of defence and re-armament has clearly been made imperative by the magnitude of the claims which the Government has decided to make upon the nation, and the export of capital, in normal peace time an important factor in the building up of national wealth, has become a dangerous diversion of assets. So far there are no signs that the Government's wishes are being flouted, and a Finance Note on page 258 shows that the recent gold losses of the Exchange Equalisation Fund have not been large. Nevertheless, measures of control that are distasteful and inexpedient in peace time become essential when a war economy is being arranged. The only possible test of the voluntary principle, in this sphere as in others, is whether it works. There is, accordingly, everything to be gained by a strict adherence to the Chancellor's wishes.

* * *

The Far Eastern War.—The Parliamentary undertaking by the Prime Minister last week—that he would bear in mind the desirability of including China and other Far Eastern countries in any combination of Governments for the purpose of resisting aggression—comes as an important reminder both of the interest of the United States and Russia in Far Eastern affairs and of the fact of war in Asia which has been somewhat overshadowed by the fear of war in Europe. In the last few weeks the Chinese forces appear to have made immense advances in Kwangsi, Honan, Shansi, Hopei and Kwangtung, and according to some reports have recaptured 5,000 square miles, equivalent to the Japanese gains since October. An important part in the Chinese advance has been played by the guerillas, who now seem in many districts to be liberally equipped with machine guns and trained to co-operate efficiently with the Chinese regulars. The Chinese claim that their real offensive has not yet been begun and though this is strongly denied by the Japanese, the latter admit that the Central Army has not yet been brought into action and that their troops have made "strategic withdrawals" in Southern China. These they now claim to have stopped. The immediate military threat to the Japanese conquest is not perhaps very severe—Japan can hold the ports, the Yangtse and the railways. But the situation in China is not likely to increase the anxiety of Tokyo to convert the Anti-Comintern Pact into a military alliance. Such an alliance would mean, in the event of European war, that the Chinese would be reinforced by the French, the British, probably the Russians and possibly the Americans, while any help that Germany and Italy could give to Japan would be very

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remote and indirect. No wonder even the ideological fanatics in the army are hesitating, while the navy is reported to be opposed to anything that might bring it up against Russian submarines and British and American battleships, all at the same time.

* * *

Mr Menzies' Cabinet.—Mr R. G. Menzies, appointed Prime Minister of Australia last week, lost no time in forming his Government. It has sixteen members, all of them members of the United Australia Party. The most significant appointment is that of Mr R. G. Casey, formerly Treasurer, as Minister of Supply and Development, a new portfolio. The function of the Ministry, as Mr Menzies explains, includes the rapid development of Australian industry for defensive purposes and the making of plans to preserve the Australian economy in the event of blockade or an interruption of overseas trade. Mr Menzies himself has taken over the Treasury. Mr W. M. Hughes is Attorney-General and Minister for Industry, and Sir Henry Gullett returns to Cabinet office as Minister for External Affairs. Brigadier Street remains at the Defence department. It is a young and sound-looking Cabinet, all the stronger internally, by comparison with Mr Lyons' team, for being drawn from one party only. The future relations between the Government and the Country Party are still uncertain. By his attack on Mr Menzies, Sir Earle Page "banged, bolted and barred" the door to co-operation so long as the Country Party remains under his leadership; but his attitude has so offended many party members that they may prefer another leader with whom Mr Menzies can compromise. Two Country Party members of the Lower House have already declared their support for the Government.

* * *

New Zealand Checks Imports.—New Zealand importers and consumers received a severe shock when the Minister of Finance, Mr Nash, announced the schedule of import restrictions for the second half of the current year. A long list of imports, comprising luxury goods, like wines and wireless sets, and goods capable of being made in New Zealand, like beer and boots, are to be prohibited altogether. Partial restrictions, with a substantial preference for British goods, will apply to a further list, including glass and china ware. No assembled motor cars will be imported, and the quota of unassembled vehicles has been cut from 100 per cent. to 60 per cent. of previous quantities. These drastic restrictions are necessitated, according to a statement by the Minister, by the previous heavy surplus of imports over New Zealand's real ability to buy. He points out that the visible excess of exports in 1938 was only £3 millions, whereas over £12 millions was required for the service of overseas debt. Some correction of the balance of trade was certainly necessary, if New Zealand was to remain solvent in respect of her sterling public debt (the relevant figures are given in a Note on page 259). The method of control by licence, however, is full of dangers. Dislocation and profiteering in internal industry can be prevented only by measures of governmental control which will tend to make New Zealand's economic system more and more like Germany's.

* * *

A Good Appointment.—The Embassy at Washington has never been regarded as an ordinary diplomatic post

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or even as the highest office open to the Diplomatic Service. Many of the qualities that are most needed in a diplomat accredited to other capitals would unfit their possessor for the very different requirements of the mission to the United States. Both the present Ambassador and his predecessor have been diplomats *de carrière*, but exceptional in the Service for their approachability and human qualities. There is, however, a long record of distinguished amateurs being sent to Washington and, after a professional interlude, it is very welcome that a public figure of Lord Lothian's distinction has been chosen to succeed Sir Ronald Lindsay. Lord Lothian is, in fact, an excellent choice. He has a very long and intimate acquaintance with the United States and, as Secretary of the Rhodes Trust, has been closely associated for many years with an institution that is not only an enduring link between the two countries, but also one of the very few British-founded charities from which American citizens benefit. Lord Lothian's name has been associated, in the recent past, with the advocates of a particular foreign policy for Britain which is not popular in America. But that policy is now dead and Lord Lothian's recent speeches show that he personally has abandoned it. The task of the British Ambassador to Washington is compounded in about equal parts of diplomacy and of what is known in America as "public relations." Lord Lothian has some experience of both arts; he should be able to make a contribution to that mutual respect and understanding between the British and American peoples upon which the future of our civilization manifestly depends.

* * *

Barter Proposals.—The suggestion of the United States Government that America's surplus stocks of wheat and cotton might be exchanged in a barter transaction with the British Government for supplies of strategic raw materials, such as rubber and tin, needs very careful examination. While it is clearly true that it is in the interests of national defence that this country should build up war stocks of wheat and cotton, it is even more apparent that the present proposals spring from the desire of the wheat, and especially of the cotton, interests in the United States to get rid of their surplus supplies. The desire to do this is very understandable as a commercial motive, but it is not in itself sufficient reason for the British Government to embark lightly upon a plan which raises a number of difficult and complicated problems. In the first place, as the United States Government should know from their own hard experience, the holding of large stocks of raw materials for purposes of influencing price, even though disguised with a defence aspect, cannot be prevented from exercising a depressing effect upon the markets which they overhang, or from involving their holders in loss, however much schemes of restriction and price-control may be elaborated. Secondly, even defence considerations do not easily justify the British Government's making a large-scale bilateral arrangement with a single producer to the exclusion of other suppliers. Finally, granted that the United States has surplus stocks to get rid of, it is difficult to see how, at this juncture in world trade politics, either Britain or America stand to gain by an encouragement of barter methods, against which they have both repeatedly inveighed. The American plan is worthy of consideration but, on balance, it seems to carry many more disadvantages than benefits.

* * *

Merchandise Marks.—The Merchandise Marks Act of 1926 provided that overseas manufacturers sending goods to this country should be required to mark them as being of foreign origin. The intention was, of course, protectionist; but it is a protectionist device which in no way penalises the consumer—which, indeed, adds to the information at his disposal. The Act, however, provides that goods need not specify the actual country of origin but may be merely marked "Foreign" (or "Empire"). In some cases the name of the country of

origin has been a positive recommendation—thus, glass "Made in Czecho-Slovakia" has hitherto been highly regarded. But other countries have thought, doubtless correctly, that their goods stood a better chance if they were exposed for sale under the semi-anonymity of "Foreign." The Federation of British Industries have forwarded to the Government a recommendation that the Act should be amended to provide that all goods which require to be marked with an indication of origin should now carry the name of the country of origin. This is a useful suggestion, which should be adopted. There is nothing to be lost and much to be gained by letting the consumer know which goods are "Made in Germany" or "Made in Japan."

* * *

New Rates of Taxation.—The effect of the Chancellor of the Exchequer's proposals for surtax and estate duties is, in each case, to introduce a new element of progression into taxes that are already progressive. In the case of estate duty, there is no change in the rates levied on all estates up to £50,000 (the rate on estates between £45,000 and £50,000 is 14 per cent.). Above that figure, the existing rates are increased by one-tenth. The existing rates go up by a somewhat irregular progression from 15 per cent. on estates between £50,000 and £55,000 to 40 per cent. on those between £1,000,000 and £1,250,000, 42 per cent. between £1,250,000 and £1,500,000, 45 per cent. between £1,500,000 and £2,000,000 and a maximum of 50 per cent. over £2,000,000. All these rates will now be increased. The result is that after a gradual rise, there will be a sudden jump from 14 per cent. to 16½ per cent. at the £50,000 mark, while the maximum rate on estates over £2,000,000 will now be 55 per cent.

* * *

In the case of surtax rates, which have been subject to a surcharge of 10 per cent. since 1931, the surcharge is to

be 15 per cent. up to £8,000 and 20 per cent. above that figure. The existing and proposed rates are as follows. It should be remembered that surtax begins at £2,000 and that all these rates are additional to the standard rate of income tax, which is now 5s. 6d. in the £.

Slice of Income £	Existing Rate in the £		Proposed Rate in the £	
	s.	d.	s.	d.
2,000 to 2,500	1	1·2	1	1·8
2,501 to 3,000	1	4·5	1	5·25
3,001 to 4,000	2	2·4	2	3·6
4,001 to 5,000	3	3·6	3	5·4
5,001 to 6,000	3	10·2	4	0·3
6,001 to 8,000	4	4·8	4	7·2
8,001 to 10,000	5	6	6	0
10,001 to 15,000	6	0·6	6	7·2
15,001 to 20,000	6	7·2	7	2·4
20,001 to 30,000	7	1·8	7	9·6
30,001 to 50,000	7	8·4	8	4·8
Above 50,000	8	3	9	0

The combined rate of tax on the part of the largest incomes that exceed £50,000 thus becomes 14s. 6d. in the £ or 72½ per cent., as against 13s. 9d. or 68½ per cent. last year. The effect of these changes on a few standard incomes may be illustrated. The taxpayer is assumed to be married but childless and to have an income derived entirely from investments (the effect of the various allowances, of course, becomes more and more negligible as income rises):—

Income	Income Tax and Surtax							
	1938-39		1939-40					
£	£	s. d.	£	s. d.	£	s. d.	£	s. d.
2,000	474	12 6	23·75		474	12 6	23·75	
3,000	811	10 0	27·1		814	6 3	27·1	
5,000	1,636	10 0	32·7		1,651	16 3	33·1	
10,000	4,194	0 0	41·9		4,288	1 3	42·9	
50,000	29,631	10 0	59·2		31,038	1 3	62·1	
150,000	98,381	10 0	65·6		103,538	1 3	68·95	

On the largest incomes, it will be seen, the increase is by no means negligible.

THE WORLD OVERSEAS

M. Reynaud's New Plan

M. PAUL REYNAUD'S new batch of decree-laws has the object of increasing the military and economic strength of France. They are a further step in the recovery policy begun last November, which has already wrought a considerable change in the economic position of the country. The provisions of M. Reynaud's first plan five months ago could be grouped under two headings:—

1. **Monetary Consolidation.**—The object was to reduce the Budget deficit both by cutting expenditure and raising revenue. The former means was pursued by the reduction of appropriations for the ordinary Budget of 1939, by abandoning the rates for the civil public works programme and by greater part of the administrative reorganisation. Revenue was increased by increasing direct and indirect taxes. In all, the total estimated deficit for 1939 was reduced from 55 milliard francs to about 35 milliard francs (about £200 millions).

2. **Increase in Productive Capacity.**—The November decrees settled the vexed question of the hours of work. The 40-hour week, as an absolute limit to the length of work, was abolished. Overtime was permitted up to 48 hours a week, overtime wage rates were reduced to a reasonable increase (10 to 25 per cent.) on the standard rates, and the procedure for securing approval of overtime was simplified. These measures ensured that any increase in industrial production would not be arrested, as happened in 1937, by a shortage of labour.

These were the essential elements of the November plan. Their general purport and intention was to clear the way for the spontaneous recovery of a free economy. The reduction of the deficit was intended to strengthen the currency and induce a repatriation of capital. The increase of working

hours was to permit the rise in production which could be expected in view of the favourable competitive position of French industry. The conditions were created in which business men could decide to expand their operations.

Almost six months have now elapsed since M. Reynaud went to the Ministry of Finance. The results already achieved equal the most hopeful expectations. Production has risen since November by 11·2 per cent. The seasonal increase in unemployment, from November to March, was only 39,000 this year, compared with 73,000 last year. The average number of hours worked per week has risen from 39·2 to 40·3. The proportion of workers working more than 40 hours a week has risen from 10½ per cent. to 22 per cent.

The industries showing the most rapid increases have been the metal industries (the index of production here rose from 63 in July and 61 in September to 81 in February), textiles (84 in July, 82 in October and 95 in February), and the motor industry, which has shown uninterrupted progress for a year. Even the activity of the building industry is gradually rising; the index was 61 in July and had risen to 63 in December and 65 in January and February. Engineering and the chemical industry have also shown improvement.

As a result of this industrial improvement, the yield of taxes is rising, although prices show no significant increase. Moreover, the franc has been reinforced by a continuous reflux of capital, which did not dry up even at the severest point of the international crisis. Each day brings its quota of pounds and dollars, and the gold gained by the Exchange Stabilisation Account since November can be put at 20 milliard francs, or about £112 millions. Short-term interest

rates have fallen steeply and there is now a plethora of funds on the Paris market. Even the long-term rate has fallen from 6.4 per cent. on the average of the first nine months of 1938 to 4½ per cent. in March.

M. Reynaud's new measures are, up to a point, a continuation of those of November. The reduction of expenditure on public works, the imposition of a new armaments tax and the withdrawal of the Treasury subsidies to industrial alcohol and wheat are all aimed at improving the state of the Budget, and thereby help to consolidate the currency. The abolition of overtime wages for hours up to 45 a week is intended to reduce costs of production and assist the export trades.

There is thus an obvious link between the November measures and those of April 21st. But it would be a misconception of the significance of the new plan to regard it as no more than a continuation of the old. Since November, a considerable change has occurred in the French economic and financial position. The November plan was essentially a liberal plan. The new plan—or, more accurately, the outline of it that appears in the new decrees—is a plan for a war economy. The problems have changed. It is not now a question merely of increasing production, but of increasing the production of specific commodities, even at the cost of impeding the production of other articles which are deemed unnecessary in present circumstances. It is not now a case of reabsorbing the unemployed or of extending the effective length of the working week. What is now needed is to secure the most effective possible use of the available labour force. In this respect M. Reynaud's new plan accepts some of the suggestions made for British use by Mr Keynes in his recent articles in *The Times*. Consumption must now not be stimulated but limited, so that any productive resources not now employed can be reserved for industries working directly for the defence forces. A balanced Budget is no longer desirable only as a means of safeguarding the franc, but also as a means of limiting the creation of money in order that incomes may not be swollen in an economy which will soon have reached a state of full employment.

Towards a War Economy

These are the main intentions of the new plan. The detailed measures can be classified in three groups:—

1. *Effective Distribution of the Labour Force.*—The chief decree coming under this head is that which provides for the retirement of surplus officials. There is ample justification for this in the steady fall of the French population, which amounted to 1½ millions between 1931 and 1936. The employers' freedom of engagement is also to be limited, as a means of directing available labour towards the industries that are most important for defence. On the other hand, several measures taken to encourage a return to the land run directly counter to the present needs of the French economy. What is far rather needed is that part of the rural population should be attracted to industry.

2. *Limitation of Consumption.*—The most important measure in this group is the suppression of overtime rates for hours up to 45 a week, which will put a check on the increase of working-class income and consuming power. The principle of this group of measures is excellent, but M. Reynaud runs the risk of encountering practical difficulties. The transfer of labour from industry to industry is difficult, and M. Reynaud has declared that he does not intend to use measures of compulsion. But if the present world-wide state of insecurity persists, if the desire for liquidity continues, and if in addition every check is placed on the increase in the income of the pre-eminently consuming classes, there is a risk of producing a new depression in the consumers' goods industries. Consumption has already shown a significant decline since the New Year. The index of the volume of sales in department stores, which had risen from 54.7 in October to 62.1 in December, fell again to 61.5 in January, and to 50.1 in March.

3. *Limitation of the Creation of Money.*—The new decrees require an increase of 15 milliards in expenditure, which, in the absence of countervailing measures, would increase the 1939 deficit to 50 milliard francs. This deficit would be more than could be covered by loans, and recourse would have to be had once more to advances from the Bank of France. But in an economy that will soon have reached full employment (in some industries at least), the creation of money in this way would mean inflation with all its classical consequences—a rapid rise of prices, distortion of production, and the rest. To prevent this, M. Reynaud has turned mainly to increases of taxation. A new armament tax, levied in the form of a 1 per cent. sales tax, is to bring in about 7 milliards. The abolition of the alcohol and wheat subsidies will reduce expenditure by 4 to 5 milliards, and the remainder is to be found by the reduction of profits of firms working on defence orders and by more stringent measures against tax evasion.

France is thus turning her face towards a war economy. The question inevitably arises how long it will be possible to maintain monetary freedom. All that can be said with certainty at the moment is that the means of maintaining that liberty have been increased by the strengthening of the currency and by the gain of some 20 milliards of gold. But there can be no doubt that if exchange control should become necessary, M. Paul Reynaud would not shrink from it. For the moment, however, France has everything to gain from currency freedom.

Another obvious question is whether the measures that have now been taken in pursuit of the different objects distinguished above will be sufficient. The answer would appear to be that they are only a first instalment. As production increases in the war industries, and as the activity of the peace industries falls, there will have to be a large-scale transfer of labour, for which compulsory methods will be needed. Consumption will have to be further restricted. Taxes will have to be increased again. These and other measures will be necessary if the French economy is to provide what is with growing insistence demanded of it: a powerful war machine.

Germany Over Yugoslavia

[FROM A CORRESPONDENT IN BELGRADE]

WITH the daily calling of new men to the colours the people of Yugoslavia are realising, though their Government have known it from the first, that they are isolated within what the rest of Europe has come unofficially to accept as "no man's land." Disappointment at not receiving a British guarantee, fear that this was partly due to the bad repute of Serbo-Croat dissension, and fresh apprehension that Yugoslavia may be broken in pieces if she is not firmly united: these, and the knowledge of their isolation, are the reasons why the Yugoslav Government, with Prince Paul and the Serbian oligarchy behind them, have now reached an agreement with the Croat People's Party (representing the other non-Serb provinces as well as Croatia-Dalmatia).

By creating a situation of international tension in which Yugoslavia may fear the loss of parts of her territory to Germany, Italy, or Hungary, the Germans have brought Serbs and Croats into virtual agreement. After this, the next most important aspect of Germany's influence on Yugoslavia is economic; and, while Yugoslav importers may complain of the worsening quality of German goods, they seldom if ever complain about the manner in which Germany is conducting her commercial activities. The Germans, indeed, are being surprisingly deft in their deference to Yugoslav national feelings. Having established their virtual indispensability to Yugoslavia by capturing about 50 per cent. of Yugoslavia's foreign trade, they are now employing with great effect the argument used to explain the working of their trade treaty with Roumania: that Germany supplies capital in the form of production goods; and that this is not and cannot be a drag on the country which accepts it, because Germany draws no dividends but is paid only by "the productive force of Yugoslav labour."

Once they had adopted the policy of high agricultural prices, the Yugoslav authorities made it next to impossible for themselves to avoid the present predominance of Germany, for no peasant will admit the subtlety that prices are not really what they seem. This being so, it is fatally tempting for the Yugoslav authorities to fall in with the German line of argument. Though they are unquestionably anxious to increase their trade with free-exchange countries, and have even made efforts to stem the German inflow, they are clearly prepared to accept with more fatalism than the facts warrant the thesis that, until the free-exchange countries buy more Yugoslav goods, the Germans are only doing Yugoslavia an essential service. More trade is wanted with Britain, but nothing is done to alleviate the exchange control adopted in 1936. It is apt to recall the difficulties encountered a short time ago by a British company which had sold an air compressor to the State Railways. The Railways said that no contract could be signed until an import licence had been obtained; the National Bank, in its turn, declared itself unable to issue a licence without first seeing the contract. The British company has not yet succeeded in exporting its compressor.

As it is, the policy of neutrality has now slithered over to the Axis in the economic sphere as well as the political.

Of very considerable importance is the credit, understood to be for a period of five years, which by all accounts will soon be an established fact. This credit is the heir of Herr Funk's optimistically forecast 10,000 million dinar credit, which made the ears of Belgrade buzz some months ago, and is to be for 3,500 million dinars (the dinar is officially quoted at 200-215 to the £). The following details may be taken as approximately correct, and account for the main single items:—

1. 200 million dinars for extensions to the Zenica ironworks.
2. 200 million dinars for extensions to the Kragjuvac high-explosives arsenal.
3. 200 million dinars for the establishment of a powder factory.
4. 300 million dinars for the purchase of German military aeroplanes.
5. 200 million dinars for the payment of artillery ordered from Skoda of Pilsen and delivered after Germany's annexation of Bohemia-Moravia.

This credit must be regarded against the background of the barter system which Germany has operated in the Balkans for some years. The Yugoslav authorities are eager to assure an Englishman that it is no new thing. The Zenica works, in fact, are already running on Krupp equipment, which is being paid for by deliveries of ores over a period of five years. "The Germans provide the machinery," runs the official argument, "but the factories remain ours."

But, although it may be roughly true that this system does not prevent Yugoslavia from trading elsewhere, the long-term effect is to draw the country and its sympathies more and more into the German orbit. This is especially true of Croatia, where German propaganda is both intense and effective. From the Yugoslav point of view, too, these credits form a welcome alternative to the flood of typewriters or ladies' bust-bodices, which in other circumstances might be the only way in which Germany could balance her purchases of Yugoslav agricultural produce. In the sense that Yugoslavia cannot get capital from elsewhere, it is quite true that Germany is rendering her a most useful service.

It is important to remember, however, that Germany's activities are restricted to credits of this kind and, lately, to the purchase of a number of mining concessions. The latest reliable figures of foreign capital invested in Yugoslavia are for 1934, and they show that, out of 6,215 million dinars invested, French investors owned 1,056 millions, British investors 874 millions, and German investors 55 millions. To the total under German control must now be added the investments of Austria, the Sudetenland and Czechoslovakia. Analysing the 1934 figures (which have not substantially changed, except in the case of the Czechs, who in 1938 owned 989 millions) Germany now controls capital invested in Yugoslavia as follows:—

	Germany	Austria (in million dinars)	Czechoslovakia
Banks	...	62.2	255.7
Industry	40.7	270.6	447.2
Commerce	1.9	14.2	33.1
Transport	11.3	11.6	...
Various	0.7	7.6	5.2
Totals	54.6	366.2	741.2

The Reich has therefore now taken the leading place.

The whole question of increasing Britain's trade with Yugoslavia depends solely on whether or not the British Government are in favour of incurring an inevitable risk. If the decision is against it, then the blame should not be laid at the door of Yugoslavia. Hard words here will get us nowhere. Rather must the British Government be determined to make clear its point of view to that predominant number of Yugoslavs who will otherwise count it as not far from one of enmity.

American Hopes Deferred Again

[FROM OUR NEW YORK CORRESPONDENT]

IN thirty days to the first week in April average share values in New York dropped about 20 per cent. In amplitude, the decline is about double the break of last September or that of January; and in amplitude and timing it is almost precisely the duplicate of its course in the same months of

1938. It cancelled about two-thirds of the rise of last summer. By the first week of April, America had reached a level virtually as low as any touched in 1937, and as low as any in 1938, except for part of the second quarter.

A decline of this rapidity and magnitude cannot be dismissed as a mere stock market phenomenon. It is an economic portent; and one which does not lend itself to prompt and satisfactory interpretation.

The skeleton of the movement is clear. First, the initial wave of selling came from abroad. This does not always mean selling by foreign holders; but rather that the market in New York opens on the cue of the London closing. Secondly, while each of the successive waves of liquidation coincided with particularly disturbing events in Europe, the individual selling waves, and the amplitude of the decline to date, appear to have been far more severe than in any European market. Thirdly, at no time was the volume of sales really heavy.

Fourthly, March, although probably lower than February, was not a month of business recession. On the contrary, the weekly business data were steadier during March than in any of the past four months. But the absence of the anticipated upturn was discouraging to the very many people that had expected it. Fifthly, actual business news in the first week in April has pointed downwards—and one is confronted with the old question whether the March market merely forecast or actually caused a certain chill in the business atmosphere.

Finally, this chill is as yet confined to the steel and motor industries. In steel, the seasonal peak usually occurs around the end of March; this year the peak was absent—the first quarter being practically a plateau. In motors the spring peak is commonly a little later, and in this cycle it appears to have been actually before the turn of the year, with the first quarter of 1939 practically a plateau.

In sum, while the decline in the market is almost unanimously attributed to events abroad, and while it seems not unlikely that these events provoked successive waves of liquidation, the absence of compensatory buying may be interpreted in terms of uncertainty about the business outlook. Uncertainty at home, no less than uncertainty abroad, has been a cause of the decline.

Recovery Still Expected

It is uncertainty rather than pessimism. The strong surge of revival lasted from last July to November. Then, about the end of the year, distinct hesitation appeared, particularly in the steel and motor industries. This hesitation was accepted as the prelude to a spring revival, and this diagnosis was tenable until spring itself came. When March failed to disclose any positive evidence of vigour, hopes for the spring had to be abandoned. But, so far as your correspondent can learn, the business community is not particularly apprehensive about its own outlook. It does not accept the spring disappointment as a forecast that the summer will take a turn for the worse.

It may be worth adding that, while Wall Street is almost unanimously inclined to describe the market almost entirely in terms of foreign affairs, business men describe their problems almost entirely in terms of domestic circumstances, attributing comparatively little influence to events abroad. Further, Wall Street interprets events abroad largely in terms

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of their ascribed repercussions on the stock market, and has been at some loss to account for the greater repercussions in this market than in markets nearer the scene.

Two Markets for Capital

While the share market was undergoing a major revaluation, the bond market was conspicuously firm. In this respect the current spring is in marked contrast to March, 1937, when a disturbance in the bond market coincided with and even preceded a disturbance in the share market.

This phenomenon illustrates a fact which is increasingly discussed in American economic circles and which seems to have been unappreciated formerly. It may be described as the "compartmenting" of capital. It has usually been assumed that capital moved freely and competitively over all areas of the market, in response to such familiar influences as variations of yield and risk, etc. Events of recent years have not merely brought this theory into question, but have gone far towards refuting it. The data show that there is approximately as much capital seeking riskless, fixed income securities in recent years as in the blooming days of the New Era. Indeed, taking all things into account, it is questionable if ever (except during the war period) our market absorbed such a volume of fixed-income securities as in 1936; and even in 1937 and 1938 the figures, although much smaller, compare not unfavourably with the 'twenties—a fact the more remarkable because in part of that period the banks were actually reducing their holdings. To be sure, the securities taken by the market have been mostly issues of the Federal and local Governments; and as these issues (especially those of the Federal Government) are usually omitted from tabulations of "new capital issues," the belief has gained currency that the new capital market has greatly shrunk and that "over-saving" (i.e. the accumulation of uninvested capital funds) is a conspicuous fact of our capital market.

But, while the demand for fixed-income securities appears remarkably strong (whether measured by the volume absorbed or by the prevailing rates), the supply of equity or hazard-bearing capital seems to have shrunk to a comparatively small portion of the former figure. The inability of the railroads to finance by equity issues had become a conspicuous fact even in the 'twenties; in the 'thirties it seems to have been communicated to corporate enterprise in general. At the same time, undistributed corporate profits—a large source of capital in the 'twenties, have (over American enterprise as a whole) virtually disappeared in the 'thirties.

A certain degree of compartmentation in the capital market has long been recognised. For example, the annual availabilities of the life insurance companies (one of the largest channels of capital formation) have always been restricted by law to fixed income securities. Trust funds, i.e. estates in the hands of trustees, have always been canalised into fixed-income securities of a prescribed quality. The ubiquitous and multifarious variations of tax exemption have been another important influence in compartmenting the capital market. The incidence of high surtaxes on both income and capital gains, combined with the limitation of capital losses which can be deducted from taxable income, has been a distinct influence, too, in the compartmenting of capital. The growth of the trust companies has been another, although trust companies are not confined absolutely to fixed-income securities for their clients' investments.

A number of other influences or factors could be cited, but they all point in one direction, and to four conclusions:

1. That the supply of and demand for fixed income, non-risk bearing capital is not materially smaller than in the 'twenties.
2. That most of this is canalised into Government obligations, while in the 'twenties, the aggregate of Government debt (Federal and local) was scarcely expanding, as the retirement of Federal debt approximated to the expansion of local Government debt.
3. That the supply of risk-bearing capital of all forms

has been reduced to negligible amounts, whereas in the 'twenties it was large.

4. That the capital market appears to have become, for a variety of reasons, so rigidly compartmented that even extremely low yields on "riskless securities" do not induce a diversion into "risk-bearing securities."

One would hardly be justified in affirming that the compartmentation is air-tight—that capital habituated to seeking fixed-income securities absolutely does not flow into equities, and would not under any circumstances. But the evidence suggests that there is little communication or competition between the two markets.

The Danube and the Bargee

[FROM OUR ROUMANIAN CORRESPONDENT]

ON January 16th last M. Gregore Gafencu, Roumanian Minister for Foreign Affairs, was present at a meeting held in Galatz by the National Regeneration Party. In his speech he referred to Roumania's interest in the Danube, for recently this time-honoured river and artery of Europe has attracted the attention of politicians and economists in all the countries through which it flows, and not least in Roumania. M. Gafencu said that the Roumanian Danube must serve as a show-window turned towards the East and the Black Sea, and that this fact placed certain duties upon the shoulders of Roumania.

The importance of the Danube has lately been increased by various plans for canals connected with its upper and lower reaches. On May 11, 1938, the German Government promulgated a law for the construction of the Rhine-Main-Kelheim (Danube) canal. This canal, which is to be finished in 1945, forms a part of the German system of economic campaign and the Roumanian Press talks of Baghdad as the goal towards which it is aimed. It will carry vessels up to 1,200 tons.

On November 19, 1938, a convention was signed between Germany and Czechoslovakia for the construction of another canal from Kosel on the Oder through Moravska Ostrava to the Danube above Bratislava.

For several years the Roumanian Government has had in its archives plans for the construction of a canal to unite by a straight line the Danubian port of Cernavoda with Constantza. Hitherto the Government has done little more than play with this very interesting proposal for shortening the journey to the port of shipment of grain-laden barges from the west, north-west and north of Roumania, and of cargoes from countries further west, by cutting off the whole curve of the river, where it bends north at Cernavoda, and thus reaching Constantza by a direct route.

The voyage of cargo steamers would be reduced by about 300 km. by loading at Constantza instead of at Braila or Galatz. Below Braila the average depth of the river is about 24 ft. so that it is navigable for sea-going vessels. Higher up, the depth decreases, owing to moving banks of sand and silt that reduce it in places to 2-6 ft. The transshipment of river-carried goods is at present effected mainly at Braila and Galatz, which are both equipped with modern plant for that purpose. The proposed canal would divert traffic from these ports and make Constantza the principal port for grain, as it already is for petroleum products. The experts consider that the depth of the canal would have to be 8-10 ft., and its length is calculated at 70 km., or about half the distance between Cernavoda and Braila.

The Government is at present busy studying this proposal. It has long been left in abeyance partly from considerations of expense and partly, perhaps, because of the tradition of the old grain ports; but the difficulties at the Sulina mouth of the Danube have revived interest in it.

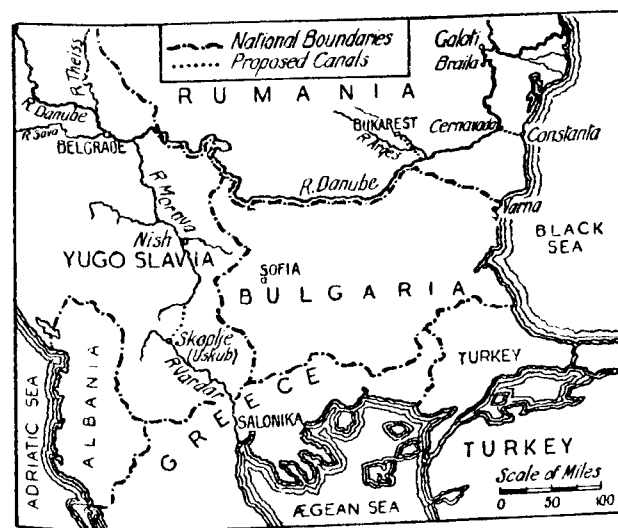
Another canal of purely local importance has been planned to join Bucharest with the Danube, using convenient reaches of the rivers Ialomitza and Arges which, it is claimed, could easily be made navigable. The engineer in charge of this proposal has calculated that it will cost some 900 million lei, and that this sum might be redeemed in one or two years.

The most far-reaching proposal for a canal which, if it were ever carried out, would radically affect the Balkan countries, is for a waterway running from the Timok river, a Danubian tributary below Belgrade, and by the Nishava to Nish, thence down the River Morava to the River Vardar, and finally to the Mediterranean at Salonika. This canal

would shorten the goods route from Central Europe to Salonika by 1,429 km.; it would, of course, kill the lower Danube ports of Braila, Galatz and Sulina.

The Danube Delta

It thus becomes a question whether it will be worth while to incur vast expense on the maintenance of the Danube delta navigation. Trouble over this dates from as far back as 1835-51. According to the admirable History of the European Commission of the Danube, published in 1931 to celebrate the 75th year of its existence, the Sulina mouth, always the most accessible to navigation, was at that early time a veritable trap for grain merchants. The little town of Sulina had some 1,000 to 1,200 inhabitants, mostly Ionians,



Greeks and Maltese, who vied with each other in brigandage and piracy. The sea-going vessels loaded with cereals at the shipping ports were of no more than 160 to 170 tons, but nevertheless they were unable to cross the Sulina bar in full draught. They were obliged to unload a large proportion of their cargoes on to lighters belonging to this band of river brigands, whose lighters were made with double bottoms which provided plenty of grist for the flour mills of Sulina, and left the grain shippers with a deficit of cargo.

After the European Commission of the Danube was created by the Treaty of Paris of 1856, a great struggle began against the forces of nature at the Danube mouths, and was marked with increasing success. The essential problem was one of dredging. The following figures show the development of Danube navigation:—

	No. of Ships	Total tonnage	Average tonnage of Ships
1856-60	12,852	2,249,374	175
1876-80	8,342	3,088,560	375
1896-00	6,613	6,993,846	1,018
1906-10	5,853	9,837,926	1,672
1926-30	3,743	7,389,266	1,969

Dredging operations increase in volume every year, and the budget of the European Commission of the Danube amounts to some four million French francs (gold), mainly on the Sulina Arm, though the other two channels of St. Georges and Kilia also demand attention.

Up to the last few years a depth of 24 ft. was considered ample, but now numerous voices are raised demanding an increase for larger vessels. In 1938, after a great storm from the north, the depth fell to 20 ft. in spite of the superhuman efforts of the Commission's dredgers, and for some time it was found impossible to reach a depth of more than 22 ft. Certain measures have been taken to prevent the repetition of such a disaster and the question of making another channel is being discussed.

Navigation conditions on the maritime Danube can therefore be summarised as follows: the works on the Sulina Canal and on the mouth of the Danube at Sulina cannot finally assure international navigation. They were accepted in 1856 only as provisional, and this is how the matter still stands, after 83 years of tremendous achievement. The commercial world, especially Germany, realises the position, and hence the reason why the seemingly fantastic project of a Timok-Salonika canal is put forward as a practical solution.

Boom in German Machinery Manufacture

[FROM OUR BERLIN CORRESPONDENT]

SINCE 1933, the German machinery industry has, with the mining industry, shown the greatest advance. This is because German industry is based primarily on armaments. Building activity has only a secondary influence, and the capital needs of industry itself gained importance only in the last two years.

MACHINERY PRODUCTION

(Value in Rm. millions)

	Domestic Sales	Exports	Total
1929	2,120	1,430	3,550
1932	690	750	1,440
1934	1,563	490	2,053
1937	3,700	801	4,500
1938	4,700	825	5,500

The value of machinery output has been multiplied by four since 1932, and it is 60 per cent. greater than in 1929. The quantity of output is far in excess of previous levels, since prices have fallen considerably. Domestic sales are seven times greater than in 1932, but exports have risen by only 10 per cent., and the percentage of exports in total sales has fallen from 52 to 15.

The number of workers employed in the machinery industry has increased by 500,000 since 1932, and there are 150,000 more employed than in 1929. At the same time there is an acute shortage of labour, even though, as a result of rationalisation, the value of output per head in the industry has risen from Rm. 5,800 in 1929 to Rm. 7,500 in 1938. The average working time in the industry is 8.39 hours daily.

The decline of exports relative to total machinery sales is of great importance, in view of the Reich's need for foreign exchange to provide raw materials for industry. Next to the chemical industry, the machinery industry has long been the largest source of foreign exchange. The proportion of raw

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materials used in the construction of machinery is small, only small sums of foreign exchange are used, and the labour costs, which are paid in domestic currency, are large.

The following figures show the trend of machinery exports and their share in Germany's total exports:—

	Machinery Exports as Percentage of Machinery Sales	Machinery Exports as Percentage of Total Exports
1929	42.7	11.1
1932	52.1	13.8
1934	23.9	11.6
1937	17.8	13.5
1938	15.0	15.7

In the world's exports of machinery the United States comes first with 44 per cent., Germany second with 30 per cent. and Great Britain third with 26 per cent. Only 10 per cent. of the proceeds of German machinery exports goes to purchase imported raw materials; the remaining 90 per cent. is used to buy domestic material and to meet labour costs. The following table shows the value of exports in the separate branches of the industry. It suggests that machinery exports have now come to something like a standstill; in several cases there is actually a falling away. This is due to stronger foreign competition and to political considerations detrimental to the purchase of Reich goods abroad.

EXPORTS (Rm. millions)	1934	1935	1936	1937	1938
Machine tools	87	78	148	209	204
Spinning and leather working machines	101	99	123	136	113
Agricultural machinery	17	17	23	30	31
Steam locomotives	4	12	12	15	36
Power machines	39	40	52	66	76
Pumps and air-pressure machines	19	19	28	38	39
Wagons	10	11	11	18	19
Paper and printing machinery	32	41	55	68	66
Office machinery	13	16	22	29	26
Machines for food manufacture	16	11	32	36	33
Other machinery	123	122	98	120	123

The investment goods industries have doubled their purchases of machinery since 1935, but the consumption goods industries have increased theirs by only half. In the former case it was the necessity for replacing machinery that played an important part at the outset of this increase, but later the need for new investment in plant and machinery, owing to the rationalisation made necessary by the labour shortage, became an important factor. The demand for construction machinery, particularly in connection with fortification and municipal rebuilding work, has increased in recent years; and, as a result of the Four-Year Plan, the mining industry has shown an increased demand for wagons and drilling machinery.

The demand for agricultural machinery, again, is related to the shortage of labour as well as deriving in some degree from the campaign for increased production. In the 1937-38 season Rm. 463 millions was spent on agricultural machinery, against Rm. 210 millions in the 1933-34 season.

A key department in the machinery industry is the machine tools branch. Since armaments have a heavy and prior claim on machine tools, delivery periods now run to as long as three years.

The textile industry, too, has increased its use of machinery. Until lately the industry suffered from a lack of raw materials. The increased output of synthetic threads, however, has recently made changes in existing machinery necessary, and the construction of new plant has become imperative.

Finally, the manufacture of machinery for making artificial materials has become important. This industry has enjoyed a boom owing to the increased use, encouraged by the Four-Year Plan, of plastics. Stamping and spraying machines are most produced, and are, indeed, sold in great numbers to foreign countries.

In sum, the machinery industry is working at full stretch. The branches stimulated by armaments are working at 120 to 150 per cent. of their normal capacity, while employment in the consumer goods groups, on the other hand, lags behind, and the section of the industry which is connected with the manufacture of foods is employed at only 65 per cent. of its normal capacity. Roughly it can be said that the machinery industry generally is employed at some 107 per cent. of normal capacity.

Profits in the industry have accordingly increased considerably. According to the figures for 163 companies, gross earnings rose from Rm. 423 millions in 1932 to Rm. 1,099 millions in 1936, while net profits rose from Rm. 10 millions

in 1932 to Rm. 42 millions in 1936. Simultaneously, three times these sums have been written off.

* * *

Foreign Trade Revival.—For the first time for many months German foreign trade has shown an increase. Greater Germany's imports in March were valued at Rm. 504.2 millions, against Rm. 471.5 millions in February. The value of exports, too, increased from Rm. 411 millions in February to Rm. 480.5 millions last month. For the first quarter of the year, however, there is an import surplus of Rm. 115.2 millions, against only Rm. 39 millions for the same period of 1938 in the old Reich territory alone. If the old Reich alone is taken for the first quarter of this year, there is an import surplus of Rm. 26.7 millions.

The character of the March increases are noteworthy. The main advances in imports were in imports of raw materials for use in armaments, such as motor fuels and lubricating oils. More coal and more ships were imported from Great Britain, and against an increase in imports from Great Britain of Rm. 4.3 millions there was a rise in exports to Great Britain of Rm. 5.5 millions.

* * *

Shortage of Motor Fuels.—Although the Reich without Austria imported approximately 5 million tons of mineral oils last year, compared with 4.3 million tons in 1937, and although the domestic production of petrol rose from 1.26 million tons to 1.5 million tons, a shortage of motor fuels has become apparent as a result of increased motorisation, particularly of the army. Consequently, the authorities in control of mineral oils have decreed that all omnibuses with more than 16 seats must shortly be changed over to use liquid gas. Liquid gas is formed in great quantity during the manufacture of synthetic petrol, and until now there has been little demand for it, even though the cost of converting omnibuses to its use was reduced by a half by means of tax reductions. Liquid gas is said to be 10-15 per cent. cheaper than petrol, and to possess good qualities.

Agriculture's Call on the Banks

[FROM OUR SYDNEY CORRESPONDENT]

LAST year's Australian banking figures were significant of general economic trends. They reflected the prevalent low export prices and drought. In spite of a decline in holdings of Treasury bills and sales of Government securities, the ratio of cash to deposits fell in the June and September quarters to 10.5 per cent., the lowest point for some years. With the beginning of the export season in the December quarter, however, the ratio improved slightly to 11.1 per cent.

AUSTRALIAN QUARTERLY BANKING AGGREGATES
(Trading Banks)

Quarter ended	Deposits	Advances	Cash	Treasury Bills	Govt. Securities	Ratios	
	£A.	£A.	£A.	£A.	£A.	Cash to Deposits	Advances to Deposits
1937: Dec.	313	273	38	21	21	12.3	87.1
1938: Mar.	320	277	40	20	23	12.4	86.4
June	319	284	34	19	22	10.5	89.0
Sept.	311	287	33	17	20	10.5	92.3
Dec.	317	290	35	19	19	11.1	91.4

The ratio of advances to deposits increased from 87.1 per cent. in the last quarter of 1937 to 91.4 per cent. in the final quarter of 1938. Although deposits rose during the period by £A4 millions, advances rose by £A17 millions.

Not only were farmers' and graziers' receipts low because of the fall in world commodity prices, but in areas suffering from drought there was also the expense of purchasing fodder or renting country in other districts to keep the stock alive. Accordingly, the level of advances rose steadily as the banks had to help finance this expenditure.

After the drought had broken, in some areas there were further demands for advances to restock properties and build up depleted fodder reserves. At the same time, however, an

increasing discrimination in granting new advances was evident, and banks tended to grant them only in cases where additional finance was necessary to keep properties in production.

An integral part of the development of the Australian banking system has been the necessity to provide for current droughts and maintain an elasticity sufficient to tide the country over bad seasons. This is instanced in the wide fluctuations in banking ratios from year to year, as the banks, by building up their resources in good times, prepare to meet the next period of strain. The adaptability to changing conditions which has thus been developed in the Australian banking system is one of its greatest sources of strength.

The Loan Council left the market clear for the £A68.6 million conversion operation in the first half of the current financial year, and did not float a public works loan. With the conversion operation out of the way, subscriptions were invited in February to a £A8.5 million Commonwealth internal loan to finance public works, issued at par and with an interest rate of 3½ per cent. When the lists closed, only £A4.8 millions had been subscribed, leaving £A3.7 millions to be taken up by the underwriters. Redemption yields on

Government stocks rose during 1938, and it was no doubt expected that the new loan would carry a higher rate of interest, following, as it did, so soon upon the other. Those who had failed to convert their holdings in the old loan were not attracted by the returns under the new one.

The Commonwealth Bank subscribed to just under £A2 millions of the loan before it closed, and in addition took up its share of the £A3.7 millions that were left on the hands of the underwriters. It thus seems probable that the expansionary effect of the Central Bank subscriptions to the loan more than offset the loss of cash by the trading banks in paying for their quota as underwriters. The more liquid cash position of the trading banks which appeared in the final quarter of 1938 was thus maintained. Trading banks' cash rose £A2.6 millions during January, and at the same time their holdings of Treasury bills rose £A4.7 millions. Presumably the Commonwealth Bank discounted Treasury bills with the trading banks to provide itself with cash to pay for the Government securities taken up by it. As deposits rose £A2 millions, while advances declined slightly during the month, the banks were then in a decidedly more liquid position than in the June and September quarters of 1938.

Letter to the Editor

First Year of the Films Act

TO THE EDITOR OF THE ECONOMIST

SIR,—Your leading article "First Year of the Films Act" (April 15th, page 126) is an important contribution on the working of the 1938 Act, but there are points which need further explanation.

First, in regard to the inquiry held under Section 9 of the Import Duties Act, 1932, in respect of production, etc., in the cinematograph film trade, the cost of all films produced in British studios in 1937 was computed at £5,700,000; and the analysis given in the *Board of Trade Journal* for January 12, 1939, shows that the proportion of this figure applicable to "long" films was £5,000,000. It must be emphasised that this figure for production during the calendar year 1937 bears no relation to the cost of films registered with the Board of Trade during any one quota year. Were figures available, the sum of £5,000,000 could be split under the following headings:—

- (A) Films registered before March 31, 1937.
- (B) Films registered between April 1, 1937, and March 31, 1938.
- (C) Films registered between April 1, 1938, and March 31, 1939.
- (D) Films abandoned, "on the shelf," or not registered at March 31, 1939.

However, it is possible to make a reasonable computation for (A), (C) and (D).

(A) would obviously consist of "quota quickies," and a generous estimate of cost would be £150,000. For (D) four films alone probably account for £350,000. (C) Here the cost provisions of the 1938 Act help, as analysis shows that 1937 production registered in the first year of the 1938 Act consists of the following:—

	No.	Cost each say £	Total £
Exhibitors' quota only	2	5,000	10,000
Renters' and Exhibitors' quota—			
Single quota	6	15,000	90,000
Double quota	4	50,000	200,000
Treble quota	5	100,000	500,000
			800,000

This leaves £3,700,000 to be allocated against (B), and the analysis can be carried further. (B) covers 228 films, but this includes 18 Empire importations and one silent subject, leaving 209. This figure can again be broken down to 175 subjects over 5,000 feet and 34 subjects between 3,000 and 5,000 feet. The cost of the latter would be negligible (£200,000 would be generous), leaving £3,500,000 for 175 subjects, an average of £20,000 each. (It is doubtful if this figure is correct, as the true average cost was probably not £10,000, when one considers that at least 40 per cent. of the 175 films consisted of the much-maligned "quota quickies" produced at 15s. to £1 a foot.)

Now to analyse the registrations for the first year of the 1938 Act we have:—

	No.	Cost each say £	Total £
Exhibitors' quota only	25		
Deduct Empire subjects	2		
	23		
Over 5,000 ft.	14	6,000	84,000
Between 3,000 ft. and 5,000 ft.	9	3,000	27,000
Renters' and Exhibitors' quota—			
Single quota	47		
Deduct "The Citadel" * ..	1		
	46	15,000	690,000
Double quota	21	50,000	1,050,000
Treble quota	10		
Add "The Citadel" * ..	1		
	11	100,000	1,100,000
	101		2,951,000

* "The Citadel" is a treble quota class film but was registered as single quota.

To check back on this figure, take Mr Stanley's statement that proved labour cost in 1938-39 averaged £3 5s. per foot, assume total cost average £6 per foot, and take average length of 6,800 feet for the first eight months as applicable to the whole year; we get a total cost of £3,182,400 for the 78 subjects registered for renters' and exhibitors' quota. This compares with £2,840,000 shown above, so it can be taken that a round figure of £3,000,000 is approximately correct.

This figure of £3,000,000, which averages £38,500 for each of the 78 subjects registered for renters' and exhibitors' quota in 1938-39, compares with £3,500,000 for 175 subjects registered in 1937-38. However, when one questions the accuracy of the average cost of £20,000 for the latter, it would seem that the cost of productions registered in 1938-39 approximates to, if it does not actually exceed, the cost of registered in 1937-38.

Such a conclusion is reasonable; quality has been substituted for quantity, but quality costs money. The Films Act of 1938 has been attacked from many quarters, but at least it has forced American renters to sit up and take notice: they have found that really worthwhile British films, costing perhaps 20 times that of a "quota quickie" (but only counting the equivalent of three), conquer the world market.

Yours faithfully,
F. SHERWOOD.

London, W.C.2.

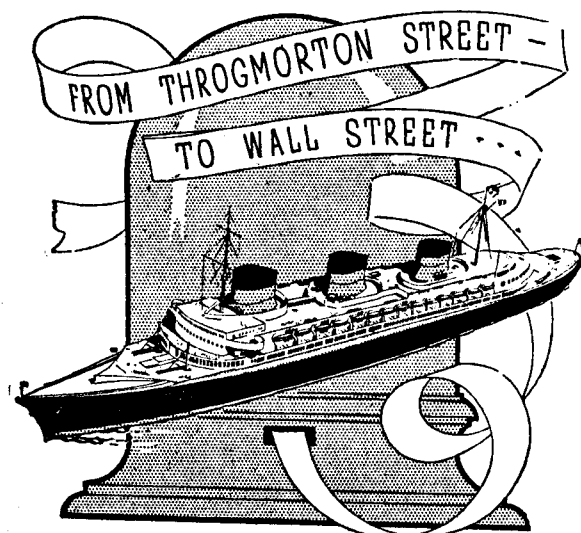
[We agree with the writer that films registered in any year are not the same thing as the films made in any year. The one refers to a point in time and the other represents a duration of time. Normally it would be expected that the "carry overs" from year to year might prove to be of the same order of magnitude. In that case, films registered in 1938-39, which were wholly or partly made before April 1, 1938, might be offset by films wholly or partly made before April 1, 1939, and registered after that date. Mr Sherwood does not allow for this later "carry over."—EDITOR.]

Books and Publications

Shorter Notices

"Mowrer in China." By Edgar Ansell Mowrer. 216 pages. Penguin Special. 6d.
 "China Struggles for Unity." By J. M. D. Pringle. With 24 maps by Marthe Rajchman. 182 pages. Penguin Special. 6d.

In the bad old days these books would each have cost at least seven and sixpence. And by any standards they would have been worth it. For, taken together, they represent as full a picture of what is happening in China as can be found, not only because of the facts they give (though Mowrer drops into Oriental fancy sometimes) but because their authors see with such different eyes. With a subject so large and vigorous as China it is certain that no two men will see it alike, and in this case, with Pringle writing from Manchester and Mowrer from Chengtu and the Yellow River, the contrast in result is as wide as it is useful. Pringle and Rajchman are concerned to give you the hard facts and they do this with efficiency and skill; Mowrer illustrates those facts on the spot. Together they conspire to destroy for the Western reader, whose ideas on China are too often limited by Limehouse and school-readings of the "Heathen Chinese," the common notion of Cathay, and replace it with a picture of a land full of human beings whose sufferings, just now, are more than most could bear. Mowrer is a good journalist and, as such, needs no puff. Special praise ought to be given to Pringle's text and Rajchman's maps, though one would like to see more evidence for the stated proportion of the "occupied" areas which in December, 1938, were still under Chinese control. Included in the 24 maps are approximate details of Chinese mineral and agricultural wealth, of foreign investments, communications, educational centres and general references to economic wealth. They do their job very well and promise to be valuable forerunners to more detailed information which we shall require after the war is over and economic reconstruction is under way.



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"Railways, Roads and the Public." By Sir Charles Stuart Williams and Ernest Short. Eyre and Spottiswoode. 157 pages. 6s.
 "The Railway Crisis: The Problem and its Solution." Issued by The Railway Companies' Association.

Both these publications advocate greater justice for the railways. The first views the present problem from the standpoint of the junior stockholders. Its arrangement is rather confused, but it deals at various points with the merits of nationalisation, the necessity for road-rail equality in matters of rate charging, railwaymen's wages and several subsidiary matters. The authors' views on nationalisation have little value, but their chapters on rail facilities would do credit to any advertising manager; their statement of the wagon problem and its remedy is excellent, but their treatment of the "watered capital" question shows weakness in matters of accounting theory. In fact, this is a patchy book. The stockholders' case is vigorously put, though the authors' manifest prejudice lessens the value of some sound arguments. Grasp of the broader aspects of the road-rail problem is lacking, but there are several shrewd statements on particular points, such as the vital necessity for careful control of "C" licences in any co-ordination scheme. The new pamphlet issued by the Railway Companies' Association states with brevity and force the origin and nature of the "Square Deal" proposals, and brings the matter up to date by reprinting three official memoranda on the subject. The latter are in themselves models of clear and convincing statement.

Official Publications

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

Department of Overseas Trade Reports. No. 715. Portugal, 1938. 1s. 6d. net. No. 716. Norway, September, 1938. 2s. net. No. 717. British East Africa, July, 1937-July, 1938. 1s. 6d. net. No. 718. India, 1937-38. 4s. 6d. net. No. 719. Finland. By Eric R. Lingeman. August, 1938. 1s. 6d. net. No. 720. The Republic of El Salvador, October, 1938. 9d. net.

Imperial Institute. The Mineral Industry of the British Empire and Foreign Countries. Statistical Summary, 1935-1937. 7s. 6d. net.

Annual Statement of the Trade of the United Kingdom with British Countries and Foreign Countries, 1937, compared with the years 1933-36. Vol. I. 15s. net. Vol. II. £1 12s. 6d. net. Vol. IV. £1 5s. net.

Statistical Abstract for the United Kingdom for each of the Fifteen Years 1913 and 1924 to 1937. Cmd. 5903. 7s. net.

Report of the Chief Registrar of Friendly Societies for the year 1937. Part 3. Industrial and Provident Societies. 2s. 6d. net.

Alcohol, its Action on the Human Organism. Third Edition Revised. By a Committee originally appointed by the Central Control Board (Liquor Traffic) and later reconstituted by the Medical Research Council. 1s. net.

Customs and Excise Tariff of the United Kingdom of Great Britain and Northern Ireland in Operation on January 1, 1939. 1s. net.

Housing: House Production, Slum Clearance, etc., England and Wales. Position at September 30, 1938. 4d. net.

Annual Statement of the Navigation and Shipping of the United Kingdom for the Year 1937, with Comparative Tables for the Years 1933 to 1937. 4s. net.

Civil Appropriation Accounts, 1937. 7s. 6d. net.

Post Office Commercial Accounts, 1937. 9d. net.

Kenya Colony and Protectorate, Native Affairs: Annual Report 1937. 3s. net.

Fleets: The British Commonwealth of Nations and Foreign Countries, 1938-39. Cmd. 5936. 2s. net.

Cancer. An Inquiry into the Extent to which Patients Receive Treatment. By the Hon. Sholto Mackenzie, M.D., M.R.C.P. Reports on Public Health and Medical Subjects, No. 89. 9d. net.

Colonial Reports. No. 1883. Aden, April 1-December 31, 1937. 1s. net. No. 1890. Seychelles, 1937. 9d. net.

Irish Land Purchase Fund Accounts, 1937. 3d. net.

National Health Insurance Fund Accounts for the Year ended December 31, 1937. 6d. net.

Widows', Orphans' and Old Age Contributory Pensions Accounts 1937. 2d. net.

THE BUSINESS WORLD

The Rayon Industry

TO the layman, rayon, or artificial silk as it was formerly called, is just one of many textile materials in common use. So, indeed, it is, for its basic ingredient, as that of other textile fibres, is cellulose, a fibrous mass of plant cells. The term artificial silk, while scarcely applicable to the modern product, provides a clue to the genesis and early history of the rayon industry. The habits of the silk worm, which turns mulberry leaves into fine threads, have ever aroused the curiosity of man. As long ago as 1664, Dr Robert Hooke speculated on the possibility of emulating the silk worm:

And I have often thought (he wrote) that probably there might be a way found out to make an artificial glutinous composition, much resembling, if not full as good, nay better, than that excrement, or whatever other substance it be out of which, the silk worm wire-draws his clew. If such a composition were found, it were certainly an easier matter to find very quick ways of drawing it out into small wires for use.

This hint, therefore, may, I hope, give some ingenious inquisitive person an occasion of making some trials, which, if successful, I have my aim, and I suppose he will have no occasion to be displeased.

But it was not until engineering and chemistry had made considerable progress that Dr Hooke's idea could be translated into actual commercial practice.

The rayon industry, indeed, is in some respects a modern, mechanised version of the tiny silk worm. While it is technically possible to use all kinds of plants in the manufacture of rayon, wood pulp and cotton linters have in actual practice been found to give the best results, and are now the two principal raw materials of the industry. By means of a number of chemical processes a "spinning" solution is prepared; this solution, a viscous mass, is pressed through fine apertures (the "spinning" jet) and the thin, continuous thread or filament which emerges from the spinning jet is then coagulated and finally wound. After various other treatments the thread or filament is ready for weaving and other forms of processing as "continuous filament" rayon. In the manufacture of "staple fibre" the process is identical as far as the coagulation stage, after which the filaments are cut into short staples of the same length as cotton or wool. These are subsequently spun into "spun rayon" on cotton, woollen or worsted machinery. But while continuous filament rayon closely resembles silk, "spun rayon" produced from staple fibre can be made closely to resemble yarns of a cotton, woollen or worsted type.

There are four different chemical processes in use for the production of rayon: the viscose process, the acetate process, the cuprammonium process, and the nitro-cellulose process. The viscose process, based mainly on wood pulp, is much the most important and accounts for something like 90 per cent. of the world production of rayon. Next in importance comes the acetate process. The output of cuprammonium rayon is very small, and that of nitro-cellulose filaments quite insignificant.

Owing to the marked technical progress in the production of rayon since the Great War, and the consequent improvement in its quality and reduction in price, the industry has made rapid headway, as is shown by the table in the next column.

Before the Great War the output of rayon was still insignificant. But since 1918, it has grown by leaps and bounds. Staple fibre, an offspring of rayon, scarcely known ten years ago, now equals continuous filament in importance, for, although it has to undergo two spinning

processes, it is considerably cheaper to produce. Moreover, the scope of staple fibre, which can be spun into cotton, woollen or worsted type yarn, is much greater than that of filament rayon, for while the former can compete over almost the whole range of cotton and woollen goods, the outlet for filament rayon, resembling silk, is more limited. The importance of the modern rayon industry is revealed by the fact that in 1938 its proportion of the total consumption of textile fibres, by weight, was 5.6 per cent. in France, 6.6 per cent. in Britain, 9.1 per cent. in the United States, and no less than 26.5 per cent. in Italy, 28.1 per cent. in Germany and 29.1 per cent. in Japan, where considerations of self-sufficiency come before cost. And, as the recent development of nylon (a new synthetic material) in the United States shows, the technical possibilities of extending the range of rayon products have been far from exhausted.

In this country the improvement in the quality of rayon and the reduction in its price have both been responsible for the rapid growth of production. For example, the price of a standard grade of viscose yarn (inclusive of excise duty) has fallen from 63d. per lb. to 33½d. per lb. during the past ten years, while a representative type of staple fibre, now priced at 10d. per lb., cost 21d. in 1933, when this material was first produced in commercial quantities. Continuous filament rayon has been subject to an excise duty of 1s. per lb. between 1925 and 1934 and 6d. per lb. since then, but the tax on staple fibre, which was 6d. per lb. until 1935, was removed in that year.

The number of rayon-producing companies in Great Britain is small; eight concerns are responsible for over 98 per cent. of the output of continuous filament rayon and staple fibre. Courtaulds and British Celanese are the two leading concerns in the industry, the one using chiefly the viscose process and producing virtually the whole of the output of staple fibre, and the other employing the acetate process. The main centres of production of the new textile fibre are Coventry, Wolverhampton, Spondon, Preston and Flint. Until recently the rayon trade, like all young industries, was fiercely competitive. But in the spring of 1937, after the rate of increase in the demand for continuous filament rayon had slowed down, the viscose producing companies concluded a price pact which was extended to acetate early this year, when Courtaulds and British Celanese came to terms. These agreements ended the period of price-cutting in continuous filament rayon which had done much to drive down Courtaulds profits from £3,743,827 in 1929 to £352,265 in 1938. Joint price control does not extend to staple fibre, which, however, is produced mainly by Courtaulds and is still in the early stages of development. Another indication of the closer co-operation of the rayon producers is the recent formation of the Rayon and Silk Association, an offspring of the Silk Association. Moreover, they have been drawn together in defence of their common interests, which might suffer if the Cotton Industry

PRODUCTION OF RAYON AND STAPLE FIBRE
(In millions of lbs.)

	1913	1929	1937	1938
Continuous filament—				
United Kingdom	6.6	52.7	119.7	106.4
World (inc. U.K.)	25.2	435.2	1,197.2	993.1
Staple fibre—				
United Kingdom	—	2.6	32.7	31.7
World (inc. U.K.)	—	7.2	627.9	969.2

(Reorganisation) Bill, now in the Committee stage in the House of Commons, were passed in its present form and gave control of the spinning of staple fibre yarn and of the staple fibre and continuous filament weaving and finishing processes of the industry, for pure rayon as well as for mixtures, to a Cotton Industry Board on which the rayon producers will not be represented.

While the leading rayon producers themselves process part of their output, the bulk of it is made into pure rayon or mixed tissues, hose, etc., by other concerns. The distribution of consumption, on the basis of the Census of Production returns for 1935, is shown below:—

CONSUMPTION OF RAYON YARN IN 1935

(In thousands of lbs.)

Silk and Rayon Trade:—	
Used in same works	11,300
Purchased (mainly by silk and rayon weavers)†	40,296
Total	51,596
Cotton (spinning and doubling)	6,829
Cotton (weaving)	22,499
Woolen and worsted	2,764
Hosiery	21,346
Lace	2,968
Elastic webbing	1,378
Incandescent mantles.....	47
Total	109,427
Total production	124,426
Exports	18,174‡
Retained imports	2,480‡

Available for home consumption

† Including transfers from other works of the same firm.

‡ Including yarn mixed with other materials.

Of the total output of continuous filament rayon, about 50 per cent. is woven into tissues, while the bulk of the remainder is made into hose and lace or exported. In the case of staple fibre, on the other hand, virtually the whole output goes into tissues. The cotton industry processes some 40 per cent. of the rayon yarn woven into tissues, but this is not sufficient reason against safeguarding the interests of the rayon trade in the Cotton Bill. The proportion of rayon yarn and staple fibre made into pure rayon tissue

has tended to increase, and mixed fibres containing continuous filament rayon now account for only about one-third of the total home consumption of this material.

The future of the rayon industry in this country depends largely on the extent to which it can improve its competitive position, in terms of price, quality and range of products, relative to other textile materials. Staple fibre is already cheaper than wool but still dearer than cotton. For example, the current price of staple fibre is 10 pence per lb., compared with about 5 pence for cotton (American middling) and 16½ pence for wool (46's crossbred). Staple fibre cotton type yarn (type 42's) costs 18½ pence per lb., compared with 10½ pence per lb. for cotton yarn (42's weft), while a worsted type (2/48's) is sold at 32½ pence per lb., against 40 pence per lb. for worsted yarn (type 2/48's). If the price of staple fibre can be brought into closer relation with that of cotton, the market for it will, of course, show an enormous expansion. At present the cost of production of rayon and cotton yarn is made up of the following elements:—

Cotton Yarn		Rayon Yarn and Staple Fibre	
	%		%
Raw cotton	50	Wood pulp and cotton	10
Other materials	15	linters	15
Labour	20	Chemicals and other ma-	35
Overheads, taxation, etc.	15	terials	25
		Labour	30
		Overheads, taxation, etc. ...	30
	100		100

The cost structure of the natural and the synthetic yarns thus differs considerably. The higher charge for overheads, etc., in the case of rayon yarn is due to the greater volume of plant required. That rayon will replace cotton and wool in a free market in the immediate future is unlikely. On the other hand, there can be little doubt that the industry (the rayon producers already employ a capital of £50,000,000 and a labour force of 25,530) will continue to make rapid progress. And it would be quite indefensible if it were to be hamstrung, as the industry fears it might be, by an Act primarily designed to assist the cotton trade.

Lever Brothers and Unilever

“COLOSSUS” is the common-place description to apply to the Lever Brothers and Unilever group, but it is none the less true. It bestrides the narrow seas with one leg in Great Britain, and the other in Holland. Its ramifications extend throughout the British Empire (which since the group's reorganisation in 1937 has become the preserve of Lever Brothers and Unilever Limited) and throughout the New and Old Worlds (which comprise the sphere of Lever Brothers and Unilever N.V.). Following the convention adopted in the directors' report, these companies will be described as “Limited” for the British company, and “N.V.” for the Dutch company in the present discussion of their results and prospects.

Before the results of the past year are examined in detail, it will probably assist investors if the character of the reorganisation of 1937 is briefly outlined, for it has a crucial bearing on the dividend equalisation arrangement between the two companies. Shareholders in the old British Unilever company were in an unfortunate position up to 1937. The company's earnings were expanding, but their distribution was held in close check, since the Dutch company's profits had been seriously affected by trading difficulties in Continental countries. Under the dividend arrangement, ordinary dividends for each company were declared in Dutch guilders (to which the sterling shareholders ranked on the capital basis of £1=fls. 12). This equal pooling arrangement between the two major partners thus acted as a brake upon the potential distributions of the British company, whose surplus profits were increasingly ploughed back to reserves. Hence the latter's transfer of non-British assets to the Dutch company in 1937 enabled N.V. to increase its available profits and correspondingly released

for distribution a balance of profits earned by the British company, which would otherwise have been inexorably set aside to reserves. In terms of total profits Limited lost and N.V. gained; in terms of ordinary dividends both partners benefited.

Such was the general effect of the 1937 scheme, and it provided immediate fruits for shareholders. The Limited company's total profits for 1937 were reduced by approximately £300,000, while N.V. profits rose by £723,000. N.V., which had paid 5½ per cent. in 1936, raised its distribution to 7½ per cent. Limited, whose capital had been more considerably changed owing to the consolidation of the Lever Brothers branch, declared a dividend of 10 per cent. How have profits fared in 1938? The following table sets out the profits that would have been available for distribution to the equity shareholders of Limited and N.V. if the subsidiaries had distributed their full earnings:—

PROFITS ACCRUING TO ORDINARY SHAREHOLDERS (After deducting outside interests)

	1936	1937	1938
Limited	3,085,050	2,787,752	2,400,457
N.V.	1,496,632	2,219,314	2,300,672
Total	4,581,682	5,007,066	4,701,129

All consolidated figures in this and later tables have been converted at the fixed rate of Fls. 9 to the £. The total profits available for equity dividends by the two sections of the undertaking, assuming that the subsidiaries had fully distributed their available earnings, fell from £5,007,066 in 1937 to £4,701,129 in 1938. This reduction of £305,937

actually consists of a fall in Limited's available earnings of £387,295 and a rise in N.V.'s profits by £81,358 to £2,300,672. But the aggregate consolidated profits of the group (set out in the second section of the table below) showed a greater fall of £529,384 from £12,749,991 to £12,220,607 last year. The explanation lies in the fact that the United Africa Company experienced a sharp fall in profits last year, of which Limited (through its holding in the Niger Company) had to bear only 80 per cent., leaving outside interests to carry the balance of 20 per cent. The fall in Niger Company net profits was, in fact, almost £800,000 last year. Largely for this reason, the third party share of aggregate profits accruing to ordinary shareholders in subsidiary companies is reduced from £817,608 to £629,154, and this reduction tempers the fall in profits attributable to Limited ordinary stockholders. N.V. shareholders, for their part, should have no cause for dissatisfaction with the improved results.

The ordinary dividends of Limited and N.V. are maintained at 10 per cent. and 7½ per cent. in respect of 1938. They are covered, respectively, by earnings of 20.2 per cent. and 11 per cent. compared with 22.3 per cent. for Limited and 10.6 per cent. for N.V. in 1937. Such results, for a year of depressed commodity prices and industrial recession, carry an important implication for stockholders. Apart from the substantial fall in United Africa profits (due less, perhaps to the stoppage of cocoa trading, which was later resumed, than to lower prices for all crops which in turn reacted upon general trading), the group has maintained a steady level of earning power. It seems fair to suggest that what the Lever group gains or loses from fluctuations in raw commodity costs—with the important proviso that sales of raw materials to other consumers are directly affected by price movements. But the fact that the group is integrated from raw materials to finished products implies that the course of Lever profits is largely determined by the volume of sales of soaps and manufactured fats, and experience suggests that, in these sections, turnover is affected in relatively small degree by cyclical trade movements.

That conclusion is a simple inference from the published profits, but the figures (though set out with admirable clarity in the report) are, in origin, far from simple. The trading conditions of the partners are not exactly similar. N.V., as its record to 1936 clearly showed, was seriously affected by economic nationalism and blocked exchanges. Probably few groups have shown greater ingenuity than N.V. in obtaining the release of blocked resources by indirect methods. It was fortunate, for example, that the group placed substantial orders for tonnage some time ago with German shipbuilding yards. But this method of escape from the deadly grip of the Devisen control is, in all probability, likely to offer fewer opportunities during 1939, and transfer through the *Konversionskasse* is a far costlier pro-

cess. Hence the profits of N.V., which include earnings from countries with restricted currencies only to the extent that transfers have been effected in sterling or florins, may be correspondingly affected during the current year and in 1940. On the other hand, the absorption of Austria and Czecho-Slovakia within the Greater German sphere probably meant little difference to the 1938 results, for both economies before their absorption had already operated some form of exchange control. Some part, however, of the losses arising from the change in frontiers was charged against profits in 1938.

A second feature of interest lies in the group's American trading. It will be recalled that, in 1937, Limited and N.V. together provided, from current profits and reserves, a sum (reputedly of the order of £1 million) in settlement of a patent action in the United States. Although the directors' report, as usual, confines itself to an analysis of the financial results of the year, it is probable that N.V. (to which the American profits are now accountable) has no reason for dissatisfaction with the American business in 1938. The main *riposte* of the American manufacturers with whom the N.V. group competes, however, is felt in Limited's British markets, but a very rough guess based on last year's profits suggests that, although competition has been keen, particularly in soaps and cooking fats, Limited has probably increased its total turnover in this country. The total market may have expanded, but there is also a presumption that the increased productive and selling efficiency of the two leading competitors in the British market has diverted business from other producers. The battle which the Lever and American interests have carried into each other's camp has probably produced advantages for each party. And this counterpoint of Lever and American interests in the United States and Great Britain does not seem to affect the relative results of Limited and N.V.

Both Limited and N.V. have now been consolidated into closer knit organisations. Limited merged the old Unilever and Lever British companies in 1937; N.V. completed last year the consolidation with the Anton Jurgens and Hovema companies, which is reflected in the increase of N.V.'s preference dividend requirements, and accounts, in part, for the expansion in that company's florin profits. The group, however, still controls over 400 manufacturing subsidiaries in almost every country of the world; hence the process of consolidation must inevitably be confined to the leading controlling units in the hierarchy. This fact goes far to justify the directors' practice of providing only a limited range of consolidated figures for the twin Lever companies and their subsidiaries and allied companies in which 50 per cent. of the ordinary capital is held or controlled. Extracts from these consolidated figures are given in the third section of the table. They show that the group last year reduced the value of its stocks—a movement which is due to lower prices, and not apparently to reduced quantities—although net current assets have increased from

LEVER & UNILEVER PROFITS AND FINANCE

Parent Companies' Profits and Appropriations, year to December, 1938				Consolidated Profits and Appropriations of Limited and N.V.*		Consolidated Capital Liabilities and Assets of Limited and N.V.*			
	Limited	N.V.	Total (Fl.9 to £)		1937	1938		Dec. 31, 1937	Dec. 31, 1938
	£	Fl.	£		£	£		£	£
Net profits, inc. proportion of subsidiaries' net profits Retained by subsidiaries	8,720,234 409,990	28,949,247 1,865,659	9,945,817 617,285	Aggregate net profit, after depreciation, interest and debtenture taxes	12,749,991	12,220,607	Issued cap. : Pref. & pf. ord. Do. Ord. and def.....	89,430,723 30,630,489	88,816,769 30,595,538
				Less outside interests in subsidiaries	2,858,627	2,274,790	Total	120,061,212	119,412,307
Net profits, inc. subsidiaries' dividends, etc.....	6,319,244	27,083,588	9,328,532	Profit accruing to parent cos.	9,891,364	9,945,817	General reserves and undis- tributed profits†	23,318,479	23,733,675
Pref. and pref. ord. divs....	4,328,777	8,243,200	5,244,688	Preference dividends	4,884,298	5,244,688	Long-term claims receivable	6,885,000	6,039,000
Ordinary divs.	1,141,879	12,880,275	2,573,021	Available profits.....	5,007,066	4,701,129	Long-term liabilities§	19,650,000	19,251,000
(do. rate %)	(10)	(7½)	...						
Co-partnership and deferred divs.	57,294	...	57,294	Parent cos.' proportion of reserves and special ap- propriations of subsid. cos.	735,323	617,285	Current assets :	47,513,000	42,730,000
General reserve	...	2,500,000	277,778	Retained by parent cos. Ordinary dividends	1,652,095	1,453,529	Stocks	19,739,000	19,585,000
Contingencies reserves	100,000	3,000,000	433,333	Co-partnership and def. divs.	2,562,740	2,573,021	Debtors	2,072,000	2,513,000
Reserve against subsidiaries	600,000	...	600,000		56,908	57,294	Investments	11,068,000	11,419,000
				Total appropriation...	5,007,066	4,701,129	Cash	...	...
Brought in.....	1,399,088	4,729,518	1,924,590				Total	80,392,000	76,247,000
Carried forward	1,490,382	5,189,631	2,067,008				Current liabilities†	38,443,000	32,348,000
							Net current assets	41,949,000	43,899,000

Notes.—All conversions of Dutch florins into sterling calculated at fixed rate of Fl. 9 to the £. * Subsidiaries' also covers "allied companies" in above tables. † Including subsidiary and allied companies in which parent companies control 50 per cent. or more of ordinary capital. ‡ Parent companies only. § Including provision for proposed dividends. ¶ Includes debentures and notes: £13,555,000 in 1937, and £13,828,000 in 1938.

£41,949,000 to £43,899,000. Free reserves retained by the group have also increased further from £23,313,479 to £23,733,675. The directors of Limited, however, have decided to maintain that company's general reserve at the estimable round figure of £10 millions, and to make provision instead against shares in subsidiary companies. It is to be presumed, therefore, that the £600,000 which has been written off shares in subsidiaries in 1938 is not required against actual depreciation of subsidiary interests.

What are the group's prospects for the current year? It has come through the recession with improved strength. Its manufacturing business remains active, though the prices for its primary commodities (and in consequence the return trade in which Limited, in particular, is interested along the West African coast) are still low. Evidently,

Lever Brothers and Unilever is not a company from which the investor should expect spectacular profit movements. He should be fortified by the knowledge that N.V., which in recent years has hitherto held the key which unlocks dividends for Limited, covered its distribution last year one and a half times from earnings. Hence, there is now a reasonable cushion of profits which permits some elasticity under the dividend equalisation arrangement. If, on the other hand, N.V. in future is less successful than in the past in transferring controlled profits, this margin may not be fully maintained. On present indications, profits and dividends for 1939 may show relatively little variation from those of last year. On the current yield basis of £6 1s. 3d. per cent., the ordinary stock of Limited, quoted at 32s. 10½d., would thus appear to be justly valued.

Finance and Banking

The Demand for Dollar Notes.—During the last fortnight or so there has been a considerable increase in the demand for dollar notes. While in the past the demand was mainly for notes of small denomination by people who could not afford to open dollar accounts, the present demand is mainly for notes of large denomination, mostly by people who now prefer this form of hoarding to gold hoarding. The change in the preference of hoarders is indicated by the fact that, while until recently dollar notes were at par with the rate for cable transfers, and gold coins were at a premium in relation to gold bars, now it is dollar notes which are at a premium, while the premium on gold coins has disappeared. The premium on dollar notes varies widely—its extreme limits in recent weeks have been ½ per cent. to 1½ per cent.—according to the fluctuation of the supply, which again largely depends upon the

arrival of mail boats from New York. Every mail boat carries large consignments of dollar notes, which are absorbed as soon as they reach the market, and pending the arrival of the next mail boat the premium rises to a high level. (At present, the premium is at the lower figure, for supplies have been greatly increased by one or two large shipments.) The reason why, in spite of this, most banks are reluctant to hold substantial amounts, lies in the cost, which includes, besides loss of interest, a commission of about one per thousand charged by American banks for the dispatch of notes. Should the trend change temporarily—as it might easily do—the banks who have acquired a substantial stock-in-trade in dollar notes stand to suffer a loss. And since the premium is not high enough to attract non-banking operators—who in any case would have to finance the transactions at a higher cost than the banks—the volume of notes available in the market is seldom in excess of the immediate demand. Should this state of affairs continue, a forward market in dollar notes will probably develop, which would presumably be dealt in for delivery on the arrival of mail boats.

The Exchange Account's Gold.—Immediately after last January's transfer of gold from the Bank of England to the Exchange Equalisation Account, we estimated the latter's gold stocks at £440 millions, valued at 150s. per fine ounce. Since then, there have developed new political fears as the result of the German annexation of Czechoslovakia and subsequent political developments, and this has led to a fresh exodus of funds of gold from Europe to New York. Sterling, too, has been under pressure during the past seven weeks. This raises the question of the Exchange Account's gold losses since the New Year. To examine this, it is simplest to begin with the physical movements of gold into and out of the United Kingdom during the past four months.

GOLD BULLION MOVEMENTS, December 30, 1938, to April 20, 1939

Imports from		Exports to	
	(£ millions)		
Belgium	31.8	United States	158.4
Switzerland	3.5	Canada	4.7
Holland	1.7	Switzerland	2.1
U.S.S.R.	6.0	Other countries	1.3
Other countries	6.7		
Total	49.7	Total	166.5

The main outflow has naturally been to the United States, but, unlike last year, France has not been a contributor. There has been a big influx of gold from Belgium, whose own troubles have been superimposed upon the prevailing political uncertainty. Small amounts have come from Holland and Switzerland. Arrivals from South Africa have been negligible. The period has thus witnessed a net outflow of £116.8 millions from the United Kingdom.

Not all this gold came from the Exchange Equalisation Account, for much of it represented private sales of gold in the London market against purchases of dollars. This gold was either bought direct by arbitrageurs or else merely passed through the Exchange Equalisation Account as a channel. There have also been transfers of gold belonging to foreign central banks from London to New York for purposes of safer custody; and these equally figure in the export returns. It is impossible to do more than guess at the division of the net loss of £117 millions between these various heads, but an examination of the course of the bullion and foreign exchange markets since the New Year suggests that private gold sales and foreign central bank transfers may have accounted for as much as £70 millions out of the £117 millions. This suggests that since the New Year a net amount of £47 millions of British Exchange Account gold left London. Moreover, there are still two off-setting factors to be mentioned. First the £4.7 millions export to Canada may represent Exchange Account gold transferred there for safer custody in the event of war. Next, practically no newly-mined South African gold reached London during this period. This gold, which amounts since the New Year to about £25 millions, has presumably been ear-marked in South Africa in favour of the Exchange Equalisation Account. Taking cognisance of this Canadian and South African gold, it looks as if the Exchange Account has only lost something of the order of £20 millions of gold since the New Year. This suggestion of a very moderate net loss finds support in the reduction since the New Year of £13 millions in tap issues of Treasury bills; though against this last reduction must be set the special purchases of tender Treasuries made recently in the money market on behalf of the Exchange Equalisation Account. It is true that the Account has lost in the London market alone anything up to £25 millions since March 16th, but January and February were not bad months for the Account, and week by week during the whole 3½ months it has been accumulating gold in South Africa. Thus, so far, our gold reserves have withstood this year's political shocks with comparatively little loss.

Gold Shipments and Insurance.—Shipments of gold to and from this country during the week which ended at noon on Thursday have again broken the previous record, totalling as they have £64.4 millions. The bulk of this enormous mass of gold represents the reserves of central banks and exchange funds fleeing to greater security.

This can be said of the imports into this country during the past week of £10,950,953 from Belgium, £3,275,624 from the Netherlands and £12,306,177 from Switzerland. Of the £28,509,226 exported during this period to the United States it is estimated in the market that not more than one-fifth represented private gold arbitrage, the rest being continental central bank gold sent for earmarking in New York or Exchange Equalisation Fund gold sent as a counterpart of recent operations of the Account in the dollar market. The continued abnormality of the shipments across the Atlantic is inevitably causing unusual congestion of gold on single vessels and high reinsurance rates have again been paid on such shipments. The insurance market has now begun to translate into action its determination to amend the open cover system of gold insurance so as to avoid such congestion. As open covers fall in, they are being drastically cut down and as far as can be gathered from the experience of bankers whose facilities of this kind have already been reduced, the marine insurance market appears to have set a limit of £250,000 per boat on the amount for which they are prepared to grant open cover facilities. This bears no relation to the activities of the more important dealers in the arbitrage market, and the arbitrary cut made quite irrespective of the extent to which shippers have utilised their open cover facilities in the past is inevitably causing some difficulty and friction. At the moment, however, the main cause of congestion in gold shipments is the size of official consignments. These are normally insured under the Bank of England open cover which is, of course, the largest open cover granted in the London market, and which is understood to have provided for shipments of up to £5,000,000 per vessel. This maximum is being reduced by the insurance market to £3,000,000. Even this lower figure represents the maximum quota of gold on a single vessel which the insurance market can comfortably carry. For the time being, the amendments to the open cover system are being made in an essentially tentative and empirical manner and the whole subject is likely to receive more considered and reasoned treatment when the complications caused by the introduction of the Government pooling scheme for war risks have been cleared up.

Exchange Difficulties in New Zealand.—New Zealand's exchange difficulties have yielded so grudgingly to the scheme for the control and restriction of imports imposed towards the end of last year, that, as reported in a Note on page 246, a drastic tightening of that scheme was announced this week. The need for drastic action

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Foreign Exchanges

THE big recovery in the belga has been the outstanding feature of the foreign exchange market this week. From the gold export point the spot rate has fallen sharply to rather below the gold import point, being quoted on Thursday afternoon at 27.66½, while the three months' forward discount, which at one time last Friday was as wide as 140c., has declined to 32½c. Bear covering, particularly after M. Pierlot's statement on Tuesday afternoon that the Belgian Government had rejected devaluation, has been mainly responsible for this improvement, but there has also been some evidence of the repatriation of capital. Buying pressure has been strong enough to enable the authorities to regain some of the foreign exchange lost last week. Francs have been steady and were unaffected by the new French decrees. A measure of the steadiness of this currency since last November is provided by M. Reynaud's announcement that Frs. 5 milliards of gold have been

MONEY MARKET NOTES

transferred from the Stabilisation Fund to the Bank of France. Both Swiss francs and guilders have appreciated against sterling. On Wednesday the former was bid down to 20.82, although it reacted later to close at 20.84½, against 20.86½ at the end of last week. On Thursday a further appreciation to 20.83½ took place. Guilders on Thursday afternoon were quoted at 8.77½, compared with 8.81½ on Monday. The Budget had hardly any influence on the sterling-dollar rate, which has been very steady. The small changes that have taken place have been in the pound's favour.

The Bank Return

THE stringency in the money market this week is easily explained by the Bank return. The note circulation shows a rise of £4.1 millions; and as it is too early for the rise to be attributed to end of the month requirements, it is probable that the inter-

national situation is again responsible. How much is due to public demand

	Apr. 27, 1938	Apr. 12, 1939	Apr. 19, 1939	Apr. 26, 1939
	£ mil.	£ mil.	£ mil.	£ mil.
Issue Dept.:	326.4	226.2	226.2	226.2
Gold	85.1	148.6	148.6	148.6
Value per oz. fine	85.1	148.6	148.6	148.6
Notes in circulation	489.3	489.7	485.0	489.1
Banking Dept.:				
Reserve	38.0	37.5	42.2	38.0
Public Depts.	10.9	17.7	22.1	27.1
Bankers' Depts.	113.3	97.6	96.5	91.4
Other Depts.	36.5	40.9	38.8	37.6
Govt. Secs.	114.0	108.7	102.0	107.2
Discounts & Advances	7.1	6.3	6.7	6.2
Other Secs.	19.4	21.5	24.2	22.3
Proportion	23.6%	24.0%	26.7%	24.3%

and how much to the strengthening of till money by the banks as a precautionary measure, however, it is not possible to say. Some attempt has been made to offset the currency withdrawals, for Government securities show a rise of £5.2 millions. Part of this rise may represent the special purchases of bills in the market, but it is probable that most of the latter have again been made on behalf of the Exchange Account and not of the Bank.

is self evident. Since the beginning of this year the sterling reserves of the Reserve Bank have risen from £4,678,000 to £4,872,000 only. As for the trading banks, their holdings of London funds had in January (the latest available figure) risen by £1,000,000 to £3,147,000. The total sterling holdings of £8,000,000 represent less than eight months' requirements of the New Zealand external debt service and other invisible debit items in the balance of payments. Imports in January and February were only £305,000 down on the previous year and the export surplus for the first two months of the year was only £2,865,000, as against £3,299,000 in the corresponding months of 1938. The need to fortify the reserve of London balances is enhanced by the approach of the maturity

next January of £17,000,000 of 3½ per cent. stock. Under existing conditions in the capital market, it may be difficult to convert this loan on reasonable terms. The New Zealand authorities are believed to have purchased about £500,000 of the maturing loan, and if the conversion operation is to be approached with fair hopes of success the official purchases of the stock will have to acquire far greater momentum over the coming months. In order to close a loophole through which capital has in recent months escaped from New Zealand the Reserve Bank has now decided to refuse for payment notes paid into banks out of New Zealand. The moderate flight of capital which had taken the form of smuggling notes out of the Dominion has thus been brought to an end.

The increase in public deposits of £4.9 millions looks as if the Exchange Account's support of sterling has, in fact, been greater than might have been expected from the steadiness of the sterling-dollar rate, although funds may be accumulating in preparation for the May 1st dividend disbursements. In any case, bankers' deposits have suffered and are down by as much as £5.1 millions.

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The Money Market

THE easier tendency in both discounts and credit conditions noted last week has not been maintained. The Treasury Bill tender, it is true, showed a fall in the average rate of allotment to £1 6s. 10.35d. per cent. and a rise in applications from £51.3 millions to £66 millions. It is understood that the

	Apr. 28, 1938	Apr. 20, 1939	Apr. 29, 1939
Bank Rate	2½	2½	2½
London Deposit Rate	2½	2½	2½
Short Loan Rates:			
Clearing Banks	12-14	12-14	12-14
Others	12	12	12
Discount Rates:			
Treasury bills	12	17½	15½
Three months' bank bills	17½	11½-9½	15½

* Viz. 12 per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. ¾ per cent. for loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

high rate realised at the previous tender had tempted applications from many firms which normally refrain from

tendering. There was an immediate fall in other discount rates when the result of the tender was known, and 1½ per cent., against 1½-1¾, was quoted for the fine bank draft and ¾ per cent. for June Treasuries; but since the week-end there has been no further fall. The banks are still providing only a very small outlet for bills, and special buying of June bills at ¾ per cent. and July's at 1½ per cent. has been in evidence. This official action has relieved to some extent the credit situation, which, nevertheless, remains acute. On Tuesday calling in of loans by some clearing banks from the market was reported; and advances for the night were difficult to obtain, although old loans against bills were still continued at ½ per cent., with ¾ per cent. generally charged for fresh loans. Bond money has usually been obtainable from outside quarters at ¾ per cent., but 1 per cent. was sometimes paid on Tuesday. The clearing banks are all charging 1½ per cent. for fresh advances against bonds.

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The Bullion Market

THE turnover in gold has been very small, except on Tuesday, when renewed fears about the international situation and, possibly, nervousness about the Budget proposals, caused a big increase in sales from Continental hoarders. Unofficial dealings on that day were also large and probably exceeded the amount at the fixing. The

absence of any premium encouraged arbitrageurs, who took almost the whole amount on offer. A large shipment of Transvaal gold, amounting to £1,125,000, is due to arrive at South-

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.
April 21 ...	148 6½	1½ pm.	377	20	19½
" 22 ...	148 6½	1½ pm.	211	20	19½
" 24 ...	148 6	par	183	20½	19½
" 25 ...	148 5½	par	861	20½	19½
" 26 ...	148 6	1½ pm.	460	20½	19½
" 27 ...	148 6	par	558	20½	20

* 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.

ampt on May 5th. There has been a considerable increase in unhoarding of gold coins, which are now at a small discount on their bullion value and are in some cases being melted down to be made into bars.

Last Friday the statement of the Governor of the Federal Reserve Board to the Senate Banking Committee, recommending the cessation of silver purchases, caused a small decline in both the cash and forward prices of silver; but the market was not disposed to take the statement seriously, and prices have since recovered.

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Investment

Budget and Conscription.—Only twenty-four hours elapsed before Sir John Simon's matter-of-present-fact Budget had been demonstrated as a fiscal hypothesis, rather than a real measure of the financial burden which defence finance will involve during the current year. Within the limited context which the Chancellor set himself, it was a Budget as satisfactory as the City could expect. The absence of any change in income tax is always a signal for market relief, if only short-term relief. Motor and tobacco shares, chiefly affected by the new imposts, showed no dismay—indeed, the latter group recovered significantly on Wednesday. Brewery and oil shares marked their relief at the absence of new taxation, with particularly impressive gains in the former group. The gilt-edged market, which nothing will cheer in these sombre days, looked askance at the increase in the borrowing programme to £380 millions, with the uncomfortable feeling that even this sum might not represent the end of its burdens. But *ad hoc* budgeting has been followed by the new fact of conscription, whose importance, both in altering the Treasury's estimates, and the investor's calculations, could hardly be over-rated. Shareholders in "firms mainly engaged in the re-armament programme" will face a new form of control of profits—new, presumably, since legislative power is to be given to control. How far this definition extends down the hierarchy of contractors, sub-contractors and suppliers of essential materials has yet to be revealed. How arms profits will be computed for mixed firms whose civil business is still important has yet to be defined. Experience in the aircraft and contracting industries suggests that profits control has worked with unequal effect. But it is highly probable that firms which escape official control, but are still closely connected with defence business, will keep a strict watch on dis-closed profits and dividends. Meanwhile, the withdrawal of conscripts from industry, coupled with the establishment of defence priorities, suggests that the profits outlook for concerns in non-essential trades has been adversely affected. And the conclusion of the Prime Minister's statement on Wednesday shows that some form of levy on increased profits and wealth is reserved for war time. Will the economic exigencies of a "near-war" economy involve a revision of this policy?

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Tobacco and Motor Shares.—Tobacco shares were slightly affected in the "Street" market on Tuesday evening, following the unexpectedly drastic increase of 2s. per lb. in the duty, but they recovered appreciably on Wednesday. The investor has always regarded the demand for tobacco as fairly inelastic. But that demand has been facilitated to a major extent by the conventional price structure for cigarettes. The popular packet of twenty cigarettes for one shilling weighs rather under one ounce; hence the increase in duty involved is slightly below 1½d. for this size of packet. If prices are to be maintained, to suit the manifest convenience of consumers and also to continue the use of existing automatic machines, it follows that the rise in duty would mainly have to be passed on by smaller cigarettes or a reduction in the number per packet. On the rough assumption that twenty cigarettes weigh one ounce, the total duty formerly payable was 7.125d. In order to maintain the total duty charge at that figure (any other adjustment would involve difficult re-allocations of distribution costs and retailers' and manufacturers' margins) it would be necessary to reduce the total tobacco content by 17½ per cent.—a large adjustment by size. No formal decision has yet been reached by the manufacturers, but tobacco shareholders may feel that the industry will be fortunate if it succeeds as well as it did after the

September Budget of 1931 (when the duty was raised by 8d. per lb.) in passing on the increase in costs without affecting consumption.

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The immediate reaction to falling incomes or rising horse-power taxes is to transfer demand from larger cars to the smaller. To the marginal motorist, choosing between, say, an 8-h.p. and 10-h.p. car, the addition of £1 to the tax differential may be significant. Hence, even if the industry maintains its total output of new units, they will be smaller on the average, and the low-horse-power categories, on which the manufacturers already concentrated last year to meet the recession, are already a highly competitive market. All the leading manufacturers, joined by Standard last year, have an 8-h.p. model or its equivalent, though Vauxhall produces no smaller car than a 10-h.p. model. But for those companies which specialise in large part upon high-power cars, the 10s. increase per horse-power may well have serious consequences. To particularise, Birmingham Small Arms (which controls the Daimler Company) and Alvis may suffer. But it happens that both companies have interests in aero-engine construction, and the guiding rule which has been operative in the motor share market for some time—to concentrate attention upon those motor concerns which have charge of shadow factories or have undertaken equivalent defence work—should not be changed by the increased motor duty.

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Patent Medicine Changes.—Although the fiscal and industrial effect of the remission of the patent medicine duty is not far-reaching, its importance for the investor is increased by the concentration of a large proportion of the business in the hands of Beechams Pills, Limited. This company, by its absorption of Macleans, Ltd., and Eno Proprietaries during the past year, has become one of the most important units in the trade. It is impossible, of course, to compute the relief which will accrue to the group by the remission of duties and, presumably, many of its products are sold free of stamp duty by the normal process of disclaiming proprietary interest and disclosing the formula. For a group whose capitalisation is already relatively high-g geared, however, the consequences for the equity shareholders may well be of some importance. The relation of the cost of the remission (£770,000) to the gross cost of an extra 10 per cent. dividend for the deferred shares of Beechams Pills (£151,250) is thus of some interest to shareholders.

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Foreign Investment Purchases.—The broad implications of Sir John Simon's expression of hope last week that no purchases of foreign securities will in future be made for investment purposes (purchase for re-sale is,

INSURANCE NOTES

London Assurance.—In 1937, for the sixth successive year, London Assurance obtained record net new life business. Last year, however, the number of policies assured fell from 3,635 for total sums of £2,956,000 to 3,091 for £2,679,000. There was a considerable reduction in death claims from £318,000 to £232,000, and the net rate of interest earned was £3 14s. 8d. per cent., against £3 16s. 8d. per cent. In the fire branch premiums increased by £122,000 to £2,133,000, but underwriting profits were less favourable than in 1937. Premiums in the accident branch amounted to £1,501,000, against £1,405,000, and underwriting results were very satisfactory. In the marine branch premiums increased from £775,000 to £820,000, and, as in 1937, £50,000 was transferred to profit and loss. The fund, at £994,000, is equivalent to 121 per cent. of the premium income, contrasted with 115 per cent. a year ago. Results for the last two years follow.

	Profit 1937	% of Premiums	Profit 1938	% of Premiums
Fire	181,328	7.0	135,291	6.3
General accident	98,078	9.0	114,837	7.7
Marine	50,000	...	50,000	...
Life	22,500	...	22,500	...
Charges to profit and loss	351,906	...	322,628	...
	185,436	...	176,245	...
	166,470	...	146,383	...

Total assets increased from £20,238,000 to £20,985,000, of which £10,719,000 are attributable to the life assurance fund. No special changes are apparent in the distribution of assets among the various investment categories. A year ago the chairman mentioned that the market values of the Stock Exchange securities in the life department showed a surplus of £494,000 on the book values; at the end of 1938 market values were still in excess of book values. The general reserve fund remains unchanged at £3 millions. The dividend is repeated at 45 per cent. and costs £224,000, compared with available net interest earnings of £202,000.

World Auxiliary Insurance.—Premium income amounted to £275,000, compared with £282,000 in 1937. The underwriting results of the past two years are shown below:—

	Profit 1937	% of Premiums	Profit 1938	% of Premiums
Fire	6,922	7.8	6,608	7.5
Accident and general	7,598	9.7	3,117	4.2
Marine	10,667	...	5,865	...
Charges to profit and loss	25,187	...	15,590	...
	15,889	...	14,784	...
	9,298	...	806	...

Total assets amount to £1,201,000. Book values of Stock Exchange securities appear at £1,037,000, compared with market value on December 31st last of £1,022,000. Special reserves total £260,000, and the profit and loss balance, after payment of the 1938 dividend, is £153,000. The dividend is again 7½ per cent., free of tax, and costs £22,500, against interest earnings of £27,000.

(Continued on page 272)

BRITISH GENERAL SERIES 'C'

A Unit Trust comprising Shares of 27 leading Industrial Companies. Purchase price around 14/3 returns gross yield approximately 6½%

Trustees: GENERAL ACCIDENT FIRE & LIFE ASSURANCE CORPORATION, LTD.

Managers: BRITISH GENERAL FIXED TRUST LTD., 36/37 King Street, London, E.C.3

of course, already controlled) are discussed in a Note on page 245. It is not surprising, however, that the City should feel the need for some further amplification of the Government's wishes, for the dramatic significance of the Chancellor's almost casual remark, viewed from the angle of the security markets, hardly seems to have received adequate official consideration. Further questions this week have elicited the information that the "ban" does not refer to purchases of sterling securities of British countries abroad, and that legislation is not contemplated at present to control capital exports. In the absence of any authoritative direction, the Stock Exchange has taken no formal steps to recognise the situation and, for the time being, the main result has merely been to introduce a conscientious objection to foreign investment which is observed according to individual inclination. The matter can hardly be left in this position. But when alternative action is considered, a number of technical difficulties of real importance immediately present themselves. There is, really, no effective compromise possible between complete divorce of the London market, with its accompanying arbitrage machinery, from its overseas connections, on the one hand, and allowing the matter to remain on the existing loose basis. The objection to the latter course is that it favours less scrupulous dealing agencies and investors at the expense of the public-spirited. It is clear, however, that the suggestion that the London market in international securities could carry on independently by providing dealing facilities for the pool of stocks already held in this country is only practicable to a limited degree. The requisite market fluidity which jobbers are normally able to maintain in, say, leading American stocks, depends on the knowledge that they can cut short or long positions quickly through the arbitrage houses. Even so, dealings in the morning hours before Wall Street opens are comparatively limited, and it is clear that, if it had to operate on an entirely independent basis, the market would undergo such a contraction as to exclude the major part of the "punting" operations which now form the bulk of the turnover. Hence the specialist dealers in American stocks, while willing to fall in with the official view, feel that its scope should be enlarged to cover all capital exports, and that it should be given statutory force. Happily there is no substance in the reported suggestion that London offices of Wall Street houses, by introducing full "clearing" facilities in dollar stocks, are out of step with London arbitrageurs. Full co-operation, in the spirit of the Chancellor's request, is assured.

Fine Spinners Reorganisation.—Since the end of September last year, when the directors' reorganisation scheme failed to obtain the required sanction, preference stockholders have awaited the formulation of alternative proposals with increasing expectancy. At the end of last week, the Preference Stockholders Committee issued a revised scheme which they "now consider to be fair and reasonable to the three classes of stockholders and intend to recommend to the directors." It should be emphasised that this scheme represents the independent view of the Preference Stockholders Committee, and that the British Insurance Association and the Association of Investment Trusts were not consulted in connection with it, although an earlier scheme was submitted to the board by the Preference Stockholders Committee jointly with these bodies last December. Hence, the reason for publishing the new scheme seems somewhat obscure, for the committee itself records that the board decided in January last to postpone the submission of a revised scheme to

stockholders until the results for the year to March 31st have been published. In a reply issued at the end of last week, the board indicate that it is not feasible under present trading conditions to prepare a scheme which could be recommended as fair and equitable to all classes, and it is hardly surprising that they cannot recommend the proposals set out in the committee's circular, which would appear to represent the maximum which preference stockholders could expect.

Company Notes

Marks and Spencer Progress.—This company's record of continuous progress is unbroken. The preliminary results for the financial year ended March 31st last show an increase in net profits, before charging depreciation and tax, of 13 per cent., which compares favourably with the similar rise achieved in 1937-38. Such expansion amply justifies the company's policy of retaining a high proportion of available profits in the business, and it provides full scope for the regular capital bonus policy. In addition to the cash dividend of 42½ per cent. a 10 per cent. scrip bonus is again declared in respect of 1938-39. For a year of partial recession, which affected popular purchasing power adversely, such results are most satisfactory. The extensive ploughing-back of profits is at once the result and also the cause of the healthy expansion of the group. In the following table, the allocation of profits is set out for the past three years:—

	Years ended March 31st		
	1937	1938	1939
Net profits*	1,723,488	1,954,340	2,213,003
Depreciation, repairs, etc. ...	290,238	351,891	431,045
Taxation	238,544	325,699	374,444
Staff funds and deb. redempn. ...	36,166	36,760	37,495
Preference dividends	105,000	105,000	105,000
Ordinary shares—			
Earned	1,053,540	1,134,990	1,265,019
Paid	633,884	742,605	816,866†
Earned %	75.3	73.5	74.6
Paid %	40	42½	42½
Capital bonus %	10	10	10
Properties contingencies ...	61,457	64,598	93,022
General reserve	308,846	324,730	342,203
Carry-forward	82,584‡	85,641	98,569

* After debenture and other interest, and fees. † Estimated.
‡ After £54,453 issue expenses and discount.

The rise in 1938-39 profits has, in fact, fully kept pace with the general growth of assets, and earnings for the ordinary shares are a little higher than in 1937-38. Provision for depreciation and repairs should normally rise with the general growth of assets, but the increase in the allocation to properties contingencies reserve is a substantial sum for a single year. No further information has so far been revealed regarding the additional finance to which reference was made at last year's meeting to provide for the expansion of the business over two or three years. At a current price of 57s., including rights worth about 5s. 3d., the 5s. shares yield £4 2s. 3d. per cent.

Union-Castle Outlook.—Mr Robertson Gibb's last speech as chairman of Union-Castle deserved a more auspicious background than last year's results to commemorate his work for the company. Union-Castle was adversely affected in 1938 by international tension and by domestic South African problems. Mr Gibb showed that political measures in South Africa had led to a curtailment of purchase of British goods, while the car-marking of gold in the Union further increased the reduction in freight revenue. Homeward baled cargo had been affected by the stipulation in German-South African trade agreements that goods bought by Germany must be carried in

German or Dutch ships, while the familiar German technique of offering high prices for essential imports had lowered British purchases of South African wool. But, in addition, Union-Castle, together with other Conference lines, reduced the rate on fruit—already barely economic—by 7s. 6d., at a cost of £85,000. The group has expended substantial sums on refrigerated tonnage to handle this traffic, and its operating costs in this trade have increased. The chairman declared that the shipbuilding and re-engining programme had reached its financial peak of £4½ millions—the re-engining programme was completed in December, and the shipbuilding programme this month. But under the terms on which these advances were made, Union-Castle must make large annual repayments or alternatively contemplate a funding programme. Hence, financial policy is likely to remain cautious, for the existing 5 per cent. debenture stock stands at 99½. The company timed its large rebuilding programme shrewdly, and considerable operating economies should result. Unhappily, there is but little sign of an improvement in general cargoes and freights.

Spillers' Progress.—Spillers' results for the year to January 31st last suggest that the company's long-term programme of reorganisation and expansion has comfortably carried it over a period of short-term uncertainty. The directors again recommend a dividend of 15 per cent. on the ordinary and deferred ordinary stock (which has been increased to the extent of £173,184 following the acquisition of Hosegood Industries), and it is covered by an improved margin of earnings. Total profit for the year amounted to £671,096, an increase of about 11 per cent. compared with 1937-38, but the increase is almost entirely absorbed by a rise of £55,000 in the allocation to taxation. An increased turnover has probably resulted from the entry into operation of the Newcastle plant and the acquisition, together with its new plant, of Hosegood Industries. The following table analyses the course of profits over the past three years, though a consolidated statement of earnings would be more informative:—

	Years to January 31		
	1937	1938	1939
Trading profit‡	607,237	561,945	626,501
Total profit	655,639	605,224	671,096
Directors' fees	19,000	19,000	18,840
Taxation and N.D.C.	185,000	175,000	230,000
Preference dividends	52,293	51,579	49,864
Ordinary & deferred stocks:*			
Earned	399,345	359,645	372,392
Paid§	307,774	301,308	305,065
Earned (%)	19.5	17.3	18.3
Paid (%)	15	15	15
To reserves	100,000	50,000†	75,000†
Carried forward	167,505	175,842	168,169

* Ordinary and deferred ordinary rank in order for non-cumulative 15 per cent. dividend, and *pari passu* in balance of profits.
† Includes £50,000 to contingent reserve in 1938, and £25,000 in 1939.

‡ After provision for depreciation.
§ Includes co-partnership dividend of 15 per cent., and in 1939 only, a dividend of 3½ per cent. on 86,592 ordinary and 86,592 deferred shares.

Interest in the balance sheet centres upon three points. Cash balances have declined by £564,275; British Government securities have increased by £877,788; and shares in subsidiaries show an expansion of £513,916. These movements partly reflect the acquisition of the ordinary share capital of Hosegood Industries and also the sale of the company's interest in British Oak Insurance, for a consideration which is not disclosed in the report, but which may have limited the fall in cash and account for the expansion in gilt-edged holdings. The Spillers group is now equipped to handle an expanding output, which

depends largely on the maintenance of collaboration between the Millers Mutual Association (which appears to have been strengthened last year), on the reaction of the animal foods market to Government agricultural policy, and thirdly on the inter-relation between the Government's cereal storage policy and peace-time demand. Spillers deferred stock units stand at 44s. 6d. to yield £6 15s. per cent.

Thread Companies' Results.—For some time past investors have been more or less resigned to the prospect of substantial declines in sewing cotton profits last year. The preliminary statement of J. and P. Coats and English Sewing Cotton in each case show a fall in earnings in 1938 of over one-quarter. Cotton prices fluctuated less in 1938 than in 1937, but the general level was lower and the export position deteriorated still further, British exports of cotton thread, for instance, falling by 15 per cent. to 13½ million lbs. Since profits in 1937 were already depressed by the provisions made against stocks to meet the low level of prices prevailing at the end of the year, the 1938 trading results are even less favourable than comparison suggests. Perhaps the most that can be said for the 1938 profits of both J. and P. Coats and English Sewing Cotton is that the rate of decline has caused no surprise, and that dividends, if not earnings, are still satisfactory. J. and P. Coats' net profits amount to £1,535,297, against £2,077,459, before paying preference dividends of £330,000 in each year. The balance represents 8.2 per cent. earned for the ordinary capital, against 12.5 per cent., but the 10 per cent., now paid for the fourth successive year, is maintained. Such results for a concern with world-wide trading interests are not surprising in view of last year's difficulties. The capitalisation is low-g geared, and the maintenance of the 10 per cent. dividend is possible only by a transfer of £200,000 from dividend reserve (which is thus reduced to £2,000,000) and a draft of about £70,000 on the carry-forward. English Sewing Cotton net profits total £135,064 against £192,968, and are now less than half those earned in 1936. Earnings for the equity represent 4.3 per cent. against 7.1 per cent., and although the dividend is reduced from 10 per cent. to 7½ per cent., this distribution—as in the case of J. and P. Coats—is only made possible by drawing again on dividend equalisation reserve, to the extent of £50,000 and taking £15,000 from the carry-forward. Both companies have substantial reserves, and the building up of equalisation funds in the past is now proving of benefit. The outlook for the current year does not point to any marked change. There is no reason to expect a pronounced improvement in exports or prices. It is of interest to note, however, that the directors of J. and P. Coats do not expect to derive any benefit from the Cotton Industry Bill and desire to be excluded from its provisions.

Sofina Report.—In recent years this utility holding company has not shown large profit movements, and the accounts for 1938 convey a similar impression of stability. Total profits are shown at fcs. 152,120,000 against fcs. 124,176,000, but about half of this apparent increase is due to the inclusion of management receipts in the total, whereas in the past these receipts were deducted from

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 June 15th, 1939, to shareholders of record at the close of business May 20th, 1939.

By order of the Board. J. R. BRADFIELD,
Toronto, April 14th, 1939. Secretary.

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

administrative expenses. On the other hand, Belgian income tax has been deducted at source, which eliminates the special tax provision from profits. After deducting all expenses and preference dividends, the remaining balance is practically unchanged at fcs. 88,072,000, and the dividend is repeated at 88 per cent. tax free, or 440 fcs. per share net. As in past years, the report contains a comprehensive survey of the progress of the electricity industry generally, and of the company's individual interests in particular. From the individual summaries, it would appear that gross receipts and output have risen on balance, though the parent company's results indicate that this expansion has not been reflected in dividends. An undertaking of the large scope of Sofina is prevented from obtaining the full benefit of electricity development by governmental interference and taxation, to which the report devotes a special section. Last year, the subsidiary Transports Electricité et Gaz had no option but to sell its Turkish installations outright to the Turkish Government. Despite these difficulties, however, the results for stockholders have proved satisfactory in recent years.

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"Shell"-Royal Dutch Dividends.—The "Shell"-Royal Dutch groups usually declare a "further interim" dividend in May which in fact represents a final distribution, payable shortly after the issue of the annual report in June. On April 21st, however, "Shell" Transport declared a "further interim" payment of 10 per cent. tax free, making 17½ per cent. tax free declared so far in respect of 1938. The phraseology is in accordance with precedent, but an element of uncertainty has been introduced, since the announcement is about a month earlier than usual, and the date of payment is May 22nd instead of July. Is the dividend strictly to be regarded as a second interim, or will it, in fact, represent the final payment for 1938? If it completes the 1938 dividends, the year's tax free distribution will have been reduced from 20 to 17½ per cent. Similar uncertainty arises from the accompanying Royal Dutch announcement. A second interim dividend of 8 per cent. (making 14 per cent. to date for 1938 against 17 per cent. for 1937) has been declared, but the possibility of a final payment remains open, for a further decision is to be taken when the accounts are closed. Before the Budget, the market tended to take the view that the dividends represented the complete payments in respect of 1938, but the absence of any increase in the oil duties has prompted a revision of that conclusion. In view, however, of the behaviour of the crude oil market in the United States, particularly in the later part of 1938, an actual reduction in the "Shell"-Royal Dutch dividends, even to the levels indicated by the "second interims" would not come as a complete surprise.

* * *

Rand Leases.—The Rand Leases report for 1938 marks a decided step towards the fulfilment of the great potentialities of the property. The production programme, the mining position and the financial results point to a progressive improvement in the dividend rate. Tonnage milled increased by 484,500 tons to 1,502,000 tons. In recent months the output has advanced further, and in March attained 158,000 tons, which is approximately the maximum capacity of the present plant. Extensions in hand, however, will increase this figure to 175,000 tons per month. If everything goes according to plan, output this year should approach 1,800,000 tons with a further increase to 2,100,000 tons or more in 1940. This capacity is well within the rate of mining which might be considered justified by the indicated resources of the property and is fully compatible with expectations of a very long life. A further increase of 4,844 feet was achieved in development footage, at the high figure of 74,676 feet. The footage sampled on the Main Reef series amounted to 41,545 feet, of which 31,165 feet, or 75 per cent., were payable, and showed a value of 10 dwt. over a reef width of 28 inches. This satisfactory work is reflected

in the further strengthening of the ore reserve position, which is 337,000 tons higher at 5,669,000 tons. Though the average value is 0.1 dwt. lower, at 4.6 dwt. it shows a healthy margin over the grade of ore milled during the year. As a result of the increased tonnage crushed and a reduction in costs by 1s. 6d. to 20s. per ton, profit rose to 8s. 7d. per ton while gold revenue rose from £1,471,303 to £2,149,670. Capital expenditure, amounting to £151,564 was not charged against revenue, but instead, a sum of £137,815 was applied to eliminating the flotation and underwriting items from the balance sheet and in increasing the carry forward by £31,043 to £129,004. The two dividends of 1s. and 1s. 3d. on the 10s. ordinary shares were covered with a comfortable margin. Dividend hopes for this year and next are indicated by the relatively low yield of £5 14s. per cent., which the shares offer at their current price of 39s. 4½d.

* * *

Western Holdings.—But for the results obtained in the St. Helena No. 7 borehole, announced last week, the situation revealed in the Western Holdings report for 1938 could hardly provide sufficient indications of a positive nature to sustain market interest in this "prospect." Any more definite description of the property would overstate the facts, by as wide a margin as the current market capitalisation of over £1,000,000, indicated by the present price of 10s. 4½d. for the 5s. shares. The report states that the most important feature of the year's operations was the intersection in the various boreholes put down, of shales, quartzite and conglomerate, which "has been tentatively correlated as belonging to the Witwatersrand system." It is for the management to decide whether this is a suitable working hypothesis, but none of the characteristics which the term "Witwatersrand system" denotes to the investment mind seems yet to have been revealed. If they were revealed, if the extent and regularity of the formation over a really large area could be substantiated, and if consistent values comparable to those on the economic portions of the Rand were shown, a number of major hurdles would still remain to be surmounted before the possibility of profitable exploitation was opened up. The results of the boreholes have failed to show any correlation of formation with the results at St. Helena No. 1. In St. Helena No. 5, situated to the north-east of No. 1, a reef was intersected assaying 7.4 dwt. over a narrow width, and it is stated that the geological succession "conforms generally" with that disclosed in St. Helena No. 3, which is situated still further to the north-east. Here the drill passed through a formation which "appeared to belong to the Ventersdorp system." Below 1,705 feet a succession of quartzite and well-defined conglomerate bands was encountered, which "are thought to constitute the uppermost strata of the Witwatersrand system." Such results do not provide any reliable indicator of the presence of economically workable deposit. The St. Helena No. 7 borehole, situated to the north of No. 5, has created a market flurry by two disclosures, one at 1,086 feet, showing an average assay of 3.17 dwt. over a true width of 62 inches, and one at a depth of 1,443 feet, showing 22.44 dwt. over a width of 74.4 inches. In the second strike one band of conglomerate averaged 35.2 dwt. over a true width of 52.4 inches. In the absence of any effective correlation of the strata, the significance of this strike is limited. Despite these results, the general geological position remains obscure.

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The Week's Company Profits.—Our usual analysis of profit and loss accounts, appearing on page 290 covers 57 companies for which comparable figures are available, and shows a high profits total of £10,307,000, due to inclusion of the Lever Bros. and Unilever results. These companies earned £11,171,000 in the previous year, so that the latest results show a fall of 7 per cent. Aggregate net profits of 890 companies which have reported this year

to date amount to £113,476,000, a reduction of 9 per cent. compared with the total of £124,875,000 earned by the same companies a year ago. The week's results are discussed on preceding pages and on page 286 under the heading "Shorter Comments."

* * *

Company Meetings of the Week.—Reports of company meetings commence on page 271 of this week's issue, Mr Robertson F. Gibb's review at the *Union Castile Mail Steamship* meeting is discussed on page 262, while the results of *Sofina* are described on page 263. Addressing members of *Royal Exchange Assurance*, Lord Bicester showed that the policy of investing substantial sums in short-dated securities had avoided any but the smallest depreciation on the life fund and left resources which could now be re-invested at appreciably higher rates. Sir Francis Norie-Miller pointed out that the carry-forward of *General Accident Fire and Life Assurance* was regarded as a dividend equalisation account, and that it would provide more than three years' dividends at the existing rate. Mr R. Olaf Hambro declared that the preference and ordinary dividends paid by the *London Assurance* were below the total of dividends and interest earned, plus the annual contribution from the life department. At the *Royal London Mutual Insurance* meeting, Mr J. K. Wiseman referred to the introduction of a regular bonus system in the industrial branch, the rate being £1 per cent. per annum at the last valuation. The chairman of *World Auxiliary Insurance* referred to the prospect of a more favourable outcome from marine underwriting last year. Sir John Stavridi, at the *Ionian Bank* meeting, stressed the

importance of the acquisition of control of the *Banque Populaire de Grèce S.A.* and the formation of the *Ionian General Insurance Company* under the bank's auspices. At the *Crown Mines* meeting Dr John Martin referred to the possible installation of large-scale cooling equipment at the mine and to the extended use of mechanical appliances. At the *Rand Mines* meeting, Dr Martin referred to the welcome improvement in the supply of native labour and to the reduced incidence of disease among the "tropical" natives. Dr Hans Pirow pointed out that the great depth of the *City Deep* workings prevented any considerable reduction in costs, but that the average grade mined this year should again show a slight increase. Brigadier-General Sir Frederick Gascoigne pointed out to shareholders of *Army and Navy Stores* that the falling purchasing power of the rentier groups, on which the stores depended for their business, had been partially offset by economies and reorganisation. At the annual meeting of the *San Paulo (Brazilian) Railway*, Mr O. R. H. Bury dealt with the improved revenue from passenger and goods traffic and the company's efforts to obtain statutory revision of rates. Sir A. H. McMahon informed shareholders of *Oriental Telephone and Electric* that the Mauritius undertaking had been sold to the Government, while subsidiary companies had maintained their profitability. The unfortunate effect of international tension on the hotel industry was described to members of *Gordon Hotels* by Major-General Guy Dawnay, who emphasised the efficient management of the company's properties. An increase in the variety of products manufactured by *British Timken* and its success in the export market was reported by Mr M. B. U. Dewar. Mr A. S. Smith reported that *Oxendale and Company (Proprietors)* almost maintained their turnover last year and carried out extensive capital improvements.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET	ACCOUNT
MAY 9	MAY 11

BUSINESS on the London Stock Exchange this week has fallen to even lower levels than in recent weeks. The whole market was dull on Monday awaiting the Budget, and the outcome was generally considered a purely provisional balancing of credit against debit. The gilt-edged market has again been under fire, and although the Budget victims, like tobacco and motor shares, maintained relatively steady prices on Wednesday, the most impressive response was shown by brewery issues at the absence of any new taxation.

The gilt-edged market, which normally would have responded to the absence of any increase in income tax, remained depressed by the increase in the Chancellor's borrowing provision from £350 millions to £380 millions and by the fear, confirmed on Wednesday in the announcement of conscription, that this figure would actually be exceeded. War Loan was specially depressed from the outset and failed to maintain its recovery on Wednesday. This stock, which closed at 91½ ex interest on Tuesday, was actually quoted at 90½ on Thursday afternoon. Other long-dated stocks showed similar movements, and although the redeemable group was more resistant in the earlier part of the week, the continued setback in gilt-edged prices showed its effects on Thursday. Dominion issues became steadier after initial selling, and on Thursday prices showed a general reaction.

In the *foreign bond* market, Japanese issues were consistently weak owing to the turn of events in the Far Eastern war, but most Chinese bond prices were maintained. European bonds remained relatively steady, and Egyptian issues showed a significant recovery after their recent recession.

The general lack of tone caused a reaction in *home rail stocks*, particularly among the ordinaries and marginal preference issues. The traffic gains were not up to general expectations, and Wednesday's recovery was not maintained.

In the *industrial market* there was no relief from the dullness and small turnover that have been in evidence in recent weeks. Prices, however, scarcely changed. Before the Budget a cautious waiting attitude was only to be expected, but the slightly more cheerful

tone due to the absence of any rise in income tax faded out by mid-week. Iron and steel shares became steadier after an initial period of irregularity, though uncertainty returned after Wednesday's announcement on the limitation of arms profits, which depressed armament and aircraft shares on Thursday. Motor shares were weak, and after the Budget speech, even the "heavies" gave way. The aircraft group was affected by the announcement of profits control. Textile shares were dull, and English Sewing Cotton fell both before and after the profits announcements. Rayon shares improved slightly in mid-week. Breweries provided no interesting features until after the Budget, but owing to relief on the absence of change in taxation, there was a sharp general gain on Wednesday. Tobacco shares fluctuated. The week started with a general marking down on taxation

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fears, succeeded by some bear-covering. The group reacted on the Budget news, but recovery followed in mid-week. Stores made a mixed showing, with Marks and Spencer a firm feature amid the general weakness on Tuesday. With some exceptions, provision and catering issues were firmer. Miscellaneous shares improved after early dullness.

There has been little demand for oil shares. On Tuesday the market proceeded to discount the effect on oil consumption of a possible increase in the horse-power tax, and consequently prices were maintained on the Budget announcement. The improving position in rubber stocks was insufficient to rouse interest in rubber shares, which remained featureless throughout the week. Following pre-Budget nervousness on the possibility of a higher tea duty, tea shares improved later.

The cabled results of the latest Western Holdings bore-hole provided a diversion among mining shares, and the rally was maintained till after mid-week. Copper and diamond shares were dull, Paris demand for the latter being absorbed without price changes. The rising price of tin caused a sympathetic recovery in tin shares.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains†	Corres. Day 1938	Security Indices
			30 ord. shares* 20 fixed int.†
Apr. 21	4,870	7,270	78.4 115.9
" 24	5,225	7,320	78.2 115.5
" 25	4,135	6,670	78.2 115.5
" 26	4,480	6,560	78.6 115.5
" 27	4,740	6,755	77.9 115.0
High...	...	...	88.0 123.5
Low...	...	...	Mar. 10 Jan. 3 73.7 115.0
			Jan. 27 Apr. 27

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

ACTUARIES' INVESTMENT INDEX

As compared with the previous week, ordinary share prices on Tuesday last showed little change, but over the past month a moderate decline is evident. The Actuaries' index of 160 industrial ordinary share prices stood on Tuesday, April 25, 1939, at 59.4, compared with 61.8 a month ago and 69.3 a year ago. The fall in gilt-edged stocks, however, has been relatively more severe, and the index for the price of 2½ per cent. Consols has dropped by nearly 3½ points in the month to 117.1. The average yield on ordinary shares is 6.03 per cent., compared with 5.82 per cent. a month ago and 5.36 per cent. a year ago, a rise which is partially associated with rising interest rates. We give below a selection of the component equity indices, and the usual monthly particulars of fixed interest securities:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)
	Apr. 26, 1938 Mar. 28, 1939 Apr. 25, 1939
Fixed Interest	
2½% Consols (1) ...	132.2 120.5 117.1
Misc. ind. deb. (14) ...	121.0 116.1 114.1
Misc. ind. pref. (26) ...	113.1 107.6 104.1
Ordinary Shares	
Banks, etc. (10) ...	115.1 105.6 101.1
Aircraft mfg. (5)† ...	83.4 77.2 72.2
Cotton (5) ...	29.3 24.0 20.8
Elec. mfg. (13) ...	122.7 120.3 116.5
Gas (8) ...	116.1 103.9 98.4
Iron and steel (19) ...	59.6 53.7 54.1
Stores, etc. (18) ...	63.0 55.5 52.5

† December 30, 1938 = 100.

New York Prices

Group	Yield (%)
	Apr. 26, 1938 Mar. 28, 1939 Apr. 25, 1939
Fixed Interest	
2½% Consols ...	3.37 3.70 3.81
Misc. ind. deb. ...	3.94 4.09 4.17
Misc. ind. pref. ...	4.35 4.56 4.71
Ordinary Shares	
Banks, etc. ...	4.05 4.34 4.53
Aircraft mfg. ...	9.41 10.20 10.20
Cotton ...	2.82 3.62 4.13
Elec. mfg. ...	5.58 5.83 6.04
Gas ...	5.10 5.71 6.05
Iron and steel ...	7.37 6.95 7.00
Stores, etc. ...	5.09 5.89 6.19

New York

SOME broadening of activity and a mild recovery of prices in mid-week did little to relieve the general dullness of the market. For about a fortnight price movements have been relatively slight, and the volume of trading exceptionally small, so that changes in quotations of individual shares have been out of proportion to the amount of business. On Wednesday, only 580,000 shares were traded, yet this was the highest figure since April 15th. Like other markets, Wall Street has been marking time until the Reichstag speech, and has, on the whole, been indifferent to home business news. Dealers were also inclined to await the signal of the United States Steel preferred dividend. The announcement of the regular payment was expected, but the setback in profits caused general, though temporary, disappointment. United States Steel and motor shares were the leaders in the mid-week activity. Partly as the result of the coal strike, steel mill activity for the current week is estimated by *Iron Age* at 48.5 per cent. of capacity, against 50.5 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	1938	1937	1936	1935
	Low Apr. 12	High Jan. 4	Apr. 12, 1939	Apr. 19, 1939	Apr. 26, 1939
347 Ind'ls. ...	92.8	114.5	92.8	93.6	94.6
32 Rails ...	23.6	32.5	23.6	23.7	24.1
40 Utilities ...	77.8	88.3†	77.8	78.9	80.5
419 Stocks ...	79.3	95.6	79.3	80.0	81.0
Av. yield * ...	4.05% 3.31% 4.05% 4.01% 3.97%				

* 50 Common Stocks. † March 8th.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)	1939	1938	1937	1936	1935
	Apr. 20	Apr. 21	Apr. 22	Apr. 24	Apr. 25
106.2	106.6	106.4	104.7	104.9	105.9

1939 High: 130.3 January 4th. Low: 98.8 April 8th.

TOTAL DEALINGS IN NEW YORK	1939	1938	1937	1936	1935
	Apr. 20	Apr. 21	Apr. 22	Apr. 24	Apr. 25
Stock Exchange	520	4,820	86		
Shares 000's	21	390	96		
Bonds 000's	22*	150	2,260		
	24	410	4,470		
	25	420	4,500		
	26	580	4,790		

* Two-Hour Session.

Close Latest April 20, 1939	Close Latest April 21, 1939	Close Latest April 22, 1939
1. Ralls and Transport		
Atchafson ...	2754	2678
Balt. & Ohio ...	518	518
B.M.T. ...	1018	1118
Can. Pacif. ...	334	378
Ches. & Ohio ...	31	314
G.N. Ry. Pt. ...	1912	1914
Illinois Cent. ...	1112	1158
N.Y. Central ...	1414	14
Northern Pac. ...	812	818
Pennsylv. R. ...	1714	1734
Southern Pac. ...	1258	1278
Southern Ry. ...	1378	14
Union Pac. ...	88	88 1/2
Greyhound ...	1714	16 1/2
2. Utilities and Communications		
Am. W. Works ...	912	938
C.W. & S. ...	114	114
Con. Edison ...	2974	3014
Col. Gas & El. ...	614	6
El. Bond & Sh. ...	818	8
Nat. Pwr. & Lt. ...	714	758
N. American ...	2112	2134
Pac. Gas & El. ...	2912	30
Pub. Light. ...	434	45
Pub. Serv. N.J. ...	3412	3414
Stan. Gas & B. ...	278	258
United Corp. ...	258	258
Un. Gas Imp. ...	1134	1134
Amer. Tel. ...	156	15914
Inter. Tel. For. ...	678	678
West. Union ...	1834	19
Radio ...	618	658
" B. Pref. ...	57	59
3. Extractive and Metal		
Am. Rol. Mill ...	1312	1358
Beth. Steel ...	5718	5614
Beth. Steel P. ...	114	115
Republic Ste. ...	1512	1538
U.S. Steel ...	4838	47
U.S. Steel Pf. ...	10912	11014†
Alaska Ind. ...	734	8
Am. Metal ...	2814	2712
Am. Smelting ...	4014	4114
Anaconda ...	2318	2378
Bohn Alum. ...	2034	20
Cerro de Pas. ...	38	3712
Int. Nickel ...	4614	4612
Kennecott ...	3112	3214
Patino Mines ...	10	1012
Tex. Gif. Sul. ...	2814	2812
U.S. Smelt. ...	5014	4978
Vanadium ...	1958	19
Atlantic Ref. ...	1914	19
Phillips Petr. ...	3312	3434
Shell Union ...	1134	1114
Shell Un. Pf. ...	10414	10338
Socony Vac. ...	1134	12
Stan. Oil Cal. ...	2618	2618
Stan. Oil N.J. ...	4614	4538
Texas ...	3838	3734
* ex rights		
4. Manufacturing		
Briggs ...	1978	1958
Chrysler ...	6134	6418
Elec. Autolite ...	2712	2758
Gen. Motors ...	4118	4214
Hudson Mtr. ...	518	518
Nash Kelvnt. ...	612	612
Packard Mtr. ...	314	312
Bendix Avtn. ...	2012	2034
Boeing Airpln ...	2134	2134
Douglas Air. ...	6138	5978
United Aircraft ...	36	3512
Air Reduction ...	4958	5012
Allied Chem. ...	157	15414
Col. Carbon ...	76	79
Dupont ...	13914	141
Un. Carbide ...	74	7212
U.S. Ind. Alc. ...	15	1418
Allis Chalmers ...	32	33
Gen. Electric ...	35	3514
Westingh. Elec. ...	91	9134
American Can ...	8658	8734
Addressograph ...	2018	2034
Caterpillar ...	43	4314
Cont. Can. ...	37	37
Ingersoll Rnd ...	5534	5518
Int. Harvester ...	7212	73
Johns Manvil ...	1214	1178
Am. Radiator ...	5512	5714
Corn Prods. ...	70	7018
I. Case & Co. ...	16	1534
Glidden ...	4234	412
G. Am. Trans. ...	78	712
Allied Stores ...	1614	1614
Celanese of A. ...	20	1914
Ind. Rayon ...	1414	14
Colgate Palm. ...	14014	13618
Eastm'n Kod. ...	612	612
Gillette ...	39	3934
Loews ...	1834	1834
20th Cen. Fox ...	1834	1834
5. Retail Trade, etc.		
Mont. Ward ...	4538	4518
J. C. Penney ...	8012	8012
Sears Roebok ...	6612	6712
Walgreen ...	1712	1718
Woolworth ...	1712	1718
Borden ...	4012	3258
Gen. Foods ...	2334	2278
Kroger ...	2434	2434
Nat. Biscuit ...	2434	2434
Nat. Dairy ...	1418	1478
Am. Tob. B. ...	8038	81
Lorillard ...	2112	2112
Reyn. Tob. B. ...	2434	2434
Nat. Distillers ...	1312	1312
Schenley Dis. ...	2434	2434
6. Finance		
Comcl. Credit ...	4312	43
Atlas Corp. ...	718	718
Com. Inv. Tr. ...	4634	4634
* ex rights		

Capital Issues

CAPITAL ISSUE TOTALS

Week ending April 29	Nominal Capital	Conversions	New Money
To the Public ...	Nil	...	3,375
To Shareholders ...	2,620	...	Nil
By S.E. Introduction ...	Nil	...	599,040
By Permission to Deal ...	614,400	...	...
Savings Certs. week to April 22	Dr150,000	...	Dr150,000
Year to date	38,371,327	37,140,262	46,885,203
1939 (New Basis) ...	60,190,670	...	18,899,070
1938 (New Basis) ...	19,110,135	...	26,558,674
1939 (Old Basis) ...	38,614,074	...	...

Destination (Excluding Conversions)	U.K.	Foreign
Year to date	25,610,774	11,329,488
1939 (New Basis) ...	37,056,888	7,359,086
1938 (New Basis) ...	15,208,339	3,490,735
1939 (Old Basis) ...	19,984,449	4,175,099
1938 (Old Basis) ...	19,984,449	4,175,099
Nature of New Borrowing (Excluding Conversions)		
Year to date	17,032,959	2,300,796
1939 (New Basis) ...	20,734,515	4,248,277
1938 (New Basis) ...	12,657,435	2,284,447
1939 (Old Basis) ...	14,530,122	2,260,722
1938 (Old Basis) ...	14,530,122	2,260,722

NOTE.—"Old Basis" includes only public issue and issues to shareholders only. "New Basis" includes all new capital in which permission to deal has been granted.

BY STOCK EXCHANGE INTRODUCTION

Manders (Holdings).— Issued capital, 785,600 5 per cent. cum. £1 preference shares and 1,200,000 10s ordinary shares. Profits of subsidiaries after depreciation: 1935, £98,468; 1936, £86,789; 1937, £104,390.

Industry and Trade

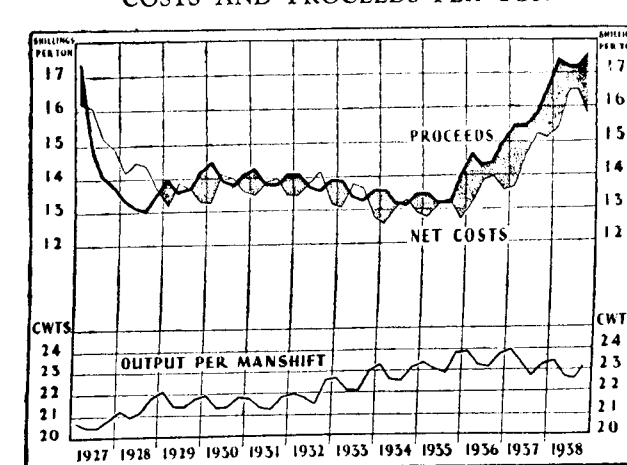
Higher Film Duties.—When the film duties were first imposed in the third War Budget introduced in September, 1915, Mr McKenna estimated their yield at £400,000 a year. In the same Budget the patent medicine duties were doubled so as to produce an estimated additional revenue of £250,000 a year. By a strange coincidence both duties came under notice again in this week's Budget. But whereas the medicine duties are now to be abandoned at a cost to the revenue of £770,000 in a full year, the film duties are to be revised with a revenue gain of almost exactly this amount. The actual yield in 1937-38 was £182,000, and the Budget estimate of the yield of the new duties in the first full year is £970,000—an increase of £788,000. Improvement in the technical qualities of film has been the principal cause of the steady decline of revenue from Mr McKenna's figure. With this experience to guide the Treasury, photographic quality has been ignored in the new scheme, which is concerned only with quantities. A new excise duty is to be imposed on raw stock at a rate equivalent to 4s. 3½d. per 100 feet. The countervailing Customs duty will be double this amount on either raw stock; 6d. a foot on the first importation of either negative or positive of any subject, and 2d. a foot for every subsequent copy. It is believed that this system of duties will encourage British manufacturers of raw stock and British laboratories engaged in printing copies of films for exhibition. An estimated additional cost of less than £100 per subject should not be unduly burdensome to the struggling British film industry in relation to total costs ranging from £15,000 to £150,000. Approximately one-half of the total tax will be paid, it is believed, by the American companies established here, and there seems no immediate likelihood that any part of the tax will be borne by the exhibitor or passed on to the public. If the trade can bear the tax without excessive hardship, it will demonstrate at once the resilience of the film industry and the ingenuity of the Treasury.

Anglo-French Coal Trade.—The administration of the French coal import licensing system is far from giving satisfaction to British coal exporters. It was thought that the differences between the British and French Governments over the working of the terms of the agreement of June, 1934, had been completely adjusted by the amended agreement of December 10th last. Under the latter the French Government undertook (1) to discontinue the practice by which an over-issue of import licences encouraged purchases of cheaper Continental coals at the expense of the United Kingdom quota, (2) to ensure the purchase by French public utility undertakings of 49.5 per cent. of their requirements from this country, and (3) to limit the transfer to other countries of British licences to a maximum of 3 per cent. of Britain's normal quota. Notwithstanding these assurances, our exports to France have continued to decline. It is true that under the economy measures introduced by M. Paul Reynaud the aggregate coal imports of France from all sources of supply have fallen heavily. In January-March they amounted (in terms of coal) to only 4,517,000 metric tons, compared with 6,193,000 tons in the corresponding period of 1938, and there was a corresponding decrease in the declared c.i.f. value of coal, coke and patent fuel imports from Frs. 1,248 millions to Frs. 943 millions. The biggest decrease has been in the intake from Germany, where there is an acute shortage of fuel; but while imports from the United Kingdom have dropped from 1,831,000 tons to 1,142,000 tons, supplies from Belgium, Holland and Poland have increased. Consequently, in January-March the United Kingdom supplied only 25.3 per cent. of the total French coal, coke and patent fuel imports, compared with 29.6 per cent. in the first quarter of 1938.

France reserved the right to discontinue the agreement if the French (including French North Africa) share in the United Kingdom imports of iron ore fell by more than 5 per cent. compared with 1938, but the recent course of this particular branch of Anglo-French trade does not, apparently, give France cause for complaint, for although our imports of iron ore have been much less this year than they were in the early months of 1938 the French share of our total imports has actually increased. The attention of the Mines Department has been drawn to these facts, and on the strength of the communications which have taken place an improvement is expected in the near future.

Coal-Mining Profits.—The accompanying diagram shows the trend of costs and proceeds per ton in the coal-mining industry, as well as the output per manshift, on the basis of the *Quarterly Statistical Summary* issued by the Mines Department. Costs, however, have been computed before deducting interest on debentures and loans, bank charges, amortisation and taxation which the Mining Association estimates to amount to about 3d. per ton. The diagram reveals that, after a long period of losses or meagre earnings, the industry has operated at a profit since the middle of 1935. Moreover, as the results for 1938 show, the industry's profit-earning capacity has been well maintained in face of a reduction in demand. The returns for the last quarter of 1938, published last week, reflect the usual seasonal decline in costs per ton, due to increased total output, accompanied by an increase in proceeds per ton, consequent upon the operation of

COSTS AND PROCEEDS PER TON



winter prices. The credit balance per ton (the margin between costs and proceeds) in the last quarter of 1938, at 1s. 9.81d., was actually 2.54 pence higher than in the corresponding period of 1937, although the total quantity of coal disposable commercially declined from 56,288,000 tons to 52,455,000 tons during this period. The total credit balance in October-December, 1938, was £4,767,552, against £4,284,171 in the corresponding quarter of 1937. While not a single district recorded a loss in the last quarter of 1938, the credit balance per ton of the individual areas shows considerable variation; it

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was as high as 2s. 10.96d. in the South Derbyshire, Leicestershire, Cannock Chase and Warwickshire district and as low as 0.48 pence in the case of South Wales and Monmouth, due largely to the fall in exports. The output of coal per manshift showed a slight seasonal increase in the last quarter of 1938 but, at 23.18 cwt., was again slightly lower than a year earlier. The downward trend in the output per manshift since 1937 is one of the least satisfactory developments in the coal-mining industry.

* * *

Rising Sugar Prices.—During the last six weeks the London price for raw sugar (Cuba, 96 per cent. nearest future c.i.f.) has risen by 1s. per cwt. to 7s. 10½d. per cwt., the highest price since the spring of 1930. Since it was known last autumn that the yield of the European beet crop was very low, prices have tended to rise on the London market. Supplies are limited by the export regulations concluded under the International Sugar Agreement, and, in addition, a poor season for cane sugar in India has necessitated larger imports from Java, with a corresponding diminution in the Javanese supplies available for Europe. There is also considerable uncertainty whether the remainder of the Czecho-Slovakian export quota will be utilised. There is, therefore, every reason to expect a very firm sugar market for the remainder of the current season, and it is, perhaps, unfortunate that the increase in the sugar duty should have coincided with a period of rising prices. On the other hand, there is no reason to assume that the main cause of the present improvement in prices—the small supplies of European beet sugar—will be operative in the coming season. The European area reported to have been sown to sugar beet is indeed slightly larger than a year ago, and, given a normal yield, the International Sugar Council will not find it easy to maintain in the next season the level of sugar prices now ruling in the London market.

* * *

Idle Shipping.—Like the movement of freight rates, the Chamber of Shipping's latest returns of merchant tonnage laid up in British ports suggest that there has been comparatively little change in the volume of international trade during the first quarter of this year:—

	Number and Tonnage of Idle Shipping			
	British Vessels No.	Net tons (000)	Foreign Vessels No.	Net tons (000)
1938 April 1st	139	232.8	51	106.5
July 1st	159	245.3	39	86.7
October 1st	190	363.3	42	92.4
1939 January 1st	174	342.4	49	109.9
April 1st	185	341.3	32	76.4

While the number of British vessels laid up at home ports rose from 174 to 185 during the first quarter of this year, their tonnage actually showed a slight decline, but was appreciably higher than a year ago. Both the number and tonnage of foreign vessels laid up in this country on April 1st, on the other hand, were substantially smaller than on January 1st and a year ago. The merchant tonnage on the United Kingdom Register increased by 37,000 gross during the first quarter of this year. As the tonnage laid up declined by about 3,000 gross during this period, the capacity of United Kingdom vessels in commission must have increased by 40,000 gross tons.

The Poultry Bill.—The text of the Poultry Bill, which has now been published, follows faithfully on the lines laid down in earlier pronouncements of the Government. There is to be a Poultry Commission, appointed by the Ministers concerned, who will prepare and enforce schemes for the control of breeding stock and eggs sold for hatching in order to improve the health and quality of poultry stock. Dead poultry and eggs offered for sale are, after an appointed day, to be graded and marked to show the grade, a reform that is to be welcomed in the interests both of the trade and of the consumer. The Board of Trade is given power to regulate quantitatively the imports of eggs or poultry if, "having regard to the interests of all classes of persons concerned . . . the making of such an order appears desirable in order to secure the stability of the market." It is to be hoped that this vague phrasing will not allow the Board to be stampeded by producing interests into a drastic restriction of egg imports, which still provide a quarter of our supplies.

* * *

Germany's Purchases of Nickel.—A note on the large rise shown by the statistics of Germany's imports of nickel ore appeared in *The Economist* of April 15th. Further information which has subsequently become available suggests that this note may have been misleading. The nickel content of nickel ore may vary very greatly. It is true, as was stated, that Germany's imports of nickel ore in the first two months of 1939 were nearly five times as great as in the corresponding period of 1938; but the abnormal imports, amounting to over 7,000 tons, consisted not, as was suggested might be the case, of Canadian ore containing nearly 50 per cent. nickel, but of low-grade ore from another source containing probably not more than 3½ per cent. of nickel. The real significance of the rise in imports of nickel ore is, therefore, not nearly so great as it appears: in terms of nickel content it amounted to not 500 per cent. but about 50 per cent. Moreover, as against this increase must be set the 23 per cent. decrease in imports of metallic nickel during the same period from 900 tons to 691 tons. On balance, the total increase in imports of nickel in ore plus metallic nickel was about 12½ per cent. The large importation of low-grade ore in the first two months of 1939 was not a recurrent transaction and illustrates the search by Germany for alternative sources of supply.

* * *

Rise in Tin Prices.—The price of tin, which had fluctuated around £215 per ton between the end of last year and the middle of this month, has undergone a considerable improvement in the past fortnight. On Thursday the standard cash price closed at £224 5s. per ton, the highest level since October, 1937. There is but one reason for the recent rise, the resumption of United States buying on a more normal scale. In the past six months United States' consumers had reduced their stocks considerably, but in view of the uncertain political outlook they found it advisable to increase them. As free supplies of the metal are not large the American demand immediately had a strong influence on prices. In addition to the private consumers, the Government is anxious to accumulate a war reserve of tin, as is shown by the negotiations over a barter exchange with Great Britain, discussed on page 246 of this issue. These developments in America have undoubtedly improved the immediate outlook of the tin market. Despite the prevalence of a large over-export and the accumulation of large minehead stocks in the chief tin-producing countries, therefore, the International Tin Committee, at its meeting of Thursday, did not alter the level of supplies in the current quarter. It must be remembered, however, that the recent advance in prices was primarily due to the war scare; unless, therefore, the political outlook grows worse, the recent rise in the price of the metal does not necessarily suggest a major increase in export quotas in the near future.

INDUSTRIAL REPORTS

THE latest reports from industrial centres suggest that the trend of business activity remains upwards. The demand for coal by industrial consumers is increasing and there are some indications of stocking against an emergency. Activity in the iron and steel industry is rapidly expanding and as it now looks as if domestic capacity may soon be insufficient to meet commercial and defence requirements, heavy purchases abroad are understood to have been made to supplement home output. Commercial orders in the cotton and wool textile industries have been none too plentiful, but Government contracts continue to be placed freely. Further details of the position of various industries as well as of the trend of general business activity will be found in the *Trade Supplement* accompanying this week's *Economist*.

Coal

Sheffield.—There is an improved demand for industrial fuel in the inland market, and works are accumulating stocks. South Yorkshire and Derbyshire hards are quoted at 18s.-19s. per ton at pits. Household coal is in less active demand. Small coal is moving more freely, due to the increasing demand for blast-furnace coke, and because electricity undertakings are adding to stocks. Demand for gas coal has fallen away with the advent of summer time.

In the export market there is moderate business for prompt shipment. Forward inquiries include those from Scandinavia, Italy and Germany. British collieries are being called on to make up part of the deficiency in production in the last-named country. Bunker coal shows little improvement.

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Newcastle-on-Tyne.—The strength of the coal market in this area is well maintained, collieries in the Durham section being fully stemmed until the second half of May. Stocking against an emergency and additional trade from foreign coaling stations, due to the American coal strike, is giving a stimulus to the market, but there is also considerable improvement in the local industrial demand. Collieries producing coking coal are inundated with inquiries for immediate and forward delivery. Northumberland large coal is very firm, but collieries producing these grades have large stocks of smalls on hand. Patent oven coke is a firm market.

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Glasgow.—A feature in the Scottish trade has been a further expansion in shipping business, due no doubt to the extra amount of precautionary buying now taking place, coupled with accelerated requirements as a result of re-armament work. Enquiries for forward shipping trade have also been on brisker lines. Active conditions remain the rule in the home market. Household demand is now tapering off, but this is offset to a considerable extent by the heavy requirements of industrial consumers. The market tone generally remains firm.

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Cardiff.—Shipments at the South Wales docks have suddenly become more active than at any other period

since last October. Last week they totalled 453,800 tons, compared with 400,500 tons in the corresponding full working week last year, and the stems up to Wednesday morning indicated the probability that this improvement in trade would be maintained this week. The resumption of anthracite exports to Canada partly accounts for the revival, while the miners' strike in the United States has led to the diversion to South Wales of prompt orders which, in the aggregate, are estimated to total about 42,000 tons, and there is generally a better demand from European and South American markets. Practically all classes of coals have been affected by the recovery, while the orders placed for patent fuel will absorb the current producing capacity up to the end of June. There has been a considerable decrease in the stocks of steam smalls, and their prices are rising. France is a disappointing market, but representations are being made to the Mines Department against the delays in giving effect to the assurances under the new agreement of December last.

Iron and Steel

Cardiff.—Business continues very active in the iron and steel industry. Towards the end of March there were 70 more mills in operation compared with the corresponding period last year and work has been resumed at many more during the past few weeks. Last month the steel production of South Wales was again the highest of any district in the United Kingdom, and practically every available furnace is now working. The increase in the price of tin has been responsible for an advance in the prices for tinplates to 20s. 4½d.-20s. 9d. per basis box for the inland trade, but for export quotations are unchanged at 20s. 3d. In spite of the stoppage of work on Easter Monday the production of tinplates for that week was within about 3 per cent. of that of the previous week. There appears no likelihood of any immediate relaxation of the present pressure of work, but the activity of the industry rests mainly on re-armament and A.R.P. orders.

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Sheffield.—There is increasing activity in the iron and steel market, and consumers are much more willing to buy forward. The call for basic pig iron is increasing, and a heavier demand is developing for parcels of foundry. Forge inquiries are also on a better scale. Stocks of hematite at users' premises are falling, and heavier consumption is resulting in the placing of fresh contracts over the next two months, when official prices will come under review. Finished iron is making a slow revival, although crown bars continue very depressed.

Basic steel billets are a strong market, and there is a sharp increase in the demand for steel bars and strip. Stainless steel sheets and wire rods are good features. There are heavy inquiries for most classes of iron and steel scrap, and in some materials there is a definite shortage. Adequate supplies of heavy basic steel scrap are not easily obtainable, and steel manufacturers have to increase the use of pig iron, American

imports may ease the position in due course. Heavy cast iron for the foundries is in demand at around 80s. per ton, and steelworks heavy cast iron is active at 62s. 6d. per ton.

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Middlesbrough.—The steel makers in this district are concerned mainly with increasing production to enable them to meet both commercial and Government requirements. The local output of steel was 249,000 tons in March, the highest figure for twelve months, and is still increasing.

Additional blast-furnaces are expected to be re-started in the near future for the production of basic iron, all of which is required in the local steelworks. The output of semi-finished steel is also being increased to meet demand. Heavy steel melting scrap is scarce and works are pressing for increased supplies at the fixed schedule prices. East Coast hematite pig iron continues to meet with better demand from local users and from the Midlands. Cleveland foundry pig iron is in rather better request as supplies of iron scrap are decreasing. Imports of foreign ore are about 25 per cent. above those of the previous month.

*

Glasgow.—Steel plants continue to work to capacity and steelmakers are finding it increasingly difficult to meet the demands of users. Makers are now very fully booked and buyers are finding it almost impossible to place business when prompt delivery is essential. There is great activity at the bar and sheet re-rolling mills and at the galvanising plants in this district. There, too, order books are well filled and, if supplies of raw material are satisfactorily maintained, work will be regular and constant for many months to come. Structural, marine and other engineers are all busy and there are many inquiries on the market. There is still considerable anxiety here in regard to future supplies of scrap.

*

News from Abroad.—The improved demand on international steel markets has been maintained. It appears that only a comparatively small part of the potential requirements for commercial purposes is being ordered, although in many cases buyers are not deterred from placing orders in view of the international tension. On the contrary, there is sometimes a tendency to speed up purchases so as to avoid difficulties in case steel producers should give preference to armament orders, and a general scramble for supplies should occur. But although inquiries are, thus, of a more serious character than formerly and are quite numerous, commercial orders have not yet attained a corresponding magnitude. In several cases, small tonnages are urgently required for immediate delivery.

Competition is less conspicuous than during the slack period, although Germany is trying further to promote her exports, and American offers have lately been disturbing particularly in South Africa and South America, with the result that the Cartel reduced its prices for thin sheets by several shillings per ton. On the whole, however, the price position on the various markets is stable, several products having benefited

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from a purely seasonal demand. Low-priced Australian sales to the Dutch East Indies have recently aroused some comment, but this competition is likely to abate in view of the placing of an order by Britain with the Broken Hill Company.

Active conditions prevail on the Scandinavian and South American markets. Argentina has sent out inquiries for a large quantity of sheets for locust protection. Demand from the Far East has also increased, and Egypt has shown interest for merchant bars and sheets. British purchases on the Continent have remained on a substantial scale so that the arrears under the supply agreement with the Continental Cartel are being speedily made up.

Textiles

Cotton (Manchester).—The tone of the market has continued unsettled. The report that President Roosevelt has approved the 2 cents per lb. subsidy on cotton exports in the United States has brought a sharp fall in prices in Liverpool. No definite decision, however, has been reached.

Business in the yarn market has been disorganised by the decline and wide fluctuations in raw material rates. Fair weights, however, have been booked in coarse American counts. Egyptian qualities have been purchased sparingly. Cloth buying has been very irregular. Some traders, however, believe that current prices for manufactured goods are on an attractive basis. Quite a number of useful orders have been secured for India, and a fair amount of business has been done for South America. Further Government contracts have been given out, especially in heavy materials. Employers are becoming concerned at the labour shortage which will be rendered more acute by conscription.

Wool (Bradford).—During the past two weeks activity has centred on crossbreds, due entirely to increasing orders for khaki cloths given out by the War Office. The result is that all wools suitable for khaki purposes have tended to rise in price. This means that trade is to some extent one-sided, crossbreds experiencing a demand far in excess of that at present existing for merinos, and this will be seen next Tuesday in Coleman Street Wool Exchange, when the third series of auctions commences. Undoubtedly crossbred wools are most suitable for fabrics for war purposes; they possess an excellent wearing capacity. Merino wools are still used in the production of officers' cloths, the men in the highest ranks in the Army being clothed in the very best fabrics made from the finest wool. There is now more machinery making army cloths than at any time since the end of the Great War. Apart from the activity in khaki production, mills are not running too well in the West Riding; the uncertain political outlook is seriously affecting the placing of orders for civilian attire.

THE COMMODITY MARKETS

The check noted last week to the decline in commodity prices has been fol-

lowed by a week of uncertainty; factors affecting individual markets have been more important than any general influence.

Wheat prices are slightly higher, as a result of Government purchases for stock, either actual or prospective. Sugar prices continued to rise and the prices of English refined have also been affected by the increase in the sugar duty. Copper among base metals, exceptionally, was unchanged; lead, spelter and tin were marked up during the week and the tin market benefited from large American purchases. The rubber market remained lifeless, cotton prices are affected by the uncertainty of American policy, and prices of vegetable oils, where changed, have tended downwards.

The news that the American Ambassador in London has started negotiations with the British Government with regard to the exchange of cotton and wheat for rubber and tin on a barter basis is discussed on page 246.

Moody's index of the prices of staple commodities in America, after small fluctuations during the week, stood on Wednesday at 139.3 (December, 1931 = 100), compared with 139.9 a week ago and 145.3 a year ago.

Metals

Copper.—The price of standard cash fluctuated within very narrow limits and closed unchanged at £41 15s. per ton. Earlier in the week the quotation had touched £41 1s. 3d., the lowest level of the year. In the United States the domestic price was further reduced to 10d. per lb. Compared with a month ago the price has thus been lowered by 1.25 cents, and this reduction has stimulated consumption, which is still improving, although large purchases are discouraged by the less promising business outlook.

Tin.—The London tin market was very strong throughout the week and standard cash closed on Wednesday £5 higher at £223 10s. per ton, the highest price since October, 1937. The decision of the I.T.C. is discussed on page 269.

Lead and Spelter.—The spot price of lead closed on Wednesday 1s. 3d. higher at £14 8s. 9d. per ton, while spelter gained 6s. 3d. to close at £13 13s. 9d. per ton. Both markets were very quiet and the turnover remained below normal. The more favourable building returns for March, however, proved an encouraging factor and created a better feeling.

Grains

DEMAND for wheat has improved in the last few days and more business has been transacted; the increase is largely due to the decision of the Belgian Government to create a reserve of wheat at Antwerp and to the publication last week of the British Government's scheme for an increase in the stocks of flour held by bakers, against a Government bonus of 2s. 6d. per sack. The existence of large stocks of wheat in Argentina and the United States has prevented any rise in price; shipments from the Plate are increasing in volume and some Australian wheat has also

been sold to the United Kingdom. Reports indicate that the American winter wheat is in good condition, but that spring sowings in the North-West have been handicapped by lack of moisture. The shortage of maize on passage has helped to lift prices by about 6d. per quarter, and last week's shipments from the Plate were taken up by Continental buyers, who have also taken a fair business in Argentine barley.

Other Foods

Provisions.—Bacon and egg prices both declined in the week ended last Saturday; larger supplies of Continental eggs, combined with the spring peak of home production, reversed the recent upward trend in the London market.

Colonial Produce.—After a sharp rise at the end of last week, the market for refined sugars was very firm. It is understood that retail prices will be affected to the full extent of the duty. The futures market for raws has also been firm and on the week the quotations for the nearest future on 96 degrees rose by 7½d. per cwt. The customs restrictions on the withdrawals of tea from bond have now been rescinded.

Miscellaneous Commodities

Oils and Oilseeds.—Markets have continued very quiet, in the adverse conditions of political tension and Budget uncertainty. Plate linseed is unchanged in price, but prices for Calcutta and Bombay have fallen by 2s. 6d. per ton. A further decline in linseed oil prices has occurred, and other vegetable oils are barely steady.

Rubber.—The market has been very idle during the past week and price fluctuations small. Standard sheet closed unchanged on the week at 7½d. per lb.

Furs.—On Monday the Hudson's Bay Company opened in London the general spring fur sales. The first days of the series showed a much better tendency than was expected. Prices of a number of furs like beaver, otter and musquash fully maintained or improved on their January levels. A major setback only occurred in the prices for the various kinds of foxes, which lost about 10 per cent. compared with January, but even here the fall was smaller than had been expected.

Milk.—The following table is compiled from statistics issued by the Milk Marketing Board:—

	Mar., 1938	Jan., 1939	Feb., 1939	Mar., 1939
Prices (per gall.)	d.	d.	d.	d.
Liq. uid	17-0	17-5	17-5	17-0
Av. manufacturing ..	7-224	7-199	7-245	6-877
Av. pool	13-08	15-22	15-01	14-04
Contract sales (mill. galls.)				
Liquid	52-6	53-1	49-4	54-3
Manufacturing	21-6	14-1	14-4	20-2
Total contract	74-2	67-2	63-8	74-5
Used by farmhouse cheesemakers	0-9	0-5	0-5	0-7

SOCIÉTÉ FINANCIÈRE DE TRANSPORTS ET D'ENTREPRISES INDUSTRIELLES, S.A.

(SOFINA)

EXTRACTS FROM DIRECTORS' REPORT TO THE SHAREHOLDERS FOR PRESENTATION AT THE ORDINARY GENERAL MEETING OF APRIL 27, 1939

In last year's report we showed how governmental action aims at adjusting, though it frequently accentuates, disparities between the supply of and demand for goods and services. This time we propose to deal in particular with one of the main forms of this action, namely, fiscal policy. By levying and utilising part of the community's resources, the State modifies the production and distribution of wealth. No citizen, and above all no head of an undertaking, can afford to remain indifferent to the effects of taxation on the economic system.

Public revenue and expenditure influence the trend of business in the community in which the funds are raised and spent; their repercussions extend to all other communities, since complete self-sufficiency has so far been attained nowhere. As a rule the economic effects of a given financial system hardly conform to the intentions of those who have framed it; but, whether intentionally or not, the State modifies the production and distribution of goods and services in proportion to the share of the nation's resources which it applies to its own ends. Now in most countries this share has been growing rapidly as a result of vastly increased expenditure during the Great War, reparation of war damages, re-armament, efforts to remedy unemployment, and the continual extension of social services. The resources, the disposal of which is determined by public bodies, do not consist merely in domanial receipts—that is, receipts from State property or privilege—or in the proceeds of taxation and loans; government agencies similarly dispose of another portion of the collective wealth by requiring employers to contribute to insurance and welfare funds; by obliging consumers, through protectionist measures, to subsidise producers; and even by limiting working hours, specific branches of production, or prices.

ENCROACHMENT OF GOVERNMENT ACTIVITIES ON PRIVATE ENTERPRISE

Whether the levies thus made on the taxpayers' resources are distributed through the Treasury or not, those who pay them are prevented to that extent from applying their funds to other purposes. These levies, however, do not necessarily imply a dead loss for those who pay them, less still for the community; but it is practically impossible to weigh accurately against each other the value that publicly supplied goods and services may represent for the taxpayers or the community and the value of what might have been enjoyed if private initiative had had the free disposal of the means wherewith those public assets were produced.

Nevertheless, experience shows definitely that, unless the expansion of governmental activities is proportionate to the increase in aggregate resources, it will gradually encroach on the sphere of private enterprise; and economic progress will suffer from this substitution.

Over long periods in history there is a kind of recurrent evolution in methods of meeting public expenditure; at first, domanial receipts are sufficient to meet the Treasury's needs; then taxation is resorted to in order to cover part of the requirements, and the place taken by taxes in the total revenue tends to grow and later to decline; and when the disposal of the community's resources is once again concentrated in the hands of the ruler the cycle starts all over again. In the choice of taxes, alternating movements of shorter duration may be observed; taxes based on the possession or transfer of specific goods are superseded by personal contributions, and vice versa; while the fiscal system passes from complication to simplification and back again.

At present, most countries have reverted to the stage where progressive personal taxation is in fashion and fiscal legislation is highly intricate. However, there are signs of reaction in favour of consumption taxes and simpler fiscal regulations.

EVOLUTION OF ECONOMIC SYSTEM

In the evolution of the economic system, public enterprise is again tending to substitute itself for private initiative. The logical end of this tendency can be seen in the Soviet regime; other totalitarian states have advanced a long way on the same course; democratic nations are following it light-heartedly without realising where it leads.

The subtle distinctions between communism, socialism and state planning have been depicted as follows: communism takes the cow, kills it, and distributes the meat; socialism seizes the cow, feeds it, and milks it; state planning leaves it to the care of its owner, but tells him how to tend it and to whom to deliver the milk. All three methods lead to a decrease in milk production.

Two common features may be noted to-day in the financial systems of almost every country. In the first place, public expenditure and receipts are so arranged that their effects on production, distribution, and saving are often conflicting; some measures restrict the very activities that others aim at stimulating. Secondly, financial laws are enacted by men with only a vague recollection of the principles of taxation that guided their predecessors. These doctrines purported to achieve justice in taxation by distributing the tax burden either according to the benefits each taxpayer might be assumed to derive from public services, or strictly in proportion to his wealth or income, or again according to distinctions drawn between necessary, useful, and superfluous resources. As a survival of these theories we find an unreasoned conviction that taxes on incomes are the only really "just" form of taxation, though it may perhaps be expedient to keep an even balance between "direct" and "indirect" taxes. As a matter of fact, the safest criterion for judging the merits and defects of a given form of taxation must probably be sought in its economic and social effects.

SHRINKING OF TAXABLE RESOURCES

To-day the taxation of incomes and particularly of profits, has been carried to such a point that the taxable resources are themselves shrinking. Fiscal levies are destroying capital and wiping out group after group of taxpayers. The growth of unemployment is one consequence of the decline in private enterprise. As a result of this policy, the public revenue is diminishing, while public expenditure continues to increase. Higher rates of taxation would but widen the deficit.

The Treasury, in order to supplement its tax receipts, then turns to extraordinary expedients to cover even normal expenditure; it resorts to borrowing or to currency manipulation. But the economic effects of these measures are similar to those of taxation; consumption is encouraged at the expense of saving, public services are substituted for private undertakings, and the taxable capacity of the country continues to shrink.

OVERBURDENED MIDDLE CLASSES

Acting on humanitarian or political considerations, the State, in its attempts to spare the smaller incomes, throws the bulk of the fiscal burden on to the middle classes. Its declared policy may be mainly to tax large fortunes or undertakings; but in destroying accumulations of wealth it deprives the middle classes of the principal outlets for their goods and services. Soon there will remain only small incomes to tax (under the Soviet regime the State obtains more than three-quarters of its budgetary revenue by selling to the masses at high prices the goods it has bought from them at exceedingly low prices). While restricting private enterprise, the central government, in trying to husband the proceeds of taxation, reserves to itself an increasing share in the administration of public expenditure; consequently it narrows the powers of its subordinate public bodies.

If there is to be a reaction against this centralisation of authority and generally against the advance of governmental management—if our economic structure, based on voluntary exchanges, is not to be broken down—it is high time to recognise the necessity of reverting to a system of taxes that will enable entrepreneurs and savers to reap an adequate reward for their services to the community. The remuneration for their services has never totalled more than a fraction of the wealth the production of which they have encouraged to the advantage of the entire community; yet they are currently eyed with envy because the value of their services is not fully appreciated.

Without underestimating the benefits that governmental activities can contribute to the national welfare, or, in particular, the economic value of prudently selected public works carried out at a suitable time, it is manifest that in many countries public expenditure is to-day absorbing an excessive part of the aggregate resources. It has grown out of proportion to the national production, the more so since taxation is making it impossible to increase or even to maintain the output of goods and services. The time is approaching in those countries, if it has not already been reached, when the State will be forced to reduce its administrative departments, its social benefits, its pensions, its interest payments, and public works, after desperate resort to issues of monetary tokens and promissory notes, the value of which must inevitably and steadily diminish.

Advancement in general well-being presupposes an increasing volume of goods and services supplied at decreasing unit prices and yielding a growing total profit. At present, fiscal policy is hindering the fulfilment of each of these three conditions.

It may be argued that in former days nations enjoying moderate taxation also experienced business depressions and suffered from unemployment; that some of them saw their currency depreciated; and that few Governments have ever accepted lightly a steady expansion of their expenditure.

GROWTH OF PUBLIC EXPENDITURE

Who would contend that all was perfect in the economic system and financial practices that obtained before the Great War? Yet before it broke out there had been an almost uninterrupted improvement in public well-being, extending over more than fifty years, whereas to-day the general standard of living is declining to a disquieting extent despite the untiring progress of technical invention. True, the growth of public expenditure, which is one of the factors in this decline, is not attributable solely to deliberate planning: new threats of war are causing wild spending on armaments, and many of the State's encroachments on the field of private initiative purport merely to supplement inadequate private enterprise. But the burdens and restrictions placed on business are among the principal causes of the slump in domestic and international trade, and economic depression intensifies international misunderstandings.

By hampering production and trade, by accentuating and prolonging the cyclical fluctuations in business, ill-advised and excessive taxation is largely responsible for this depression, and consequently for the present tension in international relations.

No doubt it is very difficult to cut down public expenditure, or to reduce specific items below the figures they have attained. Yet the only hope of maintaining existing public services—to say nothing of extending them—without occasioning general misery, lies in an economic and fiscal policy that will favour, and not discourage, private saving and enterprise, that will stimulate, and not hinder, a more abundant production of wealth.

(Continued from page 260)

Norwich Union Fire Insurance.—Fire premium income increased from £1,744,000 to £1,789,000 last year, but underwriting results were less favourable than in 1937. In the accident branch, premium income increased by £49,000 to £1,556,000, and the underwriting results showed improvement on the satisfactory experience of 1937. Marine premiums also increased from £225,000 to £255,000; first year's claims fell from 44 per cent. to 33 per cent. of premium income, but second year's claims increased from 33 per cent. to 36 per cent. The year 1936, which has now been closed, shows a profit, but no transfer has been made to profit and loss, since 1937 was not a good year for marine insurers, and it is considered prudent to retain the profits in the account. The results of the last two years are given below:—

	1937	1938
Fire	169,295	90,699
Accident & general	87,862	105,409
Taxation, etc.	257,157	196,108
	136,230	137,437
	120,927	58,671

Total assets of the Society and its subsidiaries increased from £6,006,000 to £6,191,000. Mortgages, of which Nor-

wich Union Life has substantial holdings, amount only to £53,000 in the Fire Society. Debenture stocks account for £1,699,000, British Government securities for £797,000 and foreign Government securities (a large portion of which is doubtless held in connection with overseas insurance) for £689,000. Stock Exchange securities were valued in the aggregate below market values on December 31st last. The rate of exchange of \$4.86 to the £ has been used in connection with U.S.A. non-marine business, but current rates have been employed throughout for conversion of other overseas currencies. General reserve stands at £1 million. The ordinary share capital, which was acquired by Norwich Union Life in 1925, again receives 24 per cent. and interest earnings, after deducting debenture interest, are equal to about 75 per cent. of the cost of the dividend.

General Accident Fire and Life.—New life assurances, which are transacted by the General Life Assurance Company, fell from £2,844,000 to £2,611,000, and the net rate of interest was 4.7 per cent. smaller at £3 17s. 11d. per cent. Death claims amounted to £28,000, compared with £365,000 in

PROFIT AND LOSS ACCOUNT

While the items in the balance sheet submitted to you to-day hardly call for comment, it may be useful to give some explanation of the figures in the profit and loss account that differ substantially from those of a year ago:—

1. The item "Income" shows an increase of about 28,000,000 francs. More than one-half of this increase, however, is due to the fact that we have included this year, under that heading, the fixed amounts received by way of remuneration from associated companies, whereas our former practice was to deduct such receipts from "General and Administrative Charges."

The increase would have been even more marked were it not that this year Belgian income tax has been deducted at source from most of our earnings. As a result of this deduction we anticipate that it will be possible to discharge our remaining tax liabilities by resort to the balance of the provision made for taxes out of profits in previous years.

2. The increase of nearly 19,000,000 francs in the item "General and Administrative Charges" is mainly attributable to the change, mentioned above, in the treatment of remunerations from associated companies. To a minor extent it results from greater research expenditure, extensions to our office building, and a higher pay roll. Furthermore, as shown in the next item, the bonuses granted to the staff have been increased by 1,000,000 francs.

3. It is found possible to devote a larger sum to amortisation, while allowing for the same dividends as last year, and yet leave practically unchanged the balance to be carried forward. As already mentioned, the amount available for these purposes is not burdened this year with any provision for taxes.

The profits which it is proposed to distribute work out at 5.65 per cent. on the capital (including the premium on issue) provided by the shareholders when the company was formed, or 4.07 per cent. on the gold equivalent of this sum.

In several countries our undertakings still have to contend with the currency difficulties referred to in previous reports, and all of them continue to be affected by the unsettled conditions of world trade: the "Transport, Electricité & Gaz" has been compelled to sell its undertakings to the Turkish Government. Except in Spain and Mexico, however, the actual working of the companies in which we have an interest has been satisfactory during the past year, and is maintaining steady progress.

Translations of the full Report and Supplement can be obtained from:—

The Electric and Railway Finance Corporation, Ltd.,
10 Mayfair Place, London, W.1,

and

The Midland Bank Limited, Poultry, London, E.C.2.

1937. Fire premiums increased by £11,000 to £732,000, and as usual the underwriting profits were highly satisfactory. Premiums to the accident department, which includes motor insurance, showed a reduction of £133,000 to £8,612,000, but the underwriting results were better than those experienced for many years. Marine premiums amounted to £214,000 against £238,000, and results were again disappointing. The departmental reserves in the fire, accident and marine funds amount to 90 per cent., 92 per cent. and 90 per cent. respectively of the 1938 premium income. The result of the last two years are shown below:—

	1937	1938
Fire	183,213	254,176
Accident & gen'l.	345,583	405,295
Marine	Dr 46,219	Dr 66,387
Profit on investments	10,144	...
Charges to profit and loss	492,721	671,403
	353,933	455,301
	138,788	216,102

Total assets, including those of subsidiaries, increased from £19,667,000 to £20,555,000. The reserve for depreciation and investments and adjustment

(Continued on page 281)

COMPANY MEETINGS

RAND MINES, LIMITED

PROGRESS OF MINING INDUSTRY

STRONG POSITION OF THE GROUP

DIVIDENDS MAINTAINED

MR JOHN MARTIN'S SURVEY

Mr John Martin (the chairman) presided at the annual meeting of Rand Mines, Limited, held, on the 24th instant, in Johannesburg.

In moving the adoption of the report and accounts, Mr Martin reviewed the operations of the company and said the position was satisfactory in all respects, dividends distributed having been maintained at the same rate as in the two previous years and the company's already strong financial and investment basis having been further strengthened.

YEAR'S PROFIT

The profit earned had been £923,827, a decrease of £36,582 on the corresponding figure for the previous year. That profit was exclusive of profits derived from the sale of investments, which, in accordance with the established policy of the company, had not been utilised for dividend purposes, but were available for reinvestment in its undertaking.

During the year 25,000 reserve shares in the company had been sold to General Mining and Finance Corporation, Limited, at £8 6s. 1d. per share.

The proceeds of that sale had been devoted to the purchase from that Corporation of a large share of interest in West Rand Consolidated Mines, Limited.

The balance sheet showed that the premium on those reserve shares and the amount realised by the sale of investments, less their book value and the amount written off investments generally, together had totalled £193,356.

That sum had been added to the investment reserve account, which, on the other hand, had been depleted by retransfer to the appropriation account of £316,139, which was the excess of receipts from reserve shares and investments sold over the expenditure on new investments purchased.

Although the investment reserve account had consequently been decreased by £122,783, it had amounted at the year-end to the substantial total of £3,763,915.

The balance of the appropriation account had increased by £379,959 to £944,565, represented by cash and cash assets after allowing for all liabilities except contingent liabilities.

The company's contingent liabilities to guarantee and subscribe for shares in and to finance certain undertakings had been further reduced in total, and it had ample resources to meet all such commitments as and when they matured.

VALUE OF INVESTMENTS

Investments in shares and debentures had been brought into account at a book value of £4,239,779, a decrease of £107,795 compared with the total at the end of the previous year.

All investments for which share market quotations were available appeared in the books at or under cost, but in no case above the market price on December 31, 1938, and in instances where it had appeared to the board to be prudent holdings had been written down both below cost and below market value.

Unquoted securities had been entered in accordance with conservative values placed upon them by the directors and in no case at a valuation exceeding the cost.

It was evident from the schedule of investments appearing in the accounts that their market value had largely exceeded the book value stated in the balance sheet.

The market value of the company's gold-mining interests at the end of the year had represented 83.4 per cent. of the market value of all its investments and 90.4 per cent. of those gold-mining interests had been dividend-producing.

The gold-mining industry had maintained steady progress.

Three new mines had been brought to producing stage.

NATIVE LABOUR

The industry's requirements of native labour continued to increase. The supply of such labour from the Union and British protectorates had shown a welcome improvement during 1938, but, on the other hand, the Portuguese Government had withdrawn—temporarily, it was to be hoped—its permission for the mines to employ 10,000 Portuguese natives in addition to the 80,000 allowed under the terms of the Mozambique Convention.

Experimental employment of "tropical" natives from areas north of the latitude 22 degrees south was making good progress.

Results obtained as regards their health and mortality were gratifying and encouraged hope of the industry being permitted in the near future to obtain important additional supplies of native labour from those sources.

GOOD RELATIONS WITH TRADE UNIONS

The satisfactory relationship established between the industry and recognised trade unions had been maintained.

The "closed shop" agreement concluded in 1937 was working smoothly and to their mutual satisfaction. The maintenance of industrial peace had been greatly facilitated by important improvements which had been effected during recent years in conditions of employment, by concessions under holiday leave regulations, and by the granting of holiday leave allowances, by the payment of a medical benefit allowance, and particularly by the establishment in 1934 of the Witwatersrand Gold Mines Employees' Provident Fund and the inauguration a year ago of a savings branch of that fund.

The total cost of all benefits which had been introduced was at least £53 per annum for each European employee, equivalent to an increase of 20 per cent. or more on the standard wages of the lower-paid employees and representing an average increase of about 14 per cent. for all employees.

MINING OPERATIONS OF GROUP

The tonnage of ore milled by the Witwatersrand Mines of the group had increased during 1938 by 415,700 tons as compared with 1937 to a fresh record of 19,005,700 tons. The average yield of gold per ton milled at 4.019 dwts. had shown a further small reduction of .085 dwts.

Working revenue had increased by £324,723, but working costs had increased by £378,564, and on balance the total working profit had been slightly lower at £8,885,418.

The total amount distributed as dividends at £4,988,195 had been almost identical with the corresponding figure for 1937.

The average residue value for the past year had been reduced by .018 dwts. to a record low level of .186 dwts. per ton, an achievement which reflected great credit on the metallurgical staffs at the mines and at head office.

The development accomplished had totalled 654,427 ft., or 39,128 ft. less than the previous year's aggregate.

PAYABLE ORE RESERVES

The available payable ore reserves of the eleven mines totalled, according to latest recalculations, 76,396,900 tons, an increase of 1,743,320 tons compared with the preceding estimate.

Mining accident mortality rate had increased slightly from 1.97 per thousand in 1937 to 2.02 per thousand in 1938.

On the other hand, mortality rate from diseases among native employees of the group had decreased from 6.82 per thousand in 1937 to a new and gratifying low record of 5.57 per thousand.

Care of a labour force of over 100,000 natives, representing half a dozen different races and with an annual turnover of nearly 100 per cent., represented a major problem, and the group's chief medical officer and native labour adviser and the medical and compound staffs of individual mines were to be congratulated on the success that had been achieved in its solution.

HEALTH OF WORKERS

As an example of what had been accomplished, incident among native workers on the mines of the group of tuberculosis, the scourge of primitive races, had been progressively reduced from 11.78 per thousand in 1915 to 1.80 per thousand in 1938.

In 1911 the death rate from pneumonia among natives employed by the mines of the group had been over 12 per thousand, the death rate from tuberculosis of the lungs about 4 per thousand and the total death rate from all diseases over 30 per thousand. In 1938 those rates had been 2.28, 0.38 and 5.57 per thousand respectively.

The mines of the group had employed last year an average of approximately 5,700 "tropical" natives recruited from areas north of latitude 22 degrees south, and it was of interest to note that the mortality from pneumonia among those had been 2.99 per thousand and the total mortality from all diseases 5.99 per thousand.

Those rates corresponded very closely indeed with the ones already quoted for all natives employed on the group's mines.

The report and accounts were adopted unanimously.

CITY DEEP, LIMITED

RESULTS VERY SATISFACTORY

DR HANS PIROW'S REVIEW

Dr Hans Pirow (the Chairman) presided at the annual general meeting of City Deep, Limited, held in Johannesburg on the 21st instant.

Moving the adoption of the report and accounts, Dr Pirow recalled that the Central Mining and Investment Corporation, Limited, and Rand Mines, Limited, had during the year taken up the 20,000 reserve shares of £1 each, which had been under option to them at 30s. per share for two years from July 1, 1936.

ISSUED CAPITAL

The issued capital of the company was therefore £1,615,000, while the authorised capital remained unchanged at £1,695,000. Of the 80,000 shares still in reserve, 20,000 were under option at 35s. per share for three years from July 1, 1936, to the Central Mining and Investment Corporation, Limited, and the Rand Mines, Limited.

Continuing, the chairman said that the freehold property of the company was shown at a reduced figure owing to the sale of some 249 morgen referred to in the directors' report for 1937.

The purchase consideration, together with the proceeds of the sale of a few additional stands, was shown in the balance-sheet at £150,670.

The mining property of the company had undergone no change, but an application for the lease of some 260 claims along the southern boundary had been lodged with the Mining Leases Board.

The acquisition of those claims would extend their mining area to a vertical depth of approximately 9,000 ft. and should increase the life of the mine, although it was not possible to forecast what tonnage of payable ore could be worked at those great depths. It should also be borne in mind that the opening up of that area would require considerable capital. Expenditure and the cash resources of the company would therefore have to be maintained in a strong position.

MINING OPERATIONS

The tonnage milled had decreased by 16,000 tons when compared with the mill tonnage for the previous year. The reduction had been due mainly to a shortage of native labour, which had become more serious towards the end of the year. Working costs had shown a further increase of 8d. per ton milled, which was partly due to a reduction in tonnage and partly due to the effects of an underground fire; details of which had appeared in the Press at the time. These adverse factors had, however, been more than offset by an increase in revenue, amounting to 1s. 2d. per ton milled, so that the working profit for the year had improved by £31,266 to £271,924.

Capital expenditure had amounted to £164,265, while capital

funds in hand, which amounted to £159,696 at December 31, 1937, had been increased during the year by the proceeds from sales of freehold property amounting to £150,670 and by a sum of £30,000, being the sale price of 20,000 reserve shares taken up by the Central Mining and Investment Corporation, Limited, and the Rand Mines, Limited, in terms of their option.

The balance of working capital in hand on December 31, 1938, thus amounted to £176,101.

Proceeds of sales of small portions of freehold property, which were still outstanding, would in due course be shown as accruals to capital funds.

As foreshadowed at the last annual meeting allowances for accumulated tax losses had been extinguished in the second half of 1938 and the company had become liable for income tax on a basic rate of 3s. per pound sterling of taxable income. Together with sundry other taxation, payments had amounted to £15,755.

The new No. 5 vertical shaft had been sunk to its final depth of 5,850 ft. and was now being used for handling men and material. Through connections established were assisting ventilation to a considerable extent, but the full benefit of that shaft would not be obtained until the ore bins were completed and large ventilation fans had been installed. That work, which would take several months to complete, was proceeding steadily. The general ventilation of the mine had also been improved by the installation of a fan on the 22nd level at No. 2 shaft, which was now being used as a main upcast shaft.

ORE RESERVES

Re-estimation of available ore reserves gave a total of 3,820,400 tons and showed an increase of 288,200 tons compared with the previous year's estimate, the value remaining unchanged and the width being 1.1 in. less. In addition, 553,900 tons of an average value of 6.6 dwts. were contained in the shaft and safety pillars not at present available for stoping.

In general it might be said that the operations had given very satisfactory results despite the severe shortage of native labour from which the mine had suffered for the greater part of the year. Working conditions had been improved and there was every reason to believe that further improvement would result when No. 5 shaft had been brought into full commission. Owing to the great depth of the workings, which necessitated an extension of the resuing system of stoping, the cost per ton milled could not be lowered by any considerable amount, but it was expected that the average grade of ore mined during the current year would again show a slight increase when compared with that of the preceding year. Although a large expenditure on capital account had still to be faced for some years, a careful survey of requirements indicated that the working profits should not be called upon to bear an undue proportion of the burden.

The report and accounts were adopted unanimously.

CROWN MINES, LIMITED

SATISFACTORY DEVELOPMENT RESULTS

LARGER ORE RESERVES

MR JOHN MARTIN'S REVIEW

The annual meeting of Crown Mines, Limited, was held, on the 21st instant, in Johannesburg.

Mr John Martin, the chairman, moved the adoption of the report and accounts, and after reviewing operations and financial results for the year 1938, he said the consulting engineer reported that development results had shown no marked change and had been generally satisfactory.

A large proportion of footage on the main reef leader had again been accomplished in the Far Western section, where values disclosed, though still low, had shown a further slight improvement. Footage developed on the south reef had been less than in the preceding year, but values disclosed had shown little alteration.

Development work on the main reef had been continued, and the old No. 2 shaft was being reopened and re-equipped in order to facilitate exploration and exploitation of that reef in the upper levels of the eastern section.

ORE DEVELOPED ON MAIN REEF LEADER AND SOUTH REEF

Payable ore developed on the main reef leader and the south reef was estimated to total 3,995,900 tons of an average value of

IONIAN BANK, LIMITED

CENTENARY YEAR

SIR JOHN STAVRIDIS ADDRESS

The hundredth annual general meeting of the Ionian Bank, Ltd., was held, on the 26th instant, at the offices of the company, 25-31 Moorgate, London, E.C.

Sir John Stavridis, the chairman of the company, presided.

In the course of his speech, the chairman, in dealing with the history of the bank over the last hundred years, said that it was in the year 1839, when the Ionian Islands were under the exclusive protection of Great Britain, that their bank was formed in London on the proposal and under the aegis of the British Government. They were therefore this year celebrating the centenary of their existence. With the greatly increased activities of the bank they now had 25 branches and 11 sub-offices in Greece, a branch and nine agencies in Egypt, and a branch and four agencies in Cyprus.

AN IMPORTANT PURCHASE

There were two matters to which he would first refer as they were considered by the board of serious importance to the future welfare of their institution. The first was the purchase by their bank of just over two-thirds of the shares of the Banque Populaire de Grèce S.A., which with the National Bank, the Commercial Bank, the Bank of Athens, and themselves, formed the "Big Five" banks in Greece. The purchase, undertaken with the approval of the Greek Government and with the encouragement and support of the Bank of Greece, would put an end to the rivalry between the two institutions and, with the increase of nationalism in every country, they themselves would appreciate having at their side a strong purely Greek organisation.

IONIAN GENERAL INSURANCE COMPANY

The second matter which would also be of importance to the bank's activities in Greece was the formation by the bank of a Greek Insurance Company under the style of the Ionian General Insurance Company S.A. The directors had been prompted in their decision by the limitation of the activities of British insurance companies in Greece caused by the severe restriction of exchange and transfer of funds. They were convinced that they would be able to build up a business that would be useful to the bank and to its customers.

In dealing with the countries in which the bank was principally interested, the chairman said that during the year under review, with the exception of the month of September, when political disturbances in Europe had caused a temporary dislocation of economic life, the national economy of Greece had shown a remarkable power of resistance.

IMPROVED ECONOMIC CONDITIONS IN GREECE

The activities of the year on the whole had shown an expanding tendency, and the development of the exchange and monetary situation had been satisfactory. The budgets of the last two years only provided for the payment of 40 per cent. of the original interest on the foreign loans, but it was evident that the whole economy of the country, thanks to the prevailing internal political stability and to the Government's endeavours to increase the productive elements of the country, showed a steady improvement.

Egypt could not have been expected to escape from the international doubt and unrest, and those factors had borne particularly hardly on a country which was only just starting a new stage of its age-long existence. Economically the results for the year had been unfortunate, and for the first time since 1931-32 the foreign trade balance was against the country.

The strong competition which existed had made the year a not very profitable one for their bank, but in all directions their business had been well maintained.

In Cyprus the mining industry had continued to develop and the year had been quite satisfactory for agriculture as in many cases higher prices had compensated for lower production.

Turning to their own accounts, there was to be dealt with a balance of profit of £17,473, as compared with £16,639; the payment of the recommended dividend of 2s. 6d. per share would result in the further increase of the carry-forward from £9,462 to £11,935. As to the future, should there be a change for the better they were likely to see an improvement in the progress of their institution. Even as things were, however, he saw no ground to expect any serious setback.

The report was unanimously adopted.

5.0 pennyweights per ton. That was 39,380 tons more than in the previous year, and its average value was 0.2 pennyweight higher, due to the smaller proportion of ore developed on the lower valued south reef.

The re-estimated available ore reserve totalled 20,920,700 tons, averaging 4.9 pennyweights per ton over a stoping width of 47.3 in. In addition there were 5,139,500 tons of payable ore of an average value of 5.7 pennyweights per ton contained in the shaft and safety pillars which could not at present be stoped.

The available reserve showed an increase of 313,200 tons over the previous estimate, its average value and estimated stoping width being lower by 0.1 pennyweight per ton and 1.7 in. respectively.

The comprehensive programme of main vertical shaft sinking, which had been steadily pursued for many years, had now been completed, and the opening up of a reef at greater depths was being accomplished by the sinking of additional incline shafts. The average depth at which development and stoping operations had been conducted last year had been 5,000 feet.

PROVISION OF ADEQUATE VENTILATION

The problem of providing adequate ventilation demanded, and was receiving, constant attention. The installation of additional fan equipment at Nos. 14, 15, 16 and 17 downcast shafts and at Nos. 12 and 18 upcast shafts had increased the quantity of air passing down the first four shafts to 1,300,000 cubic feet per minute.

The mine workings were steadily extending both laterally and in depth, and it was consequently expected that that quantity of air would have to be increased in due course by the installation of further equipment and the construction of additional upcast airways.

In order to test another means of improving ventilation conditions at depth an experimental air-cooling plant had been erected on the 41st level at No. 14B shaft towards the end of 1936. It had operated successfully on the whole, and although there had been several stoppages due to minor defects they could be overcome in any new plant of similar type which might be required. It had furnished useful information which indicated that, as the workings approached operating limits of depth due to increased rock temperatures and adiabatic compression, further important tonnages of payable ore could, by air cooling, be brought within the workable zone.

AIR COOLING

Owing to the large quantities of air which could be passed through the mine workings the limit of mining depth due to temperature had not yet been reached in stoping operations, but the time was not far distant when cooling on a large scale would have to be resorted to. That question was now being considered, and it would probably be found advisable to erect a large cooling plant at one of the deep level shafts as soon as arrangements for its installation could be completed.

Every effort was being made, by extending the use of mechanical appliances and in other directions, to minimise the effects of any shortage of native labour that might be experienced from time to time.

Mechanical scraper truck-loading units had been installed in all haulage developing ends, and the use of mechanical scrapers in stopes which had given encouraging results was being steadily expanded. Mechanical shovel loaders had lately been used successfully in reef drives, and the number of those machines in operation would now be increased.

USE OF DETACHABLE BITS IN DRILLING

A labour-saving device which had been closely studied during the past two years was the use of detachable bits in drilling operations underground. The current practice of sharpening worn drills on the surface involved the transportation of about 22,000 drills of an average weight of 9 lb. each in and out of the mine daily, and a very considerable native labour force had to be employed for that purpose.

On the other hand, detachable bits could be transported to the surface for re-sharpening and back to the working places by the natives engaged in drilling. Preliminary work that had been done in the direction of obtaining detachable bits which would give a satisfactory drilling performance had furnished encouraging results, and the scope of the experiment was now being extended.

The report and accounts were adopted unanimously.

UNION-CASTLE MAIL STEAMSHIP COMPANY, LIMITED

RESULTS OF A DIFFICULT YEAR

MR ROBERTSON F. GIBB'S REVIEW

The annual ordinary general meeting of the Union-Castle Mail Steamship Company, Limited, was held, on the 25th instant, at Southern House, Cannon Street, E.C. Mr Robertson F. Gibb (chairman and joint managing director) presided.

The Chairman, in moving the adoption of the report and accounts, said: The accounts have been drawn up on similar lines to those for the preceding year, and accordingly there is no difficulty in making a comparison between the results for the two years. Such comparison reveals immediately a disappointing diminution in the profits from voyages during 1938. These profits amounted to £196,000, whereas the corresponding figure for 1937 was £510,000, a decrease of approximately £314,000. You will doubtless wish me to indicate at the outset of my speech the principal reasons for this serious fall in profits. They were: (i) a considerable reduction in revenue from outward cargo owing to the substantial falling off in exports to South Africa; (ii) the heavy drop in revenue from homeward freight due to a reduction in the rates of freight on fruit, and reduced shipments of wool and other commodities; (iii) the virtual cessation of gold shipments during the last half of the year; and (iv) increased expenditure, particularly as regards fuel, wages and insurance. I shall refer to these in detail later on.

THE NET PROFIT

As in 1937, the net profit was affected by substantial special outlays incidental to re-engining, amounting in 1938 to £110,000. This expenditure is, of course, of a non-recurrent character, but I ought to mention that, during the present year, in connection with the conversion of three steamers to oil-burning, part of the expenditure due to items such as renewals and upkeep will be chargeable against revenue and will probably amount to about £100,000.

To the figure of £196,000 has to be added about £81,500 in respect of income from investments and properties, which is some £28,500 less than that for 1937. This decrease is largely accounted for by the sale of our interest in the Durban Navigation Collieries, Limited, to which I referred last year, since, although the sale was effected before the end of 1937, that year's accounts received the benefit of a full year's dividend from that source.

To these two sources of profit the sum of about £105,500 has been added, being taxation reserve no longer required following the settlement with the Inland Revenue authorities of certain claims that were outstanding last year.

After various deductions there remains a balance of £171,889 which, with the balance of £150,892 brought forward from last year, gives a total available of £322,781. Of this sum the Preference dividends for the year absorbed £132,945, leaving a balance of £189,836, which we recommend should be carried forward. Your directors much regret that they are unable to recommend the payment of an ordinary dividend.

FINANCIAL POLICY

Having dealt with the balance sheet, the Chairman continued: I have drawn your attention on previous occasions to the fact that owing to the heavy losses which the company sustained years ago from its association with another group of companies, its reserves were completely exhausted.

The advances we have been able to secure for the purpose of financing our shipbuilding and re-engining programme have now reached their peak at 4½ millions, and unless and until we are able to refund these loans, or at any rate part of them, we shall have to continue to make large annual repayments in accordance with the terms arranged. Budgeting as far ahead as is practicable, we anticipate being able to meet these obligations, but nevertheless we must continue to keep a close watch upon our finances.

All the units of the company's fleet have been maintained at a high standard of efficiency during the year. At the same time, of course, as you are aware, the object in constructing our four fine new motor-vessels for the intermediate service was to replace five of our older vessels.

All the company's services were regularly maintained throughout

the year, and I am pleased to say that there was no serious accident in respect of any of our vessels.

The volume of our traffic last year may be regarded as satisfactory, bearing in mind the influence of the unsettled international situation during the last four months of the year.

CARGO TRAFFIC

As already indicated, it was in respect of our revenue from cargo carrying that our earnings last year received so serious a setback. As regards outward freight the most marked falling off was in respect of cargo carried in our mail vessels which consists very largely of high-class goods, and there is no doubt that the international situation was primarily responsible for this marked decrease. With regard to the homeward trade, all our services were adversely affected, but here again the principal decrease was in respect of cargo earnings by our mail service. The amount of baled cargo brought home in our vessels has been increasingly affected during recent years by the trade agreements between the Union of South Africa and Germany, under which the carriage of cargo to Germany from South Africa is effected primarily in German or Dutch vessels.

As regards gold shipments it would appear that in view of the disturbed state of international affairs buyers of South African gold, for the time being at any rate, adopted a policy of effecting such purchases in that country and of retaining such gold there pending future political developments. However, during the past two or three weeks there has been a resumption of shipments of refined gold from South Africa in the company's vessels.

FRUIT RATES

With regard to the reduction in the rates of freight on fruit the position of this company and of the other lines was a very difficult one. For some months preceding the last general election in South Africa, owing to unsatisfactory prices for fruit in the overseas markets and the withdrawal of the subsidy previously given by the Union Government, there had been considerable agitation on the part of growers and others interested in the trade against the level of the rates of freight charged by the Conference lines under the terms of their agreement with the South African Government. This agitation was directed primarily against the Union-Castle Company as the principal carrier of South African fruit. While there is no doubt that the growers were receiving lower prices for their fruit in this country than in the past, the cost to us of transporting the fruit from South Africa so far from decreasing has actually increased in the course of the past two or three years. As you are aware, we not only expended very large sums in fitting the regular mail and intermediate vessels with extensive modern refrigerated holds, but in addition have provided for this trade six costly fully refrigerated vessels which, at the contract rates of freight, we find it difficult to run at a profit throughout the year, particularly as it is not practicable to utilise them regularly outwards. Moreover, the contract rates of freight are lower than the rates charged for the carrying of fruit in other long-distance trades. Ultimately, this company, and the other lines engaged in the trade, agreed to the reduction I have mentioned of 7s. 6d. per ton for the one year 1938 only, in return for which the contract with the Government was extended for a corresponding period, it being understood that the fruit growers would endeavour to reorganise their industry with a view to effecting economies in their costs of production.

The result of the reduction the Conference lines made in the rates for 1938, which cost this company about £85,000, is reflected in the accounts submitted to you to-day. Yet during the past month or so there has been fresh agitation in the South African Press for further substantial concessions in the rates for the conveyance of fruit.

The Chairman, in conclusion, announced his intention of retiring from the duties of chairman and joint managing director. Sir F. Vernon Thomson, K.B.E. (deputy-chairman and joint managing director), seconded the motion, which was carried unanimously.

THE LONDON ASSURANCE

A YEAR OF FURTHER PROGRESS

MR R. OLAF HAMBRO'S REVIEW

The annual general Court of the London Assurance was held, on the 26th instant, at 1 King William Street, London, E.C.

Mr R. Olaf Hambro (the governor), in the course of his speech, said: The life department had a break in its long-continued yearly records in the figure of total sums assured during 1938. The break is entirely associated with the abnormalities of the period, and you will readily understand that life assurance had its own difficulties during the year of account, particularly in the production of new business. For all that, the department has an excellent record to show. The total net new sums assured amounted to £2,679,181, which shows a decrease over the previous year of £276,972. The total revenue of the department amounts to £1,331,806, made up as to premiums, £861,818; interest, dividends, and rents, less income tax, £377,501; and certain fees and consideration for annuities granted, £92,487. The fund during the year has made a very substantial move forward, the figure at the close of the account being £10,605,502, as compared with £9,985,741 at the close of the previous year, the consequent increase being all but £620,000.

FIRE AND ACCIDENT DEPARTMENTS

The fire and accident departments show excellent progressive development. Taking the two departments combined, the increase in premium income amounts to £217,820, the fire department contributing £121,803 and the accident department £96,017.

In regard to the fire revenue, a part of the substantial increase in premium income is accounted for by foreign exchange adjustment, but after allowing for the upward tendency created by this factor the volume of business actually transacted is also substantially increased.

Our claims paid and outstanding in the fire section show a slight increase at 43 per cent., as against 41.3 per cent. in the previous year, and this is really a very satisfactory figure.

Our accident premium income, for the first time in our history, exceeds a million and a half pounds, the exact figure being £1,501,315, which marks a definite forward movement.

MARINE BUSINESS

In the marine section of our operations we show a premium income of £819,876, which represents an increase over that of the previous year of £45,026. This increase is brought about in the main by two factors, the first being the improvement in hull rates, consequent upon what is familiarly known in the marine market as the "hullunderstandings," and in addition a certain volume of war risk premium. The losses paid show a percentage of 69.3, as against 65.3 in the previous year. Expenses of management show a very considerable fall, the relative percentages being 13.3 for the past year, as compared with 16.4 in the previous year. We have transferred to profit and loss account a sum of £50,000, which leaves the marine fund at £994,357.

The profit and loss account contains nothing other than that with which you will have reason for satisfaction. The account opened at the beginning of the year with £676,390, to which have to be added the various transfers from the underwriting accounts to which I have already referred, interest, dividends, and rents of £233,570, and a small amount of £144 connected with transfer fees. The total of the account is £1,232,733, and we have dealt with this sum in the following manner. The dividends paid to the ordinary and preference shareholders absorb £255,305, and our provisions for taxation, including National Defence Contribution, amount to £78,000; sundry expenses not otherwise charged amount to £51,591, and there is a figure of £46,798 on account of pensions and gratuities and contributions to staff life and provident savings schemes. After dealing with all these items, the balance to be carried forward which is in effect an unallocated reserve fund in addition to our general reserve fund of £3,000,000, amounts to £801,038, which is an increase of £124,648. In regard to the dividends paid to shareholders, both preference and ordinary, the total amount paid falls below the figure of dividends and interest earned, plus the annual contribution of a percentage of the profits accorded to the shareholders consequent upon our life department's operations.

The surplus over book values of the Stock Exchange securities is £199,897. The total assets of the Corporation now stand at £20,984,572, and our total premium income for the year is £5,329,697.

The report and accounts were unanimously adopted, and a final dividend of 5s. 10d. per share, less income tax, to the ordinary members was approved.

ROYAL EXCHANGE ASSURANCE

219th ANNUAL GENERAL COURT

FURTHER PROGRESS

The two hundred and nineteenth annual general Court of the Royal Exchange Assurance was held, on the 26th instant, at the Royal Exchange, London.

Lord Bicester (the Governor) said that in the Life Department their total sums assured amounted to £4,526,000, the net sum assured being £4,359,000. The premium income of the department was £1,400,000, a slight advance on the figure of the previous year, and the claims paid and outstanding amounted to £844,000. The gross amount of interest earned was £627,000, representing £4 14s. 1d. per cent. on the Life Fund against £4 16s. for the previous twelve months. The most important problems at present confronting that department were the investing of new money and the fact that they had to accept repayment of existing investments, whenever it was in the power of the borrower to do so by obtaining a lower rate of interest. The directors had taken steps to counter the full effect of the lowering of interest rates by placing substantial sums in short-term securities. Not only had that policy had the effect of avoiding any but the smallest depreciation on the capital of the Life Fund, but it was also providing them with money which they could invest at appreciably higher interest rates than had been available at the time when the money was originally received.

GRATIFYING FIRE RESULTS

They would be gratified again, he felt sure, with the result of the Fire Department, the total underwriting profit of which amounted to £158,000. After taking credit for £47,600, being the net interest received, there was available for transfer to General Profit and Loss account £206,000.

For a long time Marine business had carried difficulties peculiar to itself and the result for some years had been definitely disappointing. They had felt that nothing short of a comprehensive reorganisation of their Marine business would enable them to look forward to better results, and as a first step they had formed a close association and a common underwriting policy with the Sun Insurance Office, and that arrangement gave every promise of success. It was common knowledge that 1937 had been an exceptionally bad year for the Marine market. They were making a transfer of £150,000 to the Marine Fund, with the object of strengthening it and to cover the loss made as the result of past years, but which he was hopeful might be eliminated in the future, provided that the general conditions of Marine business were such that normal profitable trading could again be established. The Joint Hull Agreement had been well maintained and through its operation rates were gradually being moved towards the level necessary to allow a moderate profit.

ACCIDENT DEPARTMENT

The Accident net premiums at £1,228,000 showed an increase of £23,000 on the 1937 figure. The underwriting profit together with net interest amounted to £92,000, a figure well above the average earned by the department and, in the face of many difficult problems, he thought it would be agreed that that was a good result. The bulk of the premiums of their Accident business, at home and abroad, was derived from employers' liability and motor-car insurance, and the future of those classes of risks was still very uncertain. They had decided to make a further transfer of £100,000 to the General Accident Additional Reserve, following out the policy of strengthening their departmental reserves when suitable opportunities presented themselves.

After pointing out that the profit and loss account and balance sheet indicated a position of great strength and that they were proposing to pay a final dividend of 19 per cent., making 30 per cent., less tax, for the year, he went on to say that he could readily suggest that on the results mentioned, the Corporation had again experienced a satisfactory year's trading. The assets of the group as a whole had increased by some £1,500,000 to over £32,000,000, and while such progress was being made he did not think there was any sign of their 219 years of existence weighing heavily upon them.

It had been his privilege to have been associated with the Corporation since 1894, and was now in his twenty-fifth year as Governor. He did not remember, except for the period of the Great War, living through a year which, from the point of view of general business anxiety, had approached that of the twelve months under review.

The report was adopted.

GENERAL ACCIDENT FIRE AND LIFE ASSURANCE CORPORATION, LIMITED

A SATISFACTORY STATEMENT

The fifty-third annual general meeting of the General Accident Fire and Life Assurance Corporation, Limited, was held, on the 26th instant, at Perth.

Sir Francis Norie-Miller, Bt., the chairman, said that it was a great satisfaction to the board to be able to present so satisfactory a statement of accounts—in fact, the most satisfactory in the history of the corporation—in a year of great international disturbances that were generally injurious to business in the countries concerned. Their results evidenced the strong position which the corporation had attained, and he felt that they would go from strength to strength in the coming years.

Their fire account continued to be exceptionally satisfactory; the ratio of losses was 33.48 per cent., against 29.93 per cent. in the previous year. The net income showed an increase of over £11,000. The profit was a very substantial one and would provide about two-thirds of the dividend.

The accident and general account was extremely satisfactory. Their income was decreased by £135,000, but the claims ratio was lower by practically 1 per cent. They were able to transfer to profit and loss account the very substantial sum of £561,294.

STRONG FINANCIAL POSITION

With regard to the profit and loss account, they had carried forward £811,042; interest not carried to other accounts was £289,485, which was considerably in excess of the proposed dividend. Thus they continued to pay their dividend without calling upon their trade profits, with which they were able to provide more than ample reserves for every possible liability and to carry forward £827,825. The board looked upon the carry-forward as a dividend equalisation account, and it provided more than three years of the existing dividend.

In addition they had a general reserve of £2,000,000, £475,000 of excess reserves in the fire and accident accounts and a very considerable sum in other reserves. They had added £50,000 to their staff pension fund, bringing it up to £476,000, a sum sufficient to meet the requirements of the scheme.

While the average cost of claims in the motor department was rising in consequence of the unnecessarily high damages awarded in certain Courts, the accident frequency fortunately showed a substantial decrease, due, in his opinion, to the precautions taken by the authorities for regulating traffic. It only remained now for young drivers to show some respect for the law and restrain the insane longing for excessive speed.

He had attended every annual meeting of the corporation from the start. He had never attended one with more happiness, and he felt confident that even greater profits would be made by the corporation in future years. He trusted that the peace of the world might not be broken, but if it was then their large staff of men and women were prepared to give their all to see that Britain came out the conqueror. In the last war the women had done great work in carrying on the business in the absence of the men, and they would do so again if necessary.

DEPUTY-CHAIRMAN'S REMARKS

Mr Frederick Richardson (deputy-chairman) said that it was a great satisfaction to meet that day under a happy conjunction of events, and it must be very gratifying to their chairman and to them all to be able to congratulate themselves upon the best statement in their history at the first meeting that offered them the opportunity as shareholders of congratulating him upon his election to the high office of governor of their group of companies.

Speaking from a wide knowledge of their position in various parts of the world, he could truthfully say that they were very close to the point where, barring extraordinary events, they could hope to produce stable returns over a period. In other words, they could expect to maintain an average of the ups and downs.

Fortunately, their foreign activities were in the right places, though they must not blind themselves to the fact that programmes of national self-sufficiency had been gaining ground. There could be no greater contribution to world peace and to human progress than the growth of a community of economic interest and the dropping of barriers between nations of good-will.

The report and accounts, with the recommendation of a final dividend of 2s., making 3s. 6d. for the year, were unanimously adopted, and the proceedings closed with a hearty vote of thanks to the chairman, directors and staff.

THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED

YEAR OF SUBSTANTIAL PROGRESS

The seventy-eighth annual general meeting of The Royal London Mutual Insurance Society, Limited, was held, on the 21st instant, at Winchester House, London, E.C.

Mr J. K. Wiseman, joint managing director, who presided, said: The directors again have the satisfaction of reporting substantial progress. The total income for the year amounted to £8,911,342, an increase of £371,918 over the previous year, the combined premium income of all branches amounting to £7,173,925, an increase of £264,040. The claims paid during the year, including annuities and surrenders, amounted to £3,381,423, bringing the total of claims paid by the Society since its foundation to the impressive figure of £49,750,000. The total assets amount to £44,133,320, an increase of £3,067,453.

The premium income in the ordinary life branch for the year (including consideration for annuities granted) amounted to £1,928,987, an increase of £92,498 over the previous year.

The total amount paid in respect of claims by death or maturity, annuities and surrenders, amounted to £1,012,575, an increase of £106,022.

The rate of interest earned (excluding the Auxiliary Life Fund), after deduction of income tax, was exactly the same as in the previous year, namely £3 19s. 5d. per cent.

The interim bonus will be continued for the time being at the rate of £2 per cent. per annum, the full rate allotted at the last two quinquennial valuations.

INDUSTRIAL LIFE BRANCH

In the industrial life branch the premium income for the year amounted to £5,147,425, which is an increase of £155,001 over the previous year. The funds of this branch at the end of the year amounted to £28,606,449, an increase of £1,935,484. Claims and surrenders paid amounted to £2,320,715.

The rate of interest earned on the fund last year was £4 9s. per cent. net, which was only 3d. per cent. less than in the previous year.

A regular bonus system has been introduced in the industrial branch on lines similar to the ordinary branch, the bonus at the last valuation, under tables which participate at the full rate, being £1 per cent. per annum, subject to the qualifying period having been completed.

The premium income in the fire account amounted to £78,953 and in the accident and general account amounted to £33,765; both accounts are in a strong position and offer a high degree of security.

In the profit and loss account the balance brought forward was £141,680. Interest, dividends and rents not carried to other accounts, and transfers from the fire and accident and general accounts, amounted to £18,690. The sum of £5,049 has been transferred to the general branch reserve fund and £10,000 to investments reserve fund. The general branch reserve fund, which now stands at £85,348, is a further reserve for the fire and accident and general business, the total reserves for which are on a very strong basis. After allowing for the reserve for income tax and National Defence Contribution, there is a balance of £140,321 carried forward.

In conclusion, I wish on behalf of the directors to thank the chief officials and the head office staff and all grades of the outside staff for their loyal and efficient services during the past year.

The report and accounts, seconded by Mr J. H. Skinner (joint managing director) were unanimously adopted.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to:—

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WORLD AUXILIARY INSURANCE CORPORATION, LIMITED

DIVIDEND OF 7½ PER CENT.

The twentieth ordinary general meeting of the World Auxiliary Insurance Corporation, Limited, was held, on the 25th instant, at Winchester House, Old Broad Street, London, Captain the Rt. Hon. C. C. Craig, D.L. (the chairman), presiding.

The Chairman, in the course of his speech, said that with regard to the fire account the fund brought forward from last year amounted to £49,184. To that was added interest amounting to £2,459 and net premiums £87,524. After transferring £8,000 to profit and loss account, they had left a fund of £49,805, equal to 56.7 per cent. of the net premiums received during the year.

In the general accident and miscellaneous account, the fund brought forward was £126,600, and after transferring £10,000 to profit and loss account there remained a fund of £120,945, which was 165.3 per cent. of the premium income, compared with a fund of 161.3 per cent. brought into the account.

With regard to the marine account, the income showed no material alteration, but claims showed the unfavourable trend of marine business. Competition had developed to such an extent that concessions in hull conditions and reductions in rates had brought the business of marine underwriting to an uneconomic level.

The situation had been partly remedied by the procedure adopted in 1937, and he was glad to say that that improvement had been maintained and was reflected in the more favourable outlook for the marine account in their 1938 underwriting. Cargo business is not satisfactory under the present conditions, and cannot show any real improvement until world trading becomes more settled.

As to the profit and loss account, after paying sundry charges and reserving £10,000 for Government taxation, there remained a balance of £175,987, from which the directors recommended a dividend of 7½ per cent., free of income tax, on the paid-up capital of the company.

With regard to the balance sheet, the investments were shown at cost or under and their market value at December 31, 1938, was slightly below the book value, but they had an investment reserve fund of £50,000.

The report was unanimously adopted.

SAN PAULO (BRAZILIAN) RAILWAY COMPANY, LIMITED

RECORD TRAFFIC RECEIPTS

The ordinary general meeting of the San Paulo (Brazilian) Railway Company, Limited, was held, on the 25th instant, in London.

Mr Oliver R. H. Bury, M.I.C.E. (the chairman), said that the results for the year might, he thought, on the whole be regarded as satisfactory, showing as they did a small, though progressive, increase in the traffic receipts of the railway. The figures for passengers and goods were in excess of any previous year. The net profit, after deduction of London office expenses, interest on shares and pension fund Brazil, amounted to £344,427, compared with £410,637 in 1937, and it was proposed to pay a dividend of 2 per cent., free of income tax, on the ordinary stock.

All through the year they were working under the conditions of a strict control of exchange imposed by Decree Law of December, 1937, and it had only been possible for the authorities to sanction exchange in respect of imports. The position had recently been modified to some extent by the Decree published on April 10th. It appeared that 30 per cent. of all export bills were to be sold to the Bank of Brazil at the official rate, which would be fixed daily, giving authority for purchase of importation bills in the free market. Other remittances could be bought only through the Bank of Brazil, so the remittance of profits and other funds would still remain subject to the control.

Growing expenditure, coupled with further depreciation of exchange, had rendered it necessary to approach the Minister of Transport to increase their rates, particularly in those categories where the currency rate was below the actual cost of transportation, which categories formed a large and growing proportion of the total tonnage transported. A Commission had been appointed to investigate their appeal. It was still a cardinal feature of their working, as it was during 1938 and 1937, that they were carrying goods at unremunerative prices in several of the lower classifications.

With regard to the current year, it was reasonable to expect that the aggregate tonnage would equal that of last year, though it was possible that the yield in gross receipts might fall short of last year by 5 to 10 per cent.

The report and accounts were unanimously adopted.

ARMY & NAVY STORES, LIMITED

DIVIDEND OF 12½ PER CENT.

The annual general meeting of the Army and Navy Stores, Limited was held, on the 26th instant, in London.

Brigadier-General Sir Frederick Gascoigne, K.C.V.O., C.M.G., D.S.O. (chairman and managing director), in the course of his speech, said that when they met last year he warned the shareholders that the new year had not commenced in a promising way and they would not be surprised to hear that conditions did not improve. On the contrary, they got worse, culminating in the September crisis, and although the immediate danger was surmounted by the then efforts of the Prime Minister, a severe shock was dealt to trade and a feeling of insecurity persisted in the minds of many.

Furthermore, these stores, dependent to a large extent on the custom of those with more or less fixed incomes, were particularly sensitive to factors affecting those incomes, whether it be by way of increased income-tax or reduced dividends, or both. The consequent result was a drop in turnover, reflected in the reduced gross profit from the trading and miscellaneous accounts, which was down by £65,788. In view of the progressively good results of the past few years, it was a great disappointment to the directors that conditions over which they had no control should have called a halt to this steady progress. But it was gratifying that, owing to the economies that it had been possible to effect during the year, the net profit was down by only £47,378.

These economies had resulted from the regrouping of departments and offices made possible by those structural alterations that had already been completed and by other reorganisations which would have their full effect in due course, and augured well for the days to come when trade revived.

SOUND DIVIDEND POLICY

Though the times were bad no departure had been made from the usual generous provisions for depreciation. The liquid assets totalled £1,824,941 and the fixed assets totalled £1,431,579, so that together the total assets amounted to £3,256,521. In view of the reduced profit it would be agreed, he thought, that the board would not have been right to recommend the payment of the 2½ per cent. bonus which had obtained for the past two years, but they had felt justified in recommending a final dividend of 10d. per share, which, with the interim of 5d., would make a total of 1s. 3d. per share, or 12½ per cent., the same as last year, less the bonus.

Trade in India did not become easier as time went on, but they were holding their own and watching things closely. He was able to approve certain measures for bringing up to date their buildings in Bombay and Calcutta, and he received many appreciative comments from the inhabitants of both places—and also New Delhi—as to the useful service provided by the stores.

With regard to London, last year he detailed the plans they had in view for the partial rebuilding and rearrangement of departments. Those plans were being carried through according to time table, and the rebuilding of Howick Place, which he referred to last year as the biggest operation, would, they hoped, be finished before the Christmas trade began this year, and the three bridges would all be in use again. When completed the lay-out of the departments would be much more logical and convenient, and everyone would be able to find their way about with the greatest ease.

THE FUTURE

As to the outlook for the coming year, who would be so bold as to prophesy? So much depended on the turn international affairs took. They could only hope that the clouds would disperse and, being an optimist, he continued to hope with some confidence that this would be soon. If it did their company would be ready to receive and cope with its full share of the resultant improved trade. If trade did not improve they had the satisfaction of knowing that, so far as lay in their power, the society had been placed in a sound and economic position. The times were not normal, and it would be unprofitable for him to say much more. They did not know what problems there might be, and he could only ask the shareholders to rely on them to deal with those problems as they arose to the best of their ability. Meantime shareholders could help by obtaining all their requirements from the society and telling their friends to do the same.

As a final word, he would call to their minds that, as was so often the case, their meeting took place at Budget time. Onerous as was the prevailing taxation, they had got to pay the price of peace, and he felt sure that they were all prepared and willing to shoulder the extra burdens to preserve their independence and be in a position to help towards the maintenance of the peace of the world.

The report and accounts were unanimously adopted.

ORIENTAL TELEPHONE AND ELECTRIC COMPANY, LIMITED

INCREASED NET REVENUE

The forty-fifth ordinary general meeting of the Oriental Telephone and Electric Company, Limited, was held, on the 25th instant, at the Great Eastern Hotel, London, E.C.

Sir A. Henry McMahon, G.C.M.G., G.C.V.O., K.C.I.E., C.S.I. (chairman of the company) said: The results of the year's working show an increase in the net revenue from £114,147 to £117,731, and with the carry-forward from last year added, there is a balance of £145,576 available for disposal, after payment of the usual interim dividends, compared with £138,505 in 1937. Out of this we propose to pay final dividends for the year of 3½ per cent., less tax, on the preference shares and 8 per cent., free of tax, on the ordinary shares, which will absorb £52,223; to place £20,000 to general reserve; £10,000 to contingencies reserve; and to carry forward £63,353.

The costs of exchanges and equipment, as well as land and buildings, are both reduced this year in consequence of the sale of the Mauritius undertaking. Shares and debentures in subsidiary and associated companies have been increased in consequence of an addition to our holding in the Bombay Telephone Company, Limited. That company made an issue of shares at par, at the latter part of last year, and your company took up its due proportion.

I come now to the profit and loss account. On the credit side, profit on the working of branches shows an increase of some £7,000, whilst dividends and interest from subsidiary and associated companies is up by about £5,000. Income tax and National Defence Contribution together show an increase of nearly £4,000. This is partly due to the increase in the profits brought into assessment to income tax, as well as to the rise in the rate of tax and also to the fact that National Defence Contribution is chargeable on a full year's profits for 1938, instead of nine months only as in 1937.

SINGAPORE AND MAURITIUS

Singapore has shown a moderate increase this year and the number of subscribers has passed the peak which was reached in the year prior to the financial depression. The Government of the Straits Settlements has been unable to agree to the company's proposals for the introduction of a message rate system of charging. Your directors regret that an agreement could not be reached on this question, but they have since given the matter full consideration and, as the ground lost between the years 1929-1937 has been recovered, they have decided to introduce a modification in rates at an early date, which will result in a considerable reduction in revenue.

With regard to Mauritius the undertaking there was transferred to the Government on July 1 last. This branch has been worked at a loss for some years past and, with the transfer of the business, this charge will no longer have to be borne. The price which the Government of Mauritius offered for the undertaking was rather less than the figure which the board had hoped might be received for the plant and property, but, having regard to all the circumstances, your directors considered it would be in the interests of the company to accept the Government's offer.

INDIA, BURMA AND HONG KONG

I will now deal with our subsidiary and associated companies, and I will refer first of all to those in India and Burma, viz., the Bengal Telephone Corporation, the Madras Telephone Company, the Bombay Telephone Company, and the Rangoon Telephone Company. These companies have all paid their customary dividends and, whilst development has not been so great in 1938, in every instance, as in 1937, I think you will agree the increase in the number of exchange lines during the past year is very satisfactory.

With regard to the China and Japan Telephone Company and the Hong Kong Telephone Company, the latter has made distributions for the year amounting to 12 per cent., which has enabled the China Company to pay a dividend of 6 per cent. These rates are the same as those distributed in recent years. As to the growth of business in Hong Kong and Kowloon, this has continued at an even greater rate in 1938 than in the previous year, but this increase is abnormal and may not be expected to continue. It is due to the influx of Chinese business men and others into British colonial territory, owing to the unfortunate circumstances now prevailing in China.

The report and accounts were unanimously adopted.

BRITISH TIMKEN, LIMITED

BASIS OF BUSINESS BROADENED

The nineteenth ordinary general meeting of British Timken, Limited, was held, on the 21st instant, at Birmingham.

Mr M. B. U. Dewar (the chairman) said that two years ago he had informed shareholders that their factory was essentially a mass-production factory of a highly specialised kind, and as such a comparatively small fall in their turnover could have quite a large effect on the profits. Unfortunately, although they had been fully employed during the first few months of the year under review, the last half of the year had been one of continually decreasing demand. This company was a large supplier of bearings to the motor-car and commercial vehicle industry. Shareholders had probably seen from the registration figures published every month that registrations of motor cars and commercial vehicles for 1938 showed a reduction of over 10 per cent. on those of the previous year. That fall had had a material effect on the company's profit figures, and, taken in conjunction with the rise in cost of wages and raw materials in 1937, the full effect of which had been felt in 1938, accounted for the fall in their total profits.

BEARINGS FOR RAILWAYS

The board had, for the past few years, been taking all possible steps to increase the sales of the company's products in industries other than the automobile industry, and he was glad to say that they were meeting with considerable success, particularly as regards the supply of bearings for railway axle boxes and for rolling mills. Apart from the automobile trade, the company was a large supplier of bearings to almost every type of engineering industry as well as to the railways of this and other countries, and their efforts to develop and increase those sides of their business continued to meet with encouraging results.

During the past two years the railway side of their business—the supply of bearings for locomotive, carriage and wagon axle boxes—had been showing a steady increase, and the results which they had obtained gave them every reason for confidence that they would continue to enjoy a fair share of such business.

In January and February of the current year he had been able to pay a visit to South Africa, in which country their bearings were largely used in various types of mining equipment and on the South African railways, and it was interesting to note that there were now 294 locomotives running on the South African railways equipped with the company's bearings on the axles. In had been particularly pleasing to him to receive in South Africa excellent reports of the company's products.

In these days, when increasing attention was constantly being drawn to the necessity of maintaining this country's export trade, it would be interesting for shareholders to hear that no less than 30 per cent. of the company's turnover during 1938 had been for export, and, although he could not necessarily promise that that percentage would be maintained, it nevertheless did give an indication of the efforts that the company had made, and was making, to maintain and develop that most important part of their business.

THE OUTLOOK

As regarded prospects for the coming year, it was impossible to be other than extremely cautious in any forecasts. Nevertheless, for the first quarter of the year the sales of their products had been well maintained, particularly for the motor-car trade, and they could add their contribution to the almost general impression that, should the European political situation improve, there was every indication of a strong revival in trade. They naturally had in hand a considerable amount of work which could be classed as armament work, and, having regard to the importance of roller-bearing and ball-bearing production in times of danger, he was sure shareholders would wish him to tell them that they were not unmindful of their responsibilities in the direction of their employees and of their works.

Before closing his remarks, he must refer to the resignation of Mr Dallow, who, for the last twelve years, had been resident director and general manager. He had had the closest daily association with Mr Dallow for the past fifteen years, and he could assure shareholders that no little of the success that the company had achieved was due to Mr Dallow's genius for works organisation and statistical analysis, which in his (the chairman's) opinion, and in that of many others more competent to judge, was unsurpassed. It was with feelings of very deep regret that they wished him to-day "Good-bye" as far as their business association was concerned, and on behalf of the shareholders and themselves he would like to wish him a long life to enjoy his well-earned leisure.

The report and accounts were unanimously adopted.

GORDON HOTELS, LIMITED

MAJ.-GEN. GUY DAWNAY'S REVIEW

The forty-ninth ordinary general meeting of the Gordon Hotels, Limited, was held, on the 25th instant, at the May Fair Hotel, London, W.

Major-General Guy Dawnay, C.B., C.M.G., D.S.O., the chairman, in the course of his speech, said: The profit and loss account for the year, as you will see, stands at £27,785, as compared with £44,300 the preceding year.

The very depressed conditions under which the hotel business operated during last year are reflected by a reduction of no less than £144,000 in business done, a reduction of 15½ per cent.

The general conditions prevailing in the hotel industry throughout the year were uniformly adverse. The political situation became threatening very early in the year, eventuating in the Austrian crisis in March, which dealt the first very rude shock to the business. Then in May again there was apprehension of a European crisis, which caused a further decline in business, practically checking any influx of overseas visitors, and preventing any American season at which I have ever seen in this business. Our seaside hotels also suffered owing to the fact that depreciated foreign currencies attracted many potential clients abroad.

Our fall in apartments' receipts has been highest at the May Fair—nearly 30 per cent.—bearing out the general experience that the higher the class of hotel the greater the fall. At the Victoria and the Grosvenor the fall in apartments' receipts was 18 per cent. and 19 per cent. respectively, and at Brighton only 13 per cent. For the group as a whole the fall was 22 per cent.—a clear indication of the effect of the European situation, the fears of taxation, and the fall in Stock Exchange values—curtailing and rendering difficult hotel business.

You will hardly be surprised to hear that in the current year up to date there has been no improvement. So long as the European situation remains in its present state of constant tension, it is obviously impossible for me to hold out hopes of improvement in the prospects of the hotel business.

So far as our foreign hotels are concerned, they have rather more than maintained their profit.

IMPROVEMENTS TO HOTELS

In our report this year we have made special mention of the standard of maintenance of the company's properties, since we believe that this is one matter in which we have some real cause for satisfaction. Although our repairs and maintenance account for the year under review actually shows a decrease of over £8,600, the properties have been more than adequately maintained, and they are in better and more efficient condition than they have been for many years. In so far as the May Fair Hotel is concerned, the Lansdowne and Devonshire Rooms have been modernised and redecorated and have been provided with a new access, making these rooms one of the most up-to-date small banqueting suites in London.

At the Victoria Hotel the Grand Hall Restaurant has been renovated and is the subject of highly favourable comment from our clients. The same remark is applicable to the restaurant at the Grosvenor Hotel. So far as the seaside hotels go, I need only mention that we have completed the programme at the Hotel Metro-

pole at Brighton begun a few years ago, which has practically renewed the hotel throughout. Finally, at Monte Carlo we have installed additional bathrooms and couriers' rooms, which have proved a source of increased revenue to the hotel and are much appreciated by our clients.

VALUABLE PROPERTIES

I think it is abundantly clear, and I believe you will agree with me that, in the circumstances of the period through which we have passed and are passing, the results of the year under review do not reflect, and could not have reflected, the true earning power of those properties. The properties are valuable, and have a much greater earning power in anything like normal times than that shown in the accounts before you.

In conclusion, the chairman, referring to night club and bottle party competition, said: It is encouraging to note that the Home Secretary has said in the House of Commons that the Government is convinced that some amendment to the existing law is necessary; and that he held out hopes of the introduction of legislation to deal with the evils from which we suffer.

The report and accounts were unanimously adopted.

OXENDALE AND COMPANY (PROPRIETORS), LIMITED

EFFECT OF POLITICAL CONDITIONS

The annual general meeting of Oxendale and Company (Proprietors), Limited, was held, on the 25th instant, at Winchester House, Old Broad Street, London.

Mr A. Stanley Smith (the chairman) said that a year ago they were able to congratulate themselves on the steady and continued improvement in the trading profits of the operating company, which had advanced from £19,881 in 1931-32 to £53,937 in 1937-38.

It was therefore not altogether surprising that the net result of the year's trading should show a decline: Indeed, to many the surprise would be that the decline was so small. The combined turnover of Oxendale and Company, Limited, and its subsidiaries was little more than half of one per cent. short of the previous year's record. The reduction in the net profit was accounted for by the expenditure incurred in carrying out the policy of vigorous development.

With regard to the accounts of the operating company, the profit on trading, £47,194, showed a reduction of about 7.3 per cent. The net profit was £31,374, against £35,411. The reserve now stood at £71,000. As a result of the relaxation of prices a year ago they had been able to reduce their stocks in hand to £48,028 and in this connection he would like to pay a tribute to their staff of buyers who, by their foresight and careful management, had contributed greatly to their success. The accounts of Oxendale and Company (Proprietors), Limited, showed a net profit of £27,874, and after payment of the dividend on the 10 per cent. preferred ordinary shares it was proposed to pay a dividend on the deferred shares at the rate of 12½ per cent. per annum, less tax. The warrants for the dividend on the deferred shares would be sent out to the shareholders on May 16th.

It would be gathered that the company's business was flourishing. During a difficult year it had substantially maintained its volume of trade and had actually recorded a larger number of transactions than ever before. It was their endeavour to increase the number of their customers and extend the range of their activities while ensuring the stability of their finances.

The report was unanimously adopted.

(Continued from page 272)

of exchange amounts to £775,000, and is more than sufficient to provide for the difference between the book values of current assets (including investments) and liabilities and their market values at rates of exchange current on December 31, 1938. General reserve fund remains at £2 millions, and the profit and loss balance, after payment of the final dividend, is £828,000. British Government securities amount to £1,553,000 against £1,514,000, and Colonial and Foreign Government securities increased from £3,427,000 to £4,070,000. Debentures were reduced by £25,000 to £3,708,000, and preference shares increased by £165,000 to

£1,846,000. The dividend is at the same rate as in 1937, namely 70 per cent., and costs £255,000, compared with available interest earnings of £281,000.

	1937	% of Profit	1938	% of Profit
	£	Pre-miums	£	Pre-miums
Fire	115,841	11.7	85,003	8.7
Accident	4,815	21.6	2,110	8.7
Employers' liability ..	1,149	1.9	3,174	4.8
Miscellaneous ..	25,164	10.4	34,444	13.0
Marine	170,660	...	...	...
Life	265,003	...	49,567	...
Charges to profit and loss	73,772	...	116,959	...
	191,231	...	Dr 66,564	...

Total assets amount to £17,331,000. Loans amount to £1,477,000, against

£1,544,000, and British Government securities increased from £2,507,000 to £2,661,000. Colonial and Foreign Government securities also showed some increase to £3,049,000. Debenture stocks fell from £3,513,000 to £3,364,000, while preference and ordinary stocks increased by £155,000 and £92,000 to £3,096,000 and £391,000 respectively. General reserve and contingency funds amount to £600,000, and in the fire and miscellaneous departments, in addition to reserves for unexpired risks, there are reserves of £900,000 and £100,000 respectively. The dividend is 65 per cent., and costs £141,000, compared with interest earnings of £134,000.

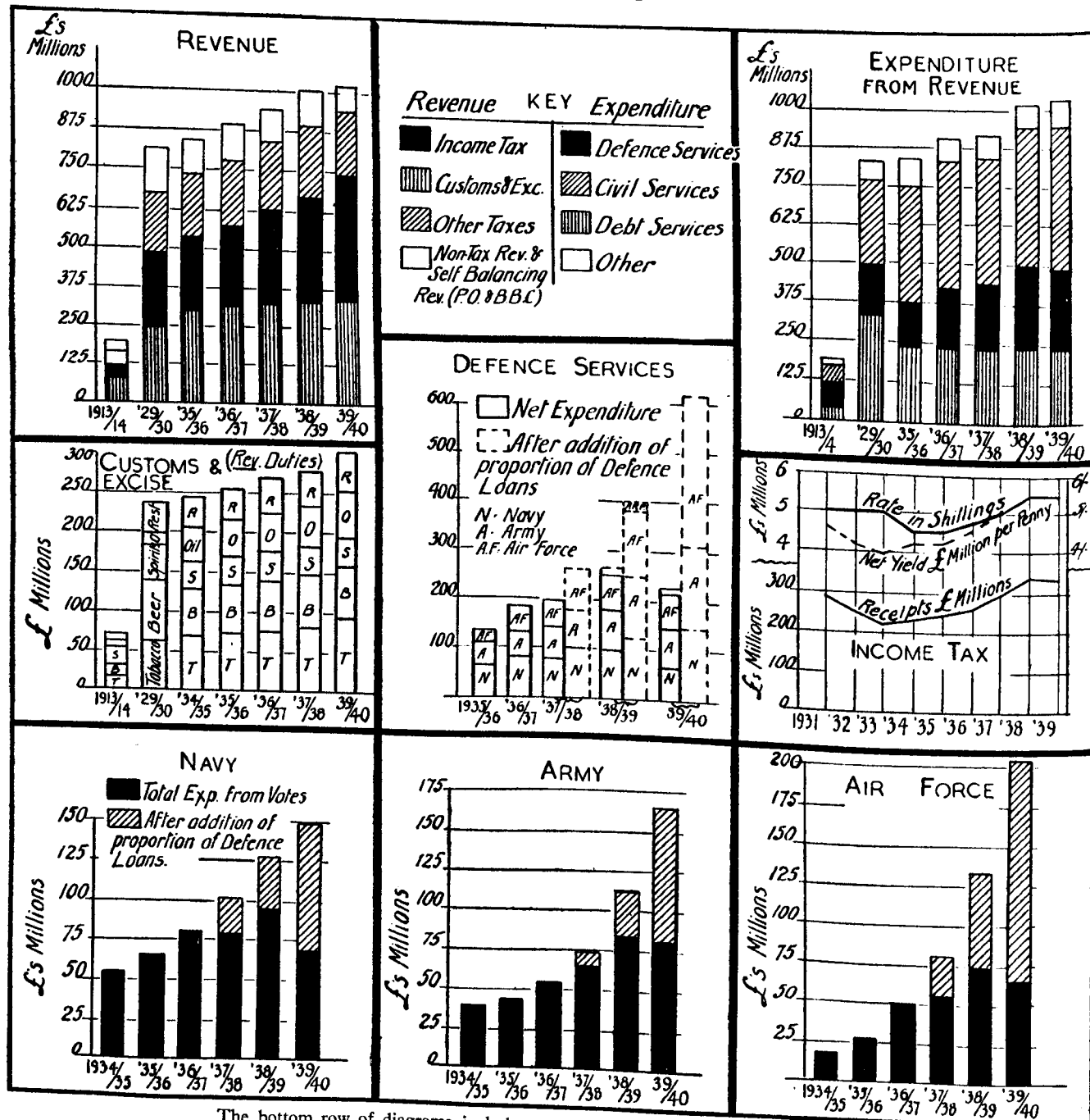
CURRENT STATISTICS

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The Budget



The bottom row of diagrams includes no provision for Supplementary Estimates.

Finance

GOVERNMENT RETURNS

For the week ended April 22, 1939, total ordinary revenue was £17,027,000, against ordinary expenditure of £14,398,000, and £70,000 issued to sinking funds. Thus, including sinking fund allocations, the deficit accrued since April 1, 1939, is £16,099,000, against £9,394,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	Apr. 1, 1938, to Apr. 23, 1938	Apr. 1, 1939, to Apr. 22, 1939	Week ended Apr. 23, 1938	Week ended Apr. 22, 1939
ORDINARY REVENUE				
Income Tax	7,291	8,051	47	11
Sur-tax	2,870	2,980	400	540
Estate, etc., Duties	4,410	4,280	1,020	1,480
Stamps	450	690	150	390
Nat. Defence Cont.	420	1,160	120	370
Other Inland Rev.	40	100	...	...
Total Inland Rev.	15,511	17,261	1,737	2,791
Customs	12,944	14,417	3,670	5,914
Excise	8,100	8,700	6,000	6,790
Total Customs and Excise	21,044	23,117	9,670	12,704
Motor duties	2,559	2,517	...	...
P.O. (Net Receipt)	2,100	1,700	1,700	1,200
Crown Lands	150	...	150	...
Receipts from Sundry Loans	61	55	3	...
Misc. receipts	676	370	334	332
Total Ordinary Rev.	42,101	45,020	13,594	17,027
SELF-BAL. REVENUE				
P.O. and Broadcasting	3,200	2,900	900	800
Total	45,301	47,920	14,494	17,827
Issues out of the Exchequer to meet payments (£ thousands)				
Expenditure	Apr. 1, 1938, to Apr. 23, 1938	Apr. 1, 1939, to Apr. 22, 1939	Week ended Apr. 23, 1938	Week ended Apr. 22, 1939
ORDINARY EXPENDITURE				
Interest & Management of National Debt	23,213	23,385	1,076	1,008
Other Consol. Fund Services	277	279	...	...
Total	23,490	23,664	1,076	1,008
Supply Services	27,700	37,140	8,000	13,390
Total Ord. Expend.	51,190	60,804	9,076	14,398
Sinking Funds	305	315	70	70
SELF-BALANCING EXPENDITURE				
P.O. and Broadcasting	3,200	2,900	900	800
Votes	...	...	...	...
Total	54,695	64,019	10,046	15,268

After raising Exchequer balances by £18,119 to £2,622,821, the other operations for the week (as shown below) reduced the gross National Debt by £2,541,000 to about £8,304 millions (after deducting £13,219,000 issued to sinking funds in 1938-39, but before allowing for issues to sinking funds since April 1, 1939).

WEEK'S CHANGES IN DEBT

(£ thousands)		(£ thousands)	
NET INCREASE	3,650	NET REPAYMENTS, ETC.	6,191
Public Dept. Adv.	3,650	Treasury Bills	5,716
		Nat. Savings Certs.	100
		P.O. and Teleg.	350
		N. At. Shipping	25

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to April 22, 1939, are shown below:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	60,804	Ordinary Rev.	45,020
Inc. in balances	123	Gross borr.	16,222
		Sinking Funds	315
		Net borrowing	15,907
	60,927		60,927

FLOATING DEBT

(£ millions)		(£ millions)	
Date	Treasury Bills	Ways and Means Advances	Total Floating Debt
1938			
Apr. 23	532.0	27.2	559.2
Dec. 31	488.0	45.8	533.8
1939			
Jan. 7	474.0	524.5	998.5
" 14	449.0	525.5	974.5
" 21	426.0	524.1	950.1
" 28	411.0	517.8	928.8
Feb. 4	396.0	520.1	916.1
" 11	381.0	502.4	883.4
" 18	366.0	498.6	864.6
" 25	351.0	500.0	851.0
Mar. 4	346.0	509.8	855.8
" 11	351.0	503.2	854.2
" 18	356.0	505.7	861.7
" 25	366.0	502.2	868.2
" 31	392.4*	27.9	420.3
Apr. 8	387.0	510.8	907.8
" 15	394.0	511.7	905.7
" 22	402.0	498.0	900.0

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

TREASURY BILLS

(£ millions)		(£ millions)	
Date of Tender	Amount	Average Rate	Per Cent. Allotted at minimum Rate
1938			
Apr. 22	45.0	88.5	10 2.95
Dec. 30	35.0	74.1	13 8.88
1939			
Jan. 6	25.0	60.3	11 0.08
" 13	25.0	65.1	10 8.09
" 20	25.0	67.8	10 3.54
" 27	20.0	63.4	10 5.04
Feb. 3	20.0	67.6	10 4.76
" 10	20.0	71.2	10 1.41
" 17	20.0	70.1	10 0.64
" 24	30.0	72.6	10 1.33
Mar. 3	40.0	83.8	10 0.48
" 10	40.0	81.3	10 1.01
" 17	40.0	73.8	10 1.32
" 24	45.0	57.9	14 7.41
" 31	45.0	55.8	14 2.72
Apr. 6	35.0	58.0	12 2.83
" 14	30.0	51.3	10 3.27
" 21	30.0	66.0	10 10.35

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 April 21st applications at £99 13s. 3d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 26 per cent. and applications at higher prices in full. £30.0 millions of Treasury bills are being offered on April 28th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
Fourteen weeks to —		
April 9, 1938	9,790,446	7,342,834
April 9, 1939	9,054,749	6,791,062
Week to —		
April 9, 1938	732,781	549,586
† April 8, 1939	589,412	442,059

† 5 days only.

BANK OF ENGLAND RETURNS

APRIL 26, 1939

ISSUE DEPARTMENT

(£ thousands)		(£ thousands)	
Notes Issued:		Govt. Debt:	11,015,100
In Circulation	489,079,954	Other Govt. Securities	287,468,938
In Banking	37,080,051	Other Secs.	676,304
Dept.		Silver Coin	839,658
		Amt. of Fid. Issue	300,000,000
		Gold Coin & Bullion	226,160,005
		(at 148s. 6d. per oz. fine)	
	526,160,005		526,160,005

BANKING DEPARTMENT

(£ thousands)		(£ thousands)	
Props. capital	14,553,000	Govt. Secs.	107,156,164
Rest	3,155,880	Other Secs.	6,171,403
Public Depts.*	26,956,846	Discs., etc.	22,343,415
Other Depts.:		Securities	
Bankers	91,424,789	Notes	28,514,818
Other	37,589,358	Gold & Silver Coin	928,880
	129,014,187		
			173,679,913

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

THE WEEK'S CHANGES

(£ thousands)		Compared with	
Both Departments	Amt. Apr. 26, 1939	Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	489,080	+ 4,076	+ 182
Deposits: Public	26,957	+ 4,828	+ 16,067
Bankers	91,425	+ 5,048	+ 21,863
Others	37,589	+ 1,241	+ 1,077
Total outside liabilities	645,051	+ 2,615	+ 4,901
Capital and rest	17,709	+ 23	+ 2
COMBINED ASSETS			
Govt. debt and securities	405,640	+ 5,186	+ 92,026
Discounts and advances	6,171	+ 571	+ 892
Other securities	23,020	+ 1,913	+ 3,267
Silver coin in issue dept.	840	+ 25	+ 831
Gold coin and bullion	227,089	+ 90	+ 100,134
RESERVE			
Res. of notes & coin in banking department	38,009	+ 4,166	+ 48
Proportion of reserve to outside liabilities—			
(a) Bankg. dept. only ("proportion")	24.3%	+ 2.4%	+ 0.6%
(b) Gold stocks to deposits and notes ("reserve ratio")	35.2%	+ 0.2%	+ 15.1%

† Revalued from Mar. 1, 1939, in accordance with the Currency and Bank Notes Act, 1939.

COMPARATIVE ANALYSIS*

(£ millions)		1939				
	1938	Apr. 27	Apr. 5	Apr. 12	Apr. 19	Apr. 26
Issue Dept.:						
Notes in circ.	489.3	491.5	489.7	485.0	489.1	
Notes in banking dept.	37.1	34.7	36.5	41.2	37.1	
Govt. debt and securities	199.6	299.1	298.9	298.5	298.5	
Other secss.	0.4	0.1	0.3	0.7	0.7	
Silver coin	0.0	0.8	0.8	0.8	0.8	
Gold, valued at s. per f. oz.	326.4	226.2	226.2	226.2	226.2	
Deposits:						
Public	10.9	16.0	17.7	22.1	27.0	
Bankers	113.3	91.9	97.7	96.5	91.4	
Others	36.5	40.5	40.9	38.8	37.6	
Total	160.7	148.4	156.3	157.4	156.0	
Bkg. Dept. Secs.						
Government	114.0	100.4	108.7	102.0	107.2	
Discounts, etc.	7.1	8.5	6.3	6.7	6.2	
Other	19.4	21.5	21.5	24.2	22.3	
Total	140.5	130.4	136.5	132.9	135.7	
Banking dept. reserve	38.0	35.8	37.5	42.2	38.0	
"Proportion"	23.6	24.1	24.0	26.7	24.3	
Reserve ratio	50.4	35.6	35.2	35.4	35.2	

* 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. Returns of April 8th: Danzig, Denmark, Greece, of April 15th; Australia, Bulgaria, Estonia, Finland, International Settlements, Japan, Latvia, New Zealand, South Africa, and Sweden, of April 22nd.

U.S. FEDERAL RESERVE BANKS

Million \$'s				
12 U.S.F.R. BANKS	Apr. 27, 1939	Mar. 30, 1939	Apr. 20, 1939	Apr. 27, 1939
Gold certifi. on hand and due from Treas.	10,642	12,424	12,877	13,031
Total reserves	11,103	12,837	13,267	13,429
Total cash reserves	482	404	381	382
Total bills discounted	9	3	3	3
Bills bt. in open mkt.	1	1	1	1
Total bills on hand	9	4	3	4
Industrial advances	17	14	13	13
Total U.S. Govt. secs.	2,564	2,564	2,564	2,564
Total bills and secs.	2,590	2,582	2,581	2,581
Total resources	14,327	16,111	16,632	16,697
LIABILITIES				
F.R. notes in circ.	4,120	4,345	4,418	4,433
Aggregate of excess m. bank res. over reqts.	2,580	3,520	4,000	4,120
Deposits — Member bank reserve account	7,661	9,125	9,743	9,903
Govt. deposits	1,321	1,201	951	913
Total deposits	9,326	10,831	11,202	11,332
Cap. paid in and surplus	309	311	311	311
Total liabilities	14,327	16,111	16,632	16,697
Reserve to depts. and F.R. notes	82.6%	84.6%	84.9%	85.1%
U.S.F.R. BANKS AND TREASURY COMBINED				
Resources				
Monetary gold stock	12,860	15,160	15,605	15,714
Treasury and Nat. Bk. currency	2,690	2,837	2,844	2,849
LIABILITIES				
Money in circulation	6,355	6,765	6,858	6,860
Treasury cash and deposits with F.R. Bks.	3,513	3,923	3,674	3,606

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

Assets	Apr. 27, 1939	Mar. 30, 1939	Apr. 20, 1939	Apr. 27, 1939
Total gold reserves	4718.3	5789.0	6245.4	6355.1
Total bills discounted	2.3	1.1	0.6	0.6
Bills bt. in open mkt.	0.2	0.2	0.2	0.2
Total U.S. Govt. secs.	745.8	724.6	721.9	721.9
Total bills and securities	752.9	729.8	726.2	726.2
Deposits — Member bank reserve account	3636.5	4921.3	5287.2	5390.7
Reserve to depts. and F.R. notes	87.7%	90.1%	90.7%	90.9%

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

Assets	Apr. 13, 1939	Mar. 15, 1939	Apr. 5, 1939	Apr. 12, 1939
Loans, total	8,567	8,281	8,164	8,120
Investments	12,227	13,541	13,470	13,571
Reserve with Federal Reserve banks	5,813	7,464	7,668	7,866
Due from domestic bks.	2,051	2,659	2,615	2,612
LIABILITIES				
Deposits: demand	14,425	16,143	16,072	16,388
Time	5,218	5,198	5,215	5,212
U.S. Government	627	633	629	629
Inter-bank	5,598	6,657	6,615	6,577

BANK OF FRANCE.—Million francs

Assets	Apr. 21, 1939	Mar. 23, 1939	Apr. 13, 1939	Apr. 20, 1939
Gold*	55,807	87,266	87,266	92,266
Bills: Commercial	10,889	10,453	10,295	10,583
Bought abroad	790	726	726	726
Advances on securities	3,660	3,332	3,436	3,369
Thirty-day advances	718	203	1415	302
Loans to State without interest: (a) general	2,300	10,000	10,000	10,000
(b) provisional	40,134	20,627	20,576	20,577
Negotiable bonds				
Sinking Fund Dept.	5,575	5,470	5,470	5,470
Other assets	4,055	4,315	4,422	4,235
LIABILITIES				
Notes in circulation	97,258	115,922	122,100	123,064
Deposits: Public	3,175	4,736	3,721	3,767
Private	20,945	18,890	14,039	17,849
Other liabilities	3,450	2,845	2,748	2,848
Gold to sight liabilities	45.9%	62.5%	62.4%	63.7%

* Revalued Nov. 17, 1938, at 271g milligrams.
† Amended figure.

REICHSBANK

Assets	Apr. 23, 1939	Mar. 23, 1939	Apr. 15, 1939	Apr. 22, 1939
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	5.4	6.0	5.9	6.1
Bills and cheques	5067.8	6992.4	7429.3	6948.5
Silver and other coins	242.7	233.9	185.3	201.1
Advances	417.3	37.0	34.9	35.9
Secs.: for note cover	417.3	677.2	668.1	668.1
Others	1640.6	1303.4	1334.0	1476.3
LIABILITIES				
Notes in circulation	5283.3	7463.7	7785.8	7649.4
Other daily maturing obligations	1318.2	2101.4	2112.6	4104.6
Other liabilities	220.5	469.4	552.4	553.8
Cover of note circulatn.	11.44%	1.03%	0.98%	11.00%

NATIONAL BANK OF BELGIUM

Assets	Apr. 21, 1939	Mar. 23, 1939	Apr. 15, 1939	Apr. 22, 1939
Gold	3,126	3,037	3,064	3,065
Silver and other coins	52	53	53	53
Foreign exchange, etc.	1,132	734	608	534
Bills and securities	570	689	793	937
Advances	37	86	155	132
LIABILITIES				
Notes in circulation	4,389	4,290	4,426	4,464
Deposits: Govt.	38	10	10	10
Other	403	233	147	153

BANK OF CANADA.—Million \$'s

Assets	Apr. 21, 1939	Mar. 23, 1939	Apr. 15, 1939	Apr. 22, 1939
Reserve, of which	203.7	238.5	237.6	239.9
Gold coin and bullion	180.7	202.1	206.4	206.2
Securities	172.6	156.9	160.8	164.0
LIABILITIES				
Note circulation	157.0	159.2	166.6	166.2
Deposits: Dom. Govt.	15.0	22.7	18.5	21.6
Chartered banks	197.9	204.1	202.5	202.2
Reserves to notes and deposit liabilities	54.7%	60.9%	60.1%	60.1%

NATIONAL BANK OF EGYPT

Assets	Mar. 31, 1939	Jan. 31, 1939	Feb. 28, 1939	Mar. 31, 1939
Gold	6.24	6.24	6.24	6.24
Brit. Govt. Secs.	13.35	13.35	12.96	13.66
Egyptian Govt. Secs.	1.50	1.50	1.50	1.50
Cash	1.91	3.14	2.89	2.09
Investments	23.42	14.76	14.32	13.89
Bills and Advances	6.27	9.52	8.59	7.80
LIABILITIES				
Notes issued	21.10	21.10	20.70	21.40
Deposits: Govt.	7.87	4.43	3.45	3.45
Other	19.06	17.04	16.12	15.60

NATIONAL BANK OF HUNGARY

Assets	Apr. 15, 1939	Mar. 15, 1939	Apr. 7, 1939	Apr. 15, 1939
Metal reserve:				
Gold coin and bullion	84.1	124.1	124.1	124.1
Foreign exchange	67.9	86.9	88.6	98.5
Int. bills, wts., & secs.	438.4	428.1	493.6	475.8
Advances to Treasury:				
Long term	118.5	200.0	199.6	199.6
Czech-Kr. exch.		76.0	80.8	98.2
LIABILITIES				
Notes in circulation	517.1	762.6	851.5	840.7
Current accounts, and sight liab.	247.2	212.4	196.5	196.2
Cash certificates	69.7	99.0	99.0	99.0

RESERVE BANK OF INDIA

Assets	Apr. 13, 1939	Mar. 17, 1939	Apr. 14, 1939	Apr. 14, 1939
Gold coin and bullion	444	444	444	444
Rupee coin	586	700	708	707
Balances abroad	53	152	108	117
Sterling securities	788	595	595	595
Indian Govt. rupee securities	324	323	323	323
Investments	71	66	66	66
LIABILITIES				
Notes in circn.: India	1,810	1,817	1,832	1,825
Burma	79	114	112	110
Deposits: Govts.	151	144	130	140
Banks	123	134	107	115
Gold and sterling liabilities	57.5%	50.4%	50.2%	50.2%

BANQUE MELLÉ IRAN

Assets	Mar. 6, 1939	Feb. 19, 1939	Mar. 6, 1939	Mar. 6, 1939
Gold	1938	1939	1939	1939
Silver	308.1	310.7	310.7	310.7
Discounts	405.7	405.8	405.8	405.8
Public departments	417.2	276.2	279.2	277.8
Other debit balances	683.2	751.1	742.9	747.6
LIABILITIES				
Notes in circulation	841.6	816.5	812.6	824.4
Public departments	507.6	451.9	449.3	587.7
Other credit balances	1034.1	1100.9	1125.7	1138.7

BANK OF JAVA.—Million florins

Assets	Apr. 23, 1939	Mar. 25, 1939	Apr. 15, 1939	Apr. 22, 1939
Gold and silver	136.37	138.79	137.23	137.37
Discounts, advances & other investments	75.56	73.41	74.64	75.62
Foreign bills	1.56	8.24	5.52	11.78
Other assets	60.58	61.58	79.97	68.16
LIABILITIES				
Notes in circulation	185.87	184.58	197.83	193.28
Deposits and bills	73.22	82.88	85.52	85.59

NATIONAL BANK OF JUGOSLAVIA

Assets	Apr. 15, 1939	Mar. 15, 1939	Apr. 15, 1939	Apr. 15, 1939
Cash reserve: Gold	1,801	1,915	1,916	1,916
Other foreign exchange	407	466	427	403
Discounts and advances	1,587	1,646	1,686	1,716
Government advances	2,240	2,229	2,229	2,229
LIABILITIES				
Notes in circulation	5,788	6,426	6,845	6,931
Sight liabilities	2,707	2,174	1,779	1,749

† Amended figure.

CENTRAL BANK OF ARGENTINA

Assets	Mar. 31, 1939	Feb. 28, 1939	Mar. 15, 1939	Mar. 20, 1939
Gold at home	1,314	1,224	1,224	1,224
Other gold & for. exch.	38	70	67	67
Non-int. Govt. bond	119	119	119	119
Treasury bonds	398	397	397	397
LIABILITIES				
Notes	1,139	1,146	1,133	1,129
Deposits: Government	108	138	169	176
Banks	331	436	365	394
Certs. of participation in Treasury bonds	306	160	138	109
Gold and for. exch. to note and sight liab.	85.5%	75.2%	77.3%	75.9%

BANK OF LITHUANIA.—Million litas

Assets	Apr. 15, 1939	Mar. 15, 1939	Mar. 15, 1939	Apr. 15, 1939
Gold	19.13	63.23	63.24	63.24
Silver and other coins	13.42	16.62	15.85	15.48
Discounts	98.56	93.98	102.43	110.39
Advances	17.52	20.55	20.72	20.88
LIABILITIES				
Bank notes in circulatn.	130.64	139.63	164.05	176.99
Current accounts	70.02	45.93	33.95	27.60
Deposits	6.60	12.39	6.26	6.96

NETHERLANDS BANK

Assets	Apr. 25, 1939	Mar. 27, 1939	Apr. 17, 1939	Apr. 24, 1939
Gold	1480.3	1335.0	1247.9	1226.1
Silver	17.6	24.9	19.8	19.8
Home bills, etc.	9.1	9.7	12.4	12.6
Foreign bills	5.4	2.7	2.7	2.7
Loans and advances in current account	320.6	200.9	213.2	212.7
LIABILITIES				
Notes in circulation	900.7	978.4	1040.8	1036.8
Deposits: (a) Govt.	106.4	41.3	12.9	8.4
(b) Other	844.6	572.9	461.5	448.0

BANK OF NORWAY

Assets	Apr. 22, 1939	Mar. 22, 1939	Apr. 15, 1939	Apr. 22, 1939
Coin and bullion (gold reserve)	133.9	147.7	147.7	147.7
Bal. abroad & for. bills	201.2	171.8	150.7	149.9
Funds provisionally in gold, not in gold res.	64.8	62.8	84.0	84.0
Norwegian and foreign Govt. securities	112.0	134.8	135.4	145.7
Discounts and loans	101.8	115.9	127.9	130.3
LIABILITIES				
Notes in circulation	440.4	438.8	458.6	459.1
Deposits at sight	139.0	170.0	164.6	175.6

BANK OF POLAND†

Assets	Apr. 20, 1939	Mar. 20, 1939	Apr. 10, 1939	Apr. 20, 1939
Gold	1938	1939	1939	1939
For. exch. and balances	439.0	447.0	447.7	443.0
Bills discounted	13.4	13.3	9.7	12.4
Loans against securities	585.9	754.4	470.8	473.9

EXCHANGE RATES—cont.

NEW YORK

New York on	Apr. 20, 1939	Apr. 21, 1939	Apr. 22, 1939	Apr. 23, 1939	Apr. 24, 1939	Apr. 25, 1939	Apr. 26, 1939
London:—							
60 days	467 ¹¹ / ₃₂	467 ¹¹ / ₃₂	467 ¹¹ / ₃₂	467 ¹¹ / ₃₂	467 ¹¹ / ₃₂	467 ¹¹ / ₃₂	467 ¹¹ / ₃₂
Cables	468 ¹¹ / ₃₂	468 ¹¹ / ₃₂	468 ¹¹ / ₃₂	468 ¹¹ / ₃₂	468 ¹¹ / ₃₂	468 ¹¹ / ₃₂	468 ¹¹ / ₃₂
Demand	467 ¹¹ / ₃₂	467 ¹¹ / ₃₂	467 ¹¹ / ₃₂	467 ¹¹ / ₃₂	467 ¹¹ / ₃₂	467 ¹¹ / ₃₂	467 ¹¹ / ₃₂
Paris, Fr.	2,641 ¹¹ / ₃₂	2,641 ¹¹ / ₃₂	2,641 ¹¹ / ₃₂	2,641 ¹¹ / ₃₂	2,641 ¹¹ / ₃₂	2,641 ¹¹ / ₃₂	2,641 ¹¹ / ₃₂
Brussels, Bel.	16,803 ¹¹ / ₃₂	16,803 ¹¹ / ₃₂	16,803 ¹¹ / ₃₂	16,803 ¹¹ / ₃₂	16,803 ¹¹ / ₃₂	16,803 ¹¹ / ₃₂	16,803 ¹¹ / ₃₂
Switzerland, Fr.	22,423 ¹¹ / ₃₂	22,423 ¹¹ / ₃₂	22,423 ¹¹ / ₃₂	22,423 ¹¹ / ₃₂	22,423 ¹¹ / ₃₂	22,423 ¹¹ / ₃₂	22,423 ¹¹ / ₃₂
Italy, Lira.	5,261 ¹¹ / ₃₂	5,261 ¹¹ / ₃₂	5,261 ¹¹ / ₃₂	5,261 ¹¹ / ₃₂	5,261 ¹¹ / ₃₂	5,261 ¹¹ / ₃₂	5,261 ¹¹ / ₃₂
Berlin, Mark	40,07	40,09	40,10	40,10	40,10	40,10	40,10
Amsterdam, Guilder	53,09	53,09	53,09	53,10	53,10	53,10	53,10
Copenhagen, Kr.	20,89 ¹¹ / ₃₂	20,89 ¹¹ / ₃₂	20,89 ¹¹ / ₃₂	20,89 ¹¹ / ₃₂	20,89 ¹¹ / ₃₂	20,89 ¹¹ / ₃₂	20,89 ¹¹ / ₃₂
Oslo, Kr.	23,52	23,52	23,52	23,52	23,52	23,52	23,52
Stockholm, Kr.	24,10 ¹¹ / ₃₂	24,10 ¹¹ / ₃₂	24,10 ¹¹ / ₃₂	24,10 ¹¹ / ₃₂	24,10 ¹¹ / ₃₂	24,10 ¹¹ / ₃₂	24,10 ¹¹ / ₃₂
Athens, Dr.	0,857 ¹¹ / ₃₂	0,857 ¹¹ / ₃₂	0,857 ¹¹ / ₃₂	0,857 ¹¹ / ₃₂	0,857 ¹¹ / ₃₂	0,857 ¹¹ / ₃₂	0,857 ¹¹ / ₃₂
Montreal, Can. \$	99,430	99,500	99,560	99,500	99,500	99,500	99,500
Yokohama, Yen	27,31	27,31	27,31	27,31	27,31	27,31	27,31
Shanghai, \$	16,18	16,18	16,18	16,18	16,18	16,18	16,18
B. Aires, Peso	29,03	29,03	29,03	29,03	29,03	29,03	29,03
Rio, Milreis†	5,50	5,50	5,50	5,50	5,50	5,50	5,50

Usance: T.T. † Official.

IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended April 27, 1939

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
GOLD					
British W. Africa	643,104	...	Eire	501,813	...
South Africa	1,427,053	...	Canada	6,131,533	43,862
S. Rhodesia	44,278	...	Sweden	58,585	19,210
Poland	46,100	...	Netherlands	10,853	54,540
Netherlands	3,211,683	63,941	France	26,026	30,631
Belgium	10,945,805	5,148	Syria	28,509,226	2,888
Switzerland	11,938,469	367,708	United States	...	...
Total*	28,310,418	436,797	Total*	35,274,729	393,195
SILVER					
Eire	...	63,300	British India	78,820	...
Gibraltar	...	4,500	Norway	2,959	...
S. Rhodesia	37	...	Denmark	1,900	...
Hong Kong	30,879	4,314	Germany	11,710	100
Belgium	19,565	...	France	2,890	...
Japan	139,189	...	Switzerland	35,805	...
France	7,793	24	United States	...	...
Total*	197,501	72,169	Total*	137,964	100

* Including other countries.

SHORTER COMMENTS

Company Results of the Week.

The experience of CHARRINGTON AND COMPANY has been more favourable than the majority of breweries, for net profits for 1938 are £826,497 against £762,883, and the dividend is raised from 15 per cent. to 17 per cent. In common with electricity companies as a whole, CALCUTTA ELECTRIC SUPPLY CORPORATION obtained a larger gross revenue, but coal costs increased and a larger charge for depreciation was necessary, so that net revenue fell from £508,774 to £495,572. The majority of rubber companies show a fall in net profits of one-half or more, while tea companies with a few exceptions, have experienced a setback, though of varying severity. CROSSE AND BLACKWELL again pay 2½ per cent., although net profits have fallen from £135,153 to £106,707. Sales were well maintained, but materials and labour cost more. Results of LILLEY AND SKINNER for the year to January 21st are satisfactory, for total profits of £69,097 are only £1,577 lower. HOPKINSONS, LTD., provide one of the best reports for the week, for net profits have increased to £165,310 against £127,834. Sales constituted a fresh record, and improved manufacturing efficiency kept price increases to a minimum. LONDON ELECTRIC WIRE COMPANY AND SMITHS report a decline in turnover, though their relative position in the trade has been maintained. Total profits of SIR LINDSAY PARKINSON AND COMPANY are £199,403 against £70,126, though profit on Government work has not exceeded 4 per cent. on cost. GARRARD ENGINEERING AND MANUFACTURING report that demand improved last year, and the dividend is increased from 20½ per cent. to 25 per cent. COURT LINE net profits have fallen heavily from £341,276 to £144,902, although the results were helped by favourable forward contracts arranged in 1937.

Courtaulds and British Celanese.—These companies have issued circular letters, suggesting that shareholders invite the support of their Members of Parliament for amendments (put forward by rayon producers, but rejected on March 27th) to the Cotton Industry (Reorganisation) Bill now in the Committee stage.

Consolidated Tin Mines of Burmah.—Directors recommend that 856,001 £1 shares be written down to 7s. 6d. each, and then consolidated into 5s. shares; fixed assets to be written down by £494,204, and intangible assets by £38,500. Meeting, May 25th.

Mawchi Mines.—Sales of tin in 1938, £678,847, against £861,214. Burma expenditure, £240,111 (£250,073); London Concentrate Account expenditure, £114,032 (£120,111); depreciation, £43,411 (£24,726); tax and N.D.C., £25,000 (£39,000). After these and other charges, balance is £195,584 (£274,787). Final

dividend 50 per cent., making 80 per cent. Carry forward, £62,938 (£56,094, after £50,000 to general reserve).

United States Steel Corporation.—Earnings for first quarter 1939, \$660,551, equal to 18c. per preferred share. Earnings for December quarter, 1938, were \$4,394,454 or \$1.22 per preferred. For first quarter 1938 there was a net loss of \$1,292,151. Regular quarterly dividend of \$1.75 on preferred (requiring \$6,305,000) is being paid.

Shell Union Oil Corporation.—Net income from operations for first quarter of 1939, \$478,266, against \$2,907,447 for first quarter of 1938. Gross earnings \$57,524,951 (\$59,312,316). General expenses \$46,451,530 (\$45,331,508). To depreciation, \$9,567,449 (\$9,826,044).

Charrington and Company.—Profits in 1938, £1,001,496 (£912,883) after debenture interest. Tax £175,000 (£150,000). To properties reserve, £100,000 (£50,000). To general reserve, £200,000 (£200,000). Ordinary dividend raised from 15 to 17 per cent. Carry forward raised from £247,841 to £247,951.

South Eastern Gas Corporation.—Accounts for year ended March 31, 1939, show net revenue £162,399 (£156,607). Ordinary dividend maintained at 6 per cent. Carry forward raised from £48,692 to £69,321. Only 3,703 ordinary shares of £1 each now remain unissued, and it is proposed to increase authorised share capital to £5,000,000 by creating a further 1,000,000 £1 ordinary shares.

Gordon Selfridge Trust.—Payment of a dividend on 6 per cent. cumulative preference stock for half year ending April 30, 1939, is postponed.

Pressed Steel Company.—Net profit, 1938, £235,055, an increase of £19,292. Final dividend 17½ per cent., making 27½ per cent. for 1938. For 1937, the interim of 14 per cent. was paid on £690,684 ordinary capital, and the final of 14 per cent. on existing ordinary capital of £828,821.

Court Line.—Profits on voyages, dividends and interest, 1938, £154,506 (£372,195). To depreciation, £83,000 (£150,000). Laying-up expenses, £8,294 (Nil). Dividend 10 per cent., against 25 per cent. for 1937, when interim of 5 per cent. was paid on £350,000 and the 20 per cent. final on £525,000. Carry forward is increased from £52,141 to £61,543.

Airedale Collieries.—Gross profit, year to February 28, 1929, £160,231 (£197,571). To depreciation, £33,732 (£338,28). To tax provision, £10,000 (£20,000). Net profit £114,099 (£141,343). Ordinary dividend reduced from 10 to 7½ per cent. on increased capital. To general reserve, £40,000 (£40,000). Carry forward, £41,575. A year ago £42,476 was carried forward, after placing £16,000 to staff contingency reserve.

Forestral Land, Timber and Railways.—Credit balance, 1938, £326,971 (after placing £50,000 to general reserve), against £510,555 (after £50,000 to reserve). To

dividend account, £25,000 (£150,000). Ordinary dividend 6 per cent., also bonus of 1 per cent. For 1937, dividend was 6 per cent. and bonus 3 per cent. Carry forward raised from £130,760 to £132,557.

Supervised Shares, Inc.—At the request of the Treasury sales of shares of Supervised Shares, Inc., will be suspended until further notice.

Gold Production in New South Wales.—The production of native gold for first two months of 1939 is estimated at 12,400 ounces fine, valued at £A94,641. For the corresponding period of 1938, output was 10,183 ounces fine, valued at £A88,113.

Garrard Engineering Company.—Profit for 1938, £47,701 (£40,412). Dividend, 16½ plus bonus 8½ per cent., making 25 against 20½ per cent. To reserves: Plant, £10,000 (Nil); tax, £5,000 (Nil); contingency, £5,000 (nil). For 1937, £20,000 was put to general reserve. Carry forward raised from £17,907 to £18,998.

Elektrolux (Stockholm).—Net profit for 1938, Kr. 8,901,465, a decrease of Kr. 250,700. Dividend rate maintained at 13½ per cent. Carry forward increased from Kr. 11,252,356 to Kr. 11,324,094.

Clan Line Steamers.—Ordinary dividend is maintained at 20 per cent. for 1938. Profits, after tax but before depreciation, were £723,566, compared with £712,098 for 1937.

Oxendale and Company (Proprietors).—Net profit for year to February 28, 1939, £27,874 (£30,410). Dividend on deferred shares reduced from 16½ to 12½ per cent. Carry forward reduced from £6,748 to £6,733.

Gordon Hotels.—Gross trading profits for 1938, £776,351 (£920,494). Working expenses, £416,046 (£456,428). Consumption expenses, £278,459 (£315,269). Income tax, £17,867 (£1,350). No interest is being paid on the 7 per cent. income debenture stock, which absorbed £25,470 in previous year. Carry-forward reduced from £44,301 to £27,785.

Cable and Wireless Traffic Index (1929=100).—March, 1939, index 74.6, compared with 70.5 in February, 1939, 69.0 in January, 1939, and 74.7 for March, 1938 (the index).

Amalgamated Anthracite Scheme.—Meetings held April 19th approved the amended capital reconstruction scheme.

Transvaal Gold Output and Native Employment.—Gold output, March: Witwatersrand, 1,049,270 fine ounces; other districts, 26,537 fine ounces; total, 1,075,807 fine ounces. February total, 979,128 fine ounces. Native labour, March 31: Gold mines, 324,518; coal mines, 16,609; total, 341,127.

Wall Paper Manufacturers.—Interim dividend 4 per cent. against 5 per cent. as before.

Ford Motor.—Dividend 5 per cent. as before.

Olympia Ltd.—The directors announce that the preference dividend for the half-year to April 30th has been postponed.

Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended April 23 (£'000)					Aggregate Gross Receipts, 16 weeks (£'000)				
	Passenger	Freight	Coal & Coke	Goods	Total	Passenger	Freight	Coal & Coke	Goods	Total
L.M. & S.—										
1938	479	412	183	595	1,074	6,797	7,668	4,527	12,195	18,992
1939	426	513	270	783	1,209	6,637	7,114	4,663	11,777	18,414
L. & N.E. (a)—										
1938	327	300	200	500	827	4,462	5,432	4,206	9,638	14,109
1939	286	339	268	607	893	4,374	4,944	4,160	9,104	13,478
Great Western—										
1938	215	145	72	217	422	2,849	3,101	1,902	5,003	7,852
1939	185	219	121	340	525	2,814	3,015	1,842	4,857	7,471
Southern—										
1938	314	58	22	80	394	4,456	966	551	1,517	5,973
1939	286	65	32	97	383	4,431	910	558	1,468	5,899
Total—										
1938	1,335	915	477	1,392	2,727	18,564	17,167	11,186	28,353	46,917
1939	1,183	1,136	691	1,827	3,010	18,256	15,983	11,223	27,206	45,462

(a) Week ended April 22.

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	— 578	— 622	— 181	— 74
Weekly Figures				
Av. weekly decrease, 1st half 1939	— 36.12	— 38.87	— 11.31	— 4.62
Latest week compared with 1938	+ 135	+ 66	+ 93	— 17
Latest week compared with average 1927-30	— 172	— 149	— 72	— 38

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended April 21, 1939 (£'000)			Aggregate Gross Receipts 16 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1938	3.8	0.3	4.1	29.0	7.0	36.0
1939	1.9	0.4	2.3	29.2	6.8	36.0
Great Northern—						
1938	14.4	7.2	21.6	137.0	139.1	276.1
1939	8.6	11.6	20.2	140.5	156.9	297.4
Great Southern—						
1938	42.9	35.4	78.3	473.1	644.8	1,117.9
1939	30.7	43.7	74.4	471.3	645.4	1,116.7

DIVIDEND ANNOUNCEMENTS

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

Company	*Int. or †Final	Total	Pay- able	Prev. Year	Company	*Int. or †Final	Total	Pay- able	Prev. Year	Company	*Int. or †Final	Total	Pay- able	Prev. Year
BANKS					Allied Newspapers ...	%	%	%	%	Lever Bros. & Unilever	%	%	%	%
English Scot. & Aus.	3½*	...	May 31	3½*	Anglo-French Textile	...	...	...	8	Do. Dutch Co.	4½†	7½	...	7½
Nat. Bk. of Australasia	3†	6	...	6	Ashley Gardens Props.	2*	Apr. 26	3*†	3*	Madeley Collieries ...	a 27½†	a 42½	June 2	42½
INSURANCE					Babcock and Wilcox	8½†	May 18	10	10	Marks and Spencer ...	...	5	...	Nil
Commercial Union ...	20†	40	...	40	Bartholomay Trust ...	...	...	...	8	Mason and Barry ...	22½†	30	...	17½
Gresham Fin. & Acc.	...	6	...	6	Bellamy (Joseph) ...	7†	...	...	20	Metal Agencies ...	2½†	3½	...	31½
London & Manchester	...	£50	...	£50	Bent Colliery ...	6*	...	...	6*	Mid-European Corp'n.	2½†	...	...	13½
Thames and Mersey ...	6½†	13	...	13	Boake (A.) Roberts ...	11½*	...	...	1*†	Morgans Brewery ...	5*	...	June 1	5*
TEA & RUBBER					Braby (F.) and Co. ...	2½*	June 1	2½*	2½*	Morris (Herbert) ...	47½*	...	Apr. 29	45*
Bagan Serai Rbr.	...	4½	...	10	British Steamship ...	2½*	May 23	2½*	2½*	Morris Motors ...	...	45	...	45
Bandarapola Ceylon	5†	10	May 18	15	Burton, Son & Saunders	...	...	...	10	Park Gate Iron ...	2*	2½	...	5
Bukit Tupah Rbr.	...	4.16	May 5	6½	Chelt. Original Brew.	5*	...	...	5	P. & O. Steam ...	2*	...	May 24	2½*
Darjeeling Co.	4†	6	...	10	Cirol Pearls (Hldgs.) ...	2†	June 6	4	6	Power Investment ...	17½†	27½	...	28
East India & Ceylon T.	...	6	...	10	City of Lon. Real Pty.	15†	May 20	10	20	Prentiss Steel ...	7½†	22½	Apr. 13	22½
Ernest & Rubber ...	...	1	...	4½	Clan Line Steamers ...	...	...	...	10	Reckitt and Sons ...	8*	146	Apr. 17	17
Hewagum Rubber ...	...	5	...	24	Coats (J. & P.) ...	11†	May 13	16	16	Royal Dutch Co.	6†	9½	...	9½
Kampung Kuantan R.	5†	14	May 18	7½	Colman (J. & F.) ...	6d	...	8½d.	7.4d.	Scot. Mtge. & Trust.	10*	17½	May 22	20
Kapar Para Rubber ...	...	2	...	15	Compton Sons & Webb	...	...	...	...	"Shell" Transport ...	1½*	3	May 20	1½*
Kelani Valley Rbr. ...	...	5	...	32*	(4/-)	5†	...	8	...	Third Scot. Nat. Trust	...	5	May 1	5
Kintyre Tea ...	2½*	10	May 30	12	Consolidated Tst. ...	4½†	...	6	...	Thompson Bros.	5†	10	...	8½
Lunuvu Tea ...	6†	...	May 31	4*	Cont. Union Trust ...	6½†	...	10	10½	Thrit Stores ...	10*	...	...	10*
Malayalam Plantns.	4*	3	...	4*	Egyptian Markets ...	5†	7½	...	9	Tube Investments ...	5½*	...	May 1	5*
Necoda Rubber ...	4*	...	May 2	4*	English Sewing Cotton	4†	7	...	9	Wabers, Smith & Hoare	7†	12	...	8
Norumbula Co.	6½†	9	May 5	10	Forestal Land, etc. ...	...	25	...	20½	Wickham (A. C.) ...	5†	10	...	...
Ouvah Estates ...	7†	11	...	10	Gardner Engineering ...	...	5	...	5	Williamsons ...	6†	10	...	12½
Ragalla Tea ...	...	4	May 16	7	Horne & Foreign Inv.	2½*	...	...	2½*	UNIT TRUSTS	Pence	...	...	Pence
Sialang Rubber ...	...	5	...	10	Horden Collieries ...	3*	May 6	3*	3*	Investors Gas, etc. ...	£2.47.05	May 1	£2.51.7	...
Third Mile Rubber ...	...	...	...	15	Leethems (Twilfit) ...	...	...	...	...					
MINING														
Broken Hill Prop.	6½†	12½	May 13	12½										
Sungei Kinta Tin ...	...	2½	May 13	15										
INDUSTRIALS														
Alcoa ...	2*	5	...	6										

(a) Paid on larger 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 not 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 Apr. 26, inclusive		Name of Security	Price, Apr. 26, 1939	Change since Apr. 19, 1939	Yield, Apr. 26, 1939	Prices, Year 1939 Jan. 1 to Apr. 26, inclusive			Name of Security	Price, Apr. 26, 1939	Change since Apr. 19, 1939	Yield, Apr. 26, 1939
High-est	Low-est	High-est	Low-est					High-est	Low-est	(a) %				
79 1/2	64	71 1/2	64 1/2	British Funds	65 1/2	+ 3/4	4 1/2	32 1/2	22 1/2	6 c	Brit. Overseas A £5	22 1/2	-2/6	4 1/2
113 1/2	98	106 1/2	101 1/2	Consols 2 1/2 %	102	...	3 1/2	97 1/2	77 1/2	5 a	Chid. of India £5	71 1/2	...	6 1/2
100 1/2	90	96 1/2	90 1/2	Do. 4 % (aft. 1937)	102	...	3 1/2	97 1/2	77 1/2	5 a	Com. Bk. of India 10/-	11 1/2	...	4 1/2
103 1/2	92	99 1/2	92 1/2	Conv. 2 1/2 % 1944-49	91 3/4	+ 1 1/4	3 1/2	102	107 1/2	3 1/2	Dist. B. £1 1/2 pd.	50/-	...	4 1/2
104 1/2	90 1/2	99 1/2	90 1/2	Do. 3 1/2 % 1948-53	94	...	3 1/2	94	...	5 a	En. S. & Aust. £5 £3p.	67 1/2	+5/-	6 1/2
105 1/2	100	104 1/2	102	Do. 3 1/2 % after 1961	92	...	3 1/2	92	...	3 1/2	Hambros £10, £2 1/2 pd.	9	-1 1/4	5 1/2
115 1/2	102	112 1/2	105 1/2	Do. 5 % 1944-44	103	+ 1	4 1/2	103	...	8 a	Hong. & S. £125	£8 1/2	+£4	6 1/2
91 1/2	81	87 1/2	81 1/2	Fund. 2 1/2 % 1956-61	82 1/2	+ 1 1/4	3 1/2	82 1/2	...	£3 b	Lloyds £5, £1 pd.	54/-	+£6d	4 1/2
97 1/2	88 1/2	93 1/2	87 1/2	Fund. 2 1/2 % 1952-57	87 1/2	...	3 1/2	87 1/2	...	6 a	Martins £20, £2 1/2 pd.	8 1/2	...	4 1/2
90 1/2	80	85 1/2	80	Fund. 3 % 1959-69	89	+ 1	3 1/2	89	...	7 a	N. Prov. £5, £1 pd.	64/-	+3/-	4 1/2
114 1/2	98	109 1/2	102 1/2	Fund. 4 % 1960-90	103 1/4	...	3 1/2	103 1/4	...	7 1/2 b	Midland £1, 1/2 pd.	81/-	+1/-	3 1/2
100 1/2	93	99 1/2	93 1/2	Nat. D. 2 1/2 % 1944-48	94	+ 1 1/4	3 1/2	94	...	8 b	Nat. Dis. £2 1/2 pd.	55 1/2	...	4 1/2
112 1/2	100	108 1/2	102 1/2	Do. 3 % 1954-58	102 1/2	...	3 1/2	102 1/2	...	8 a	Nat. of Egypt £10	23	...	6 1/2
103 1/2	90 1/2	100 1/2	90 1/2	Victory Bonds 4 %	103 1/4	+ 3/4	3 1/2	103 1/4	...	8 a	N. of Ind. £25, £12 1/2 pd.	28	-1 1/2	7 1/2
90 1/2	78	83 1/2	78 1/2	War L. 3 1/2 % aft. 1952	91 3/4	+ 1 1/4	3 1/2	91 3/4	...	7 1/2 b	Roy. Bk. of Scotland	8 1/2	...	4 1/2
102	90 1/2	99 1/2	90 1/2	Local Loans 3 %	78	...	3 1/2	78	...	14 1/2 b	St. of S.A. £20, £5 pd.	14 1/2	...	5 1/2
68 1/2	55	64 1/2	55 1/2	Austria 3 % 1933-53	95 1/2	...	3 1/2	95 1/2	...	3 1/2 a	Union Dis. £1	42 1/2	+1/3	4 1/2
82 1/2	68	76	68 1/2	India 2 1/2 %	56 1/2	+ 1 1/2	4 1/2	56 1/2	...	9 a	West. £4, £1 pd.	83 1/2	+4/6	4 1/2
95 1/2	75	90	75	Do. 3 1/2 %	67	...	4 1/2	67	...					
117 1/2	110	115 1/2	107	Do. 4 1/2 % 1958-68	108	...	3 1/2	108	...					
Insurance														
108 1/2	97	104 1/2	99	Alliance £1, fully pd.	24	...	3 1/2	24	...	50 b	Atlas £5, £1 1/2 pd.	13 1/2	...	3 1/2
104 1/2	97	102 1/2	99 1/2	Astr. £5, £1 1/2 pd.	13 1/2	...	3 1/2	13 1/2	...	14 1/2 b	Com. Un. £1, 1/2 pd.	9	+1 1/4	4 1/2
115	109 1/2	112 1/2	108 1/2	Gen. Acc. £1 5/- pd.	87 1/2	...	4 1/2	87 1/2	...	20 a	Lon. & Lanc. £5 £2 pd.	25 1/2	+1 1/2	3 1/2
108	95 1/2	103	96	N. Brit. & Merc. £1 1/2 pd.	93 1/2	...	3 1/2	93 1/2	...	1/6 a	Phoenia £1, 1/2 pd.	17 1/2	+1 1/2	3 1/2
107 1/2	95	102 1/2	98	Pearl (£1), 1/2 pd.	17 1/2	...	3 1/2	17 1/2	...	25 b	Prudential £1 A	34	+1 1/2	4 1/2
112 1/2	97	110	104 1/2	Royal Exchange £1	81 1/2	...	3 1/2	81 1/2	...	3 1/2 a	Sun. Lf. Ass. £1 1/2 pd.	77 1/2	-2/6	3 1/2
96 1/2	78	85	79	S. U. & N.A. £20, £1 pd.	77 1/2	...	3 1/2	77 1/2	...	3 1/2 a				
102	23	40 1/2	25	Sun. Lf. Ass. £1 1/2 pd.	77 1/2	...	3 1/2	77 1/2	...	10 a				
89	38	60 1/2	48	Investment Trusts	217	...	5 1/2	217	...	4 a	Anglo-Am. Deb.	217	...	5 1/2
99	80	98 1/2	85 1/2	Anglo-Am. Deb.	217	...	5 1/2	217	...	3 1/2 c	Brit. Assets Trust 5/-	12 1/2	-1/3	4 1/2
36	31	31 1/2	28	Charterhouse Inv. £1	12 1/2	...	10 c	12 1/2	...	10 c	Debenture Corp. Stk.	12 1/2	...	5 1/2
37 1/2	12 1/2	21 1/2	12 1/2	Forestal Land £1	16 1/2	...	3 1/2	16 1/2	...	12 1/2 a	For. Amer. & Co., Def.	42 1/2	-4 1/2	8 1/2
196 1/2	14	16 1/2	9	Guardian Investment	112 1/2	...	8 b	112 1/2	...	11 1/2 a	Inver. Trust Def.	217	...	5 1/2
60 1/2	35	52	40 1/2	Ind. and Gen. Ord.	205	...	8 b	205	...	8 b	Lake View Inv. 10/-	220	...	5 1/2
54 1/2	38	53 1/2	39 1/2	Merchants Trust Ord.	109 1/2	...	3 a	109 1/2	...	8 a	Metropolitan Trust...	200 1/2	-2	5 1/2
50	35	46 1/2	32 1/2	Metropolitan Trust...	200 1/2	...	3 a	200 1/2	...	4 c	Scottish Inv. 5/-	4/-	...	5 1/2
75 1/2	54	65 1/2	50	Scottish Mort., &c.	160 1/2	...	3 a	160 1/2	...	4 c	Scottish Mort., &c.	160 1/2	...	5 1/2
154 1/2	91 1/2	111 1/2	77	Trustee Corp. Ord.	185 1/2	...	3 a	185 1/2	...	4 c	United States Deb.	166 1/2	-4	6 1/2
92	75	83	74 1/2	United States Deb.	166 1/2	...	3 a	166 1/2	...	4 c				
Financial Trusts, &c.														
115 1/2	101	111 1/2	106	Brit. Afr. 15/- fy. pd.	22 1/2	...	3 1/2	22 1/2	...	8 1/2 c	Brit. Afr. 15/- fy. pd.	22 1/2	...	5 1/2
117	104 1/2	114	108 1/2	C. of Lond. R. Pty. £1	11 1/2	...	3 1/2	11 1/2	...	2 b	C. of Lond. R. Pty. £1	11 1/2	...	6 1/2
97 1/2	77 1/2	81 1/2	74 1/2	Daily Mail & Gen. £1	20 1/2	...	3 1/2	20 1/2	...	11 1/2 a	Daily Mail & Gen. £1	20 1/2	...	7 1/2
97 1/2	90 1/2	93 1/2	88	Algety £20 £5 pd.	43 1/2	...	3 a	43 1/2	...	11 1/2 a	Algety £20 £5 pd.	43 1/2	...	6 1/2
105 1/2	94 1/2	102 1/2	97 1/2	Forestal Land £1	16 1/2	...	3 1/2	16 1/2	...	11 1/2 a	Forestal Land £1	16 1/2	...	8 1/2
Iron, Coal and Steel														
31 1/2	21 1/2	4 1/2	2 1/2	Hudson's Bay Co. £1	16 3/4	...	3 1/2	16 3/4	...	11 1/2 a	Hudson's Bay Co. £1	16 3/4	...	8 1/2
31 1/2	1 1/2	Nil	Nil	Jaya Invest. £1	12 1/2	...	3 1/2	12 1/2	...	11 1/2 a	Jaya Invest. £1	12 1/2	...	8 1/2
50 1/2	38 1/2	Nil	Nil	Peru. Corp. Pre.	12 1/2	...	3 1/2	12 1/2	...	11 1/2 a	Peru. Corp. Pre.	12 1/2	...	8 1/2
144 1/2	7 1/2	5 1/2	Nil	Primitive Hold. £1	8 1/2	...	3 1/2	8 1/2	...	11 1/2 a	Primitive Hold. £1	8 1/2	...	8 1/2
34	19	4 1/2	Nil	Sudan Plant. £1	23 1/2	...	3 1/2	23 1/2	...	11 1/2 a	Sudan Plant. £1	23 1/2	...	8 1/2
15	10 1/4	1 1/2	Nil	Breweries, &c.	67 1/2	...	5 1/2	67 1/2	...	11 1/2 a	Breweries, &c.	67 1/2	...	5 1/2
37 1/2	20	4 1/2	Nil	Ansell's Brewery £1	24/-	...	5 1/2	24/-	...	11 1/2 a	Ansell's Brewery £1	24/-	...	5 1/2
58 1/2	37 1/2	2 1/2	Nil	Bass Ratcliff Ord. £1	122/-	...	5 1/2	122/-	...	11 1/2 a	Bass Ratcliff Ord. £1	122/-	...	5 1/2
17 1/2	10 1/4	1 1/2	Nil	Charrington & Co. £1	62 1/2	...	5 1/2	62 1/2	...	11 1/2 a	Charrington & Co. £1	62 1/2	...	5 1/2
71	48 1/4	2 1/2	Nil	Courage Ord. £1	61/-	...	5 1/2	61/-	...	11 1/2 a	Courage Ord. £1	61/-	...	5 1/2
97 1/2	80	2 1/2	Nil	Distillers Ord. £1	61/-	...	5 1/2	61/-	...	11 1/2 a	Distillers Ord. £1	61/-	...	5 1/2
Public Boards														
91 1/2	41 1/2	Nil	Nil	Guinness Ord. £1	104/-	...	5 1/2	104/-	...	11 1/2 a	Guinness Ord. £1	104/-	...	5 1/2
51 1/2	21 1/2	Nil	Nil	Ind. Coope & All. £1	81/-	...	3 1/2	81/-	...	11 1/2 a	Ind. Coope & All. £1	81/-	...	3 1/2
133 1/2	7 1/2	Nil	Nil	Mexu's Ord. £1	31/-	...	3 1/2	31/-	...	11 1/2 a	Mexu's Ord. £1	31/-	...	3 1/2
101 1/2	5 1/2	Nil	Nil	Mitchells & Butlers £1	72 1/2	...	5 1/2	72 1/2	...	11 1/2 a	Mitchells & Butlers £1	72 1/2	...	5 1/2
114 1/2	3 1/2	Nil	Nil	Simonds (H.&G.) £1	65/-	...	5 1/2	65/-	...	11 1/2 a	Simonds (H.&G.) £1	65/-	...	5 1/2
61 1/2	3 1/2	Nil	Nil	Taylor Water Order £1	30/-	...	5 1/2	30/-	...	11 1/2 a	Taylor Water Order £1	30/-	...	5 1/2
24	20	2 1/2	Nil	Watney Combe Def. £1	60 1/2	...	5 1/2	60 1/2	...	11 1/2 a	Watney Combe Def. £1	60 1/2	...	5 1/2
35 1/2	30 1/2	Nil	1 1/2											
34 1/2	20 1/2	1 1/2	Nil											
Breweries, &c.														
60 1/2	52 1/2	7 1/2	10 1/2	Allied Ironfound. £1	18 1/2	...	6 b	18 1/2	...	11 1/2 a	Allied Ironfound. £1	18 1/2	...	11 1/2
29 1/2	25 1/2	5 1/2	5 1/2	Babcock Wilcox £1	41 3/4	...	4 a	41 3/4	...	11 1/2 a	Babcock Wilcox £1	41 3/4	...	4 1/2
330	30 1/2	6 1/2	6 1/2	Baldwins 4/-	5 1/2	...	10 c	5 1/2	...	11 1/2 a	Baldwins 4/-	5 1/2	...	7 1/2
75 1/2	30 1/2	6 1/2	6 1/2	Bolsolver Col. Ord. £1	38 1/2	...	9 d	38 1/2	...	11 1/2 a	Bolsolver Col. Ord. £1	38 1/2	...	9 d
42 1/2	30 1/2	6 1/2	6 1/2	Butter (J.) Ord. 10/-	30/-	...	6 d	30/-	...	11 1/2 a	Butter (J.) Ord. 10/-	30/-	...	6 d
77 1/2	30 1/2	6 1/2	6 1/2	Butter (J.) Ord. 10/-	30/-	...	6 d	30/-	...	11 1/2 a	Butter (J.) Ord. 10/-	30/-	...	6 d
46 1/2	30 1/2	6 1/2	6 1/2	Cammell Lang. £1	26 1/2	...	10 a	26 1/2	...	11 1/2 a	Cammell Lang. £1	26 1/2	...	10 a
23	21 1/2	6 c	6 c	Colvilles Ord. £1	23 1/2	...	10 a	23 1/2	...	11 1/2 a	Colvilles Ord. £1	23 1/2	...	10 a
Sudan Plant. £1														
60 1/2	52 1/2	7 1/2	10 1/2	Consent Iron Ord. 6/8	8 1/2	...	3 1/2	8 1/2	...	11 1/2 a	Consent Iron Ord. 6/8	8 1/2	...	3 1/2
29 1/2	25 1/2	5 1/2	5 1/2	Cory, William, Ord. £1	79 1/2	...	7 1/2	79 1/2	...	11 1/2 a	Cory, William, Ord. £1	79 1/2	...	7 1/2
330	30 1/2	6 1/2	6 1/2	Dorman Long Ord. £1	28 1/2	...	10 c	28 1/2	...	11 1/2 a	Dorman Long Ord. £1	28 1/2	...	10 c
75 1/2	30 1/2	6 1/2	6 1/2	Do. Prof. Ord. £1	42 1/2	...	10 c	42 1/2	...	11 1/2 a	Do. Prof. Ord. £1	42 1/2	...	10 c
42 1/2	30 1/2	6 1/2	6 1/2	Firth Brown £1	67 1/2	...	10 c	67 1/2	...	11 1/2 a	Firth Brown £1	67 1/2	...	10 c
77 1/2	30 1/2	6 1/2	6 1/2	Gloucester & Gt. Ord. £1	23 1/2	...	10 c	23 1/2	...	11 1/2 a	Gloucester & Gt. Ord. £1	23 1/2	...	10 c
46 1/2	30 1/2	6 1/2	6 1/2	Haddenfield 10/-	27 1/2	...	10 c	27 1/2	...	11 1/2 a	Haddenfield 10/-	27 1/		

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		£	£	£	£	£	%	£	£	£	%
Union Bank of Scotland ...	Apr. 1	128,605	310,407	439,012	...	216,000	18	90,000	133,012	312,625	18
Breweries											
Charrington and Company...	Dec. 31	247,841	826,497	1,074,338	103,778	397,609	17	325,000	247,951	762,883	15
Wilson's Brewery	Feb. 28	89,300	150,962	240,262	18,300	86,975	17½	46,193	88,794	158,139	17½
Electric Lighting, etc.											
Calcutta Electric	Dec. 31	51,392	685,150	736,542	90,909	237,473	10	356,904	51,256	645,725	10
Urban Electric Supply	Dec. 31	52,274	70,123	122,397	21,000	14,000	8	35,000	52,397	(a)	(a)
Financial, Land, etc.											
Ciro Pearls (Holdings)	Mar. 25	22,949	16,351	39,300	8,156	4,531	2½	2,500	24,113	20,448	5
Argentine Estates of Bovril...	Sept. 30	22,171	26,020	48,191	10,000	...	...	14,283	23,908	50,865	Nil
Gas											
South-Eastern Gas.....	Mar. 31	48,692	162,400	211,092	54,932	86,839	6	...	69,321	156,608	6
Iron, Coal and Steel											
Lothian Coal Co.	Feb. 28	38,098	84,202	122,300	...	82,875	12½	...	39,425	78,136	10½
Stephenson (R.) & Hawthorns	Dec. 31	1,161	15,406	16,567	...	8,250	3	4,000	4,317	476	Nil
Oil											
Maritime Oilfields	Dec. 31	660	4,317	4,977	...	4,231	5½	...	746	4,464	6
New Brunswick Oilfields ...	Dec. 31	7,180	6,917	14,097	5,220	2,280	3	...	6,597	6,244	3
Rubber											
Badenoch	Dec. 31	3,046	10,410	13,456	...	9,000	3	1,500	2,956	26,046	6
Besocki	Dec. 31	11,495	4,351	15,846	...	4,400	4	...	11,446	9,474	8
Ceylon Para.....	Dec. 31	2,421	9,707	12,128	...	6,750	7½	2,700	2,678	23,347	15
Chota	Dec. 31	1,369	305	1,064	...	...	...	...	1,064	5,045	4
Consolidated Malay	Dec. 31	2,634	6,880	9,514	...	3,750	5	2,332	3,432	18,637	15
Damansara (Selangor)	Dec. 31	5,860	4,760	10,620	...	...	...	3,500	7,120	20,657	5
Djember	Dec. 31	5,656	1,866	7,522	...	4,935	3	Dr. 1,500	4,087	20,429	10
Bow Seng.	Dec. 31	1,225	2,247	3,472	...	1,840	2	500	1,132	6,652	5
Heawood	Dec. 31	5,115	7,595	12,710	...	4,000	4	3,500	5,210	16,932	11
Java United	Dec. 31	10,304	Dr. 4,529	5,775	...	...	...	Dr. 4,250	10,025	16,718	8
Kampong Kuantan.....	Dec. 31	4,976	16,821	21,797	...	11,697	14	5,097	5,003	23,382	24
Lower Perak	Dec. 31	6,740	1,240	7,980	...	1,281	2	1,000	5,699	6,353	4
Scottish Malayan	Dec. 31	3,705	27,566	31,271	...	18,942	5	7,000	5,329	43,790	8
Sialang	Jan. 31	46,318	19,725	66,043	...	12,000	4	7,500	46,543	34,473	7
Stagbrook	Dec. 31	780	5,142	5,922	...	3,388	4	1,750	784	6,923	6½
Sungei Kruit	Dec. 31	3,931	2,614	6,545	...	...	...	1,276	5,269	9,377	10
Sungei Telor	Dec. 31	2,755	966	3,721	1,321	...	...	300	2,100	5,270	4
Sunnygama	Dec. 31	2,701	5,583	8,284	900	3,750	5	750	2,884	16,907	12½
Shipping											
Court Line	Dec. 31	52,141	144,902	197,043	...	52,500	10	83,000	61,543	341,276	25
Shops and Stores											
Civil Service Supply	Feb. 28	31,445	22,228	53,673	...	19,466	5½	7,660	26,547	31,704	6
Lilley and Skinner	Jan. 21	25,817	65,878	91,695	19,262	24,016	10	25,000	23,417	68,076	10
United Drapery Stores	Feb. 28	23,482	44,600	68,082	2,327	36,250	5	5,600	23,905	41,925	5
Tea											
Amblamana	Dec. 31	765	3,219	3,984	...	1,933	3	1,425	626	4,807	5
Ceylon Proprietary	Dec. 31	5,515	11,223	16,738	1,306	8,100	9	2,200	5,132	12,138	10
Craighead	Dec. 31	6,437	6,750	13,187	407	4,863	8	1,500	6,417	9,514	9
Haydella	Dec. 31	212	923	1,135	...	600	3	300	235	1,749	5
Lindoola	Dec. 31	918	1,618	2,536	656	930	8½	...	950	2,839	10
Pundaloya	Dec. 31	2,782	9,127	11,909	1,674	5,574	10	2,000	2,661	11,426	11
Ragalla	Dec. 31	1,435	15,278	16,713	2,100	8,580	11	4,000	2,033	13,938	10
Velikellie	Dec. 31	828	2,772	3,600	243	2,548	8½	...	809	4,441	10
Tramways											
Red & White Un. Transport	Dec. 31	21,205	83,260	104,465	14,681	39,336	11	6,858	43,590	(a)	(a)
Trusts											
Gresham Trust	Mar. 31	12,640	16,651	29,291	...	16,571	7½	...	12,720	23,696	7½
London and S. American ...	Mar. 31	37,352	30,017	67,369	18,125	...	...	5,652	43,592	33,874	Nil
Waterworks											
Consolidated of Rosario ...	Dec. 31	116,674	31,679	148,353	8,400	15,000	3	6,000	118,953	26,782	2½
Prov. of Buenos Ayres W'wks.	Dec. 31	29,533	11,359	40,892	9,375	...	...	...	31,517	11,330	Nil
Other Companies											
Allied Newspapers	Dec. 31	261,551	519,328	780,879	374,500	108,750	6	50,000	247,629	731,057	8
Crosse and Blackwell	Dec. 31	24,200	106,707	130,907	...	24,890	2½	83,352	22,665	135,153	2½
Eastwoods Humber Cement	Dec. 31	Dr. 643	Dr. 5,603	Dr. 6,246	...	...	...	...	Dr. 6,246	(a)	(a)
Franco Signs	Mar. 31	8,493	23,308	31,801	...	14,500	10	...	17,301	21,462	10
Frith (W. G.) and Co.	Feb. 28	5,822	7,695	13,517	...	7,917	12	...	5,600	14,730	12
Garrard Engineering	Jan. 31	17,907	51,548	69,455	7,500	16,250	25	26,707	18,998	49,801	20½
Hopkinsons, Ltd.	Jan. 31	19,981	165,310	185,291	...	55,825	15	91,145	38,321	127,834	12½
Lever Brothers and Unilever	Dec. 31	1,399,088	6,267,950	7,667,038	432,877	1,147,879	10 & 6	700,000	1,490,382	6,525,409	10 & 6
London Electric Wire.....	Dec. 31	76,634	105,771	182,405	30,000	51,305	7½	20,000	81,100	143,393	7½
Mallandain (Albert E.)	Dec. 31	5,906	19,088	24,994	...	16,000	8	1,344	7,650	27,771	10
Mallinson (George) and Sons	Feb. 18	40,633	25,806	66,439	5,982	24,469	22½	7,675	28,313	57,031	25
Selangor Oil Palm	Dec. 31	2,656	9,519	12,175	...	5,525	5	3,250	3,400	(a)	(a)
Shanghai Electric Construcn.	Dec. 31	23,744	60,874	84,618	...	53,600	8	15,000	16,018	80,252	7
Sir Lindsay Parkinson & Co.	Dec. 31	7,221	127,384	134,605	31,719	26,281	18½	50,000	26,605	(a)	(a)
Spillers, Ltd.	Jan. 31	175,842	422,256	598,098	49,864	305,065	15	75,000	168,169	411,224	15
Spratt's Patent (America) ...	Dec. 31	8,873	12,498	21,371	...	12,000	15	1,000	8,371	11,843	15
Total Profits, 1939 in £000's:	No. of Cos.										
To April 22	833	35,560	103,169	138,729	18,622	55,475	...	26,669	37,963	113,704	...
To April 29	890	38,627	113,476	152,103	23,776	58,507	...	28,667	41,153	124,875	...

† Free of income tax.

(a) No comparable figure.

Industry and Trade

COMMODITY STATISTICS

Coal

COAL OUTPUT ('000 tons)

District	Week ended		January-March	
	Apr. 15, 1939	Apr. 15, 1939	1938	1939
Northumberland	229.4	238.7	3,544.6	3,512.6
Durham	531.5	536.6	8,539.3	8,096.5
Yorkshire	773.4	581.6	12,106.1	11,885.9
Lancs, Cheshire and N. Wales	279.5	281.0	4,556.4	4,600.2
Derby, Notts & Leicester	587.6	477.9	9,455.4	9,539.0
Staffs, Worcs, Salop and Warwick	371.6	263.0	5,376.3	5,504.7
South Wales & Monmouth	754.3	522.9	9,900.2	8,869.3
Other English districts*	95.7	90.3	1,471.4	1,411.9
Scotland	630.1	625.9	7,987.7	7,939.2
Total	4,253.1	3,617.9	62,937.4	61,359.3

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton

RAW COTTON delivered to Spinners ('000 bales)

Variety	Week ended		Total Deliveries	
	Apr. 14, 1939	Apr. 21, 1939	Apr. 1, 1938-1939	Apr. 21, 1939
American	15.3	23.3	647	752
Brazilian	4.4	7.0	221	210
Peruvian, etc.	2.5	3.4	91	89
Egyptian	4.1	8.2	764	237
Sudan Sakel	2.5	2.9	113	101
East Indian	15.0	9.8	257	219
Other countries	3.6	3.6	130	121
Total	47.4	53.2	2,020	1,809

Metals

SALES ON LONDON METAL EXCHANGE

	Week ended		From Jan. 1 to Apr. 26, 1939
	Apr. 19, 1939	Apr. 26, 1939	
Copper	4,900	5,250	98,110
Tin	1,885	2,175	23,195
Lead	4,500	3,150	94,850
Spelter	2,150	4,250	61,620

U.K. STOCKS

	Apr. 15, 1939	Apr. 22, 1939
Copper (Br. official w'houses):	Tons 6,654	Tons 6,210
Refined	26,511	26,736
Rough	12,561	12,437
Tin (London and Liverpool)	...	...

AMERICAN WHOLESALE PRICES

	Apr. 19, 1939	Apr. 26, 1939		Apr. 19, 1939	Apr. 26, 1939		Apr. 19, 1939	Apr. 26, 1939
	Cents	Cents		Cents	Cents		Cents	Cents
GRAINS (per bushel)—			METALS (per lb.)—<i>cont.</i>			MISCELLANEOUS (per lb.)—<i>cont.</i>		
Wheat, Chicago, May	69½	69½	Lead, N.Y., Straits spot	47-50	48-50	Cotton, Am. Mid. May	8-23	8-38
Winnipeg, May	61	61½	London, N.Y., spot	4-75	4-75	Lard, Chicago, May	6-27½	6-50
Maize, Chicago, May	49½	48½	Spelter, East St. Louis, spot ..	4-50	4-50	Petroleum, Mid-cont. cruce ..		
Oats, Chicago, May	30½	30½				33 deg. to 33-90, at well,		
Rye, Chicago, May	41½	41½	MISCELLANEOUS (per lb.)—			per barrel	96	96
Barley, Winnipeg, May	38½	38½	Cocoa, N.Y., Accra, May	4-35	4-20	Rubber, N.Y., smkd. sheet spot	15½	15½
			Coffee, N.Y., cash			Do, do, May	15½	15½
			Rio, No. 7	51½	51½	Sugar, N.Y., Cuban Cent.,		
			Santos, No. 4	7½	7¼	96 lcg., spot	2-95	2-94
METALS (per lb.)—			Cotton, N.Y., Am. mid., spot ..	8-98	9-09			
Copper, Connecticut	10-50	10-25						
	10-12½	10-15						

BRITISH WHOLESALE PRICES

THE ECONOMIST

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CEREALS AND MEAT				SUGAR (per cwt.)—cont.				MISCELLANEOUS			
Apr. 19, 1939				Apr. 19, 1939				Apr. 19, 1939			
GRAIN, etc.—				CUBES				CEMENT, best Eng. Portland, d/d site, London area			
Wheat—				Crushed				in paper bags 20 to 25 tons (free, non-returnable)—			
No. 2, N. Man. 496 lb.				Granulated				4-ton loads and upwards			
Eng. Gaz. av. per cwt.				Home Grown							
Liv. May, per cental				TEA* (Auction Average) (per lb.)—				CHEMICALS—			
Flour, per 240 lb.—				N. India				Acid, citric, per lb., less 5%			
Straights, d/d London				S. India				Nitric			
Manitoba, ex store				Ceylon				Oxalic, net			
Barley, Eng. Gaz., av. per cwt.				Sumatra				Tartaric, English, less 5%			
Oats				Total				Alcohol, Plain Ethyl, per proof gal.			
Maize, La Plata, landed, 480 lb.				TOBACCO (per lb.)—				Ammonia, carb., per ton			
Rice, No. 2 Burma, per cwt.				Virginia, stemmed and un-				Sulphate			
MEAT—				stemmed, common to fine				Borax, gran., per cwt.			
Beef, per 8 lb.—				Rhodesian, stemmed and un-				Nitrate of soda			
English long sides				stemmed				Potash, Chlorate, net			
Argentine chilled hinds				Nyasaland, stemmed and un-				Sulphate			
Mutton, per 8 lb.—				stemmed				Soda Bicarb.			
English wethers				East Indian				Crystals			
N.Z. frozen wethers				COTTON (per lb.)—				Sulphate of copper			
Lamb, per 8 lb.—				Raw, Mid-American				GOPPA (per ton)—			
N.Z. frozen				Sakellaridis, F.G.F.				S.D. Straits, c.i.f.			
Pork, English, per 8 lb.				Giza, F.G.F.				HIDES (per lb.)—			
BACON (per cwt.)—				Yarns, 32's Twist				Wet salted, Australian			
English				40's Twist (Egyptian)				West Indian			
Danish				Cloth, 32 in. Pinters, 16 yds.				Cape			
Dutch				36 in. Shirtings, 75 yds.				Dry and Drysalted Cape			
Irish				19 x 19, 32's & 40's				Market Hides, Manchester—			
HAMS (per cwt.)—				38 in. ditto, 38 yds.				Best heavy ox and heifer			
Canadian				18 x 16, 10 lb.				Best cow			
United States				39 in. ditto, 37½ yds.				Best calf			
OTHER FOODS				16 x 15, 8¼ lb.				INDIGO (per lb.)—			
BUTTER (per cwt.)—				FLAX (per ton)—				Bengal, g.d. red-vio. to fine			
Australian				Livonian ZK				LEATHER (per lb.)—			
New Zealand				Pernau HD				Sole Bends, 8/14 lb.			
Danish				Slanetz Medium, 1st sort				Bark-Tanned Sole			
CHEESE (per cwt.)—				Italian PC				Shoulders from DS Hides			
Canadian				Manilla, Apr.-June "J2"				Eng. or WS do.			
New Zealand				JUTE (per ton)—				Bellies from DS do.			
English Cheddars				Native 1st mks., c.i.f. H.A.R.B.				Eng. or WS do.			
Dutch				Apr.-May				Dressing Hides			
COCONA (per cwt.)—				Daisee 2/3 c.i.f. Dundee				Ro. Eng. Calf, 20/35 lb. per doz.			
Accra, g.f.				Apr.-May				PETROLEUM PRODUCTS (per gall.)—			
Trinidad				Sisal (per ton)—				Motor Spirit No. 1, London			
Grenada				African, Apr.-June				Petroleum, Amer. rid. bri. Lond.			
COFFEE (per cwt.)—				SILK (per lb.)—				Fuel oil, in bulk, for contracts,			
Santos suptr. c. & f.				Canton				ex instal. Thames—			
Costa Rica, medium to good				Japan				Furnace			
Kenya, medium				Italian, raw, fr. Milan				Diesel			
EGGS (per 120)—				WOOL (per lb.)—				ROBIN (per ton)—			
English (15-15½ lb.)				English, Southdown, greasy				American			
Danish (15½ lb.)				" Lincoln hog, washed				RUBBER (per lb.)—			
FRUIT—				Queensland, scd. super combg.				St. ribbed smoked sheet			
Oranges, Valencia, ½ cases I & II				N.Z., greasy, half-bred 50-56				Fine hard Para			
Jaffa				Crossbred 40-44				SHELLAC (per cwt.)—			
Lemons, Naples				Tops				TN Orange			
" Sicilian				Merinos 70's average				TALLOW (per cwt.)—			
Apples, Amer. (var.)				64's				London town			
" Victorian				Crossbred 48's				TIMBER—			
Grapes, S. Africa				40's				Swedish u/s 3 x 6			
Grapefruit, Jaffa				MINERALS				2½ x 7			
Pears, Victorian				COAL (per ton)—				2 x 4			
LARD (per cwt.)—				Welsh, best Admiralty				Canadian Spruce, Dis.			
Irish, finest bladders				Durham, best gas, f.o.b. Tyne				Pitchpine			
U.S.				Sheffield, best house, at pits				Rip Deals			
PEPPER (per lb.)—				IRON AND STEEL (per ton)—				Teak			
Black Lampung (in Bond)				Fig, Cleveland No. 3, d/d				Honduras Mahogany logs c. it.			
White Muntok (f.a.q.) (in Bond)				Bars, Middlesbrough				English Oak Planks			
POTATOES (per cwt.)—				Steel rails, heavy				English Ash Planks			
English, King Edward, Siltland				Tinplates				VEGETABLE OILS (per ton net)—			
Wubech				Non-ferrous METALS (per ton)—				Linseed, naked			
SUGAR (per cwt.)—				Copper—				Rape, refined			
Centrifugals, 96", prpt. shipm.				Standard cash				Cotton-seed, crude			
c.i.f. U.K./Cont.				Three months				Cocunut, crude			
Raffles London				Standard cash				Palm			
Yellow Crystals				Three months				Oil Cakes, Linseed, Eng.			

* Week ended April 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.

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LETTERS TO THE EDITOR

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has been forced upon us. Our only chance of preventing it from moving on to the bloodletting stage is either to acknowledge the Nazis as overlords of the world or else to win the war in its present silent stage. Everything else must be subordinated to winning the war.

There is, accordingly, nothing to do but to push on with the policy belatedly adopted by His Majesty's Government on March 17th. That policy, as the Prime Minister wisely repeats, is not one of encirclement. The guarantees against aggression are open to Germany as to the other nations, and there is nothing in the policy that can possibly harm Germany until the moment that she commits a new aggression. But that new aggression is so likely, and Herr Hitler, with his talk of the possibility of "limited" wars, takes so little trouble to make it seem less likely, that precautions must be taken. Since March 17th we have gone a very long way towards taking those precautions. But there are many who share Mr Attlee's uneasiness about the slowness with which the largest single step—the conclusion of an understanding, or alliance, with Russia—is being taken, and have felt apprehensive lest the dismissal of M. Litvinoff may presage the end of Russia's willingness to co-operate with the West. Apparently, that is not the meaning to be drawn from Wednesday's dramatic announcement. But there is clearly not a day to be lost in cementing the Peace Front.

Meanwhile, the storm clouds are darkest over the Polish Corridor. The open declaration of German hostility to Poland has united the Polish nation as at no time since its

rebirth. It is of the very first importance that everything should be done to support the Poles in their courageous stand. At the first breath of a repetition of the disastrous tactics that sent Lord Runciman to Prague in August, the whole Peace Front would collapse. It has been said that Danzig "is really not worth a war." No collection of houses and streets is worth a war. But what is vital is that at this moment Germany should secure nothing more, just or unjust, by the technique of menace. The world saw, in Czecho-Slovakia, the consequences of yielding to claims based on alleged "justice." Indeed, if it comes to justice, the Poles are entirely within their rights in claiming that the present temper and attitude of Germany call for a reinforcement, rather than a relaxation, of their position in Danzig. The atmosphere that Germany has created makes it impossible to reconcile one nation's rights with another's. Having made the appeal to force, Germany must be met with force. There is every sign that she is about to threaten the utmost force. The blow will descend if we flinch. It may be held if we do not.

The looming slaughter is not inevitable. It is not even probable, if we only have the resolution to make it clear that force will be met with superior force and that the new-born unity of the threatened nations is not to be disturbed by the ever-plausible, never-satisfied claims of Nazi propaganda. Peace can even yet be rebuilt if we will take as our watchword the double slogan: without substantial disarmament, no concessions of any kind; after substantial mutual disarmament, the utmost possible generosity.

Issues of Conscription

IT is pre-eminently a principle of right conduct in times of national emergency that no individual and no party should seek to press upon the people, in the guise of essential safety measures, policies which they actually sponsor for other and political reasons. It would be reprehensible to welcome the introduction of a limited measure of conscription for the armed forces as anything different from what it is, a distasteful necessity; and it is greatly to the credit of the Prime Minister that he has made no attempt to follow a certain section of his supporters, to whom compulsory military service has always seemed a desirable element in national organisation, even in peace time, and to present the Military Training Bill as a positive contribution to the improvement of character and morale.

Mr Chamberlain's quite genuine reluctance to make training for war a legal obligation has had no small part in the Cabinet's mishandling of the question as a political issue until the hasty and unprepared decision of last week; and it is embodied in the title of the Bill which is intended rightly to make only "temporary provision for rendering persons between the ages of twenty and twenty-one years liable to undergo training with the armed forces of the Crown." Conscription was introduced in 1916 because we were at war. It has been brought in again because we are no longer at peace. It is a temporary but essential expedient; and the sole questions to ask about the way in which it has been done are, not whether compulsion is good or bad in principle, but whether its introduction now was really necessary and whether the steps taken are likely to prove as fair and effective as possible.

These in fact are the grounds of the political opposition that the Military Training Bill, to which the Commons gave a second reading on Thursday, has aroused. The complaint that in calling upon Parliament to approve this new departure the Prime Minister was breaking pledges solemnly and repeatedly given will provide material for future historians akin to that enjoyed to-day by students of the tergiversations of Sir Robert Peel and Mr Gladstone. The

controversy illumines the fact that Mr Chamberlain has greatly strained his constitutional position by changing his mind without changing his Cabinet; and it underlines the truth that Mr Chamberlain and his colleagues have been constrained to act precipitately and blunderingly in this matter now because of their inept and myopic policy in the past. But it does not alter the fact that the Military Training Bill comes before the country to be judged on its merits as a measure of practical expediency. It is the accusation that the calling up of these young men (who are, perhaps unfortunately, not voting citizens) for six months' training is not necessary which has to be answered.

The deciding factor in favour of the Bill is this country's urgent need, in view of our obligations at home, in the Empire and on the Continent of Europe, for a much larger Army and body of trained reserves than those in authority had formerly calculated. It is presumably the wish of the Secretary of State for War and the Army Council for more numerous and more thoroughly trained soldiers than the voluntary system can provide that has tipped the scale. The contention of the Opposition that voluntary recruitment has not failed is quite correct; in April alone some 88,000 men were enlisted in the Territorial Army, leaving only another 122,000, six week's supply at this rate of recruitment, to be found. But this is no argument against the Bill; in numbers and in extent of training the Territorial Army is not enough to serve the nation's immediate needs. Indeed, the 200,000 militiamen to be trained in the first twelve months are themselves not enough to eke out the Territorials' part-time watch and ward over our anti-aircraft defences and furnish the trained core of a reasonably strong expeditionary force. Three years will pass before more than three-quarters of a million militiamen have been trained and transferred to the reserve and auxiliary forces; and it is presumably because of the undoubted difficulties that will arise in equipping and supplying the new Army that the Bill has been confined in its scope to a single class.

This question of supply serves as the second count in the

Opposition's indictment of the Government's proposals. It is bluntly stated that it will be impossible to furnish and outfit the men enlisted. If this is true, then it is not the introduction of compulsion but the organisation of supplies that is at fault; and the remedy lies in the full and proper functioning of the arrangements that have lately been placed in the hands of Mr Burgin. The characters "Taint Necessary" and "Sno Use" whom the cartoonist Low has lately found on the Government benches have seemingly crossed the floor of the House; but their complaints are no more valid or in order in Opposition than they were before. It is hard to believe that the needs of the militiamen in training (the cost of which is very modestly estimated in the Memorandum to the Bill) cannot be met with ingenuity and bold initiative in organisation.

The only true objectors to compulsory military training are those who are pacifists on moral or religious grounds; and it is not the least merit of the Government's measure that it provides for conscientious objectors to be included on a special register, instead of the military training register, and to be set to perform other work of national importance or non-combatant duties. It is to be hoped, with Mr Lansbury, that the local tribunals which will sit upon applications for this special treatment will be composed of men sufficiently young to appreciate sympathetically the very real fire for peace that inspires the pacifists of the latest generation, and that their task will be to ascertain facts about applicants' scruples and not to proselytise them by irrelevant stories of sisters or wives in danger of rape. The Prime Minister's strong denial of any intention to persecute pacifists was an impressive feature of Thursday's debate.

Colonel Wedgwood's admission a week ago that if the Bill had been introduced by Mr Churchill (who, incidentally, only regretted the limited scope of the proposed conscription), it would have met with a united House, was very revealing of the real reasons for the non-pacifist objections. It is a very easily understood reluctance to entrust Mr Chamberlain and his colleagues, in view of their past record of failure and dilly-dallying, with the power to compel. The Labour Party and the trade unions are, very properly, concerned about the industrial consequences of conscription under the present Government. It is surely for them to say so, rather than to oppose it root and branch. It is their duty, and that of the other Opposition parties, to welcome the very forthright provision in the Bill for the reinstatement of militiamen in their previous employment; to hold a watching brief for the hard cases that will inevitably occur, especially in the case of small firms; to examine carefully the remuneration (a shilling a day with allowances in some cases for dependants) and conditions of the men in training; and to make sure that any special adjustments to prevent military training from impairing university courses will also apply to technical and professional studies.

Agenda for Preparedness.—II

Full Employment

IN the most widely accepted economic doctrines of the moment, the concept of "full employment" is one of peculiar importance. Until "full employment" is reached, any increase in the monetary demand for goods has the effect, not of putting prices up so much as of attracting into employment resources of labour and capital that were previously standing idle. Until "full employment" is reached, so runs the theory, the creation of new demand by expansion of credit cannot result in what is commonly called inflation; on the contrary, it diminishes unemployment and, by increasing the national income, gives rise to savings that offset the original creation of

credit. But after "full employment" is reached, any further expenditure out of credit expansion or money creation will not increase production or diminish unemployment: it will merely enhance prices and start the revolving spiral of inflation. In the layman's language, "full employment" is the point at which the financing of government deficits by credit expansion ceases to be "sound finance" and becomes "unsound finance."

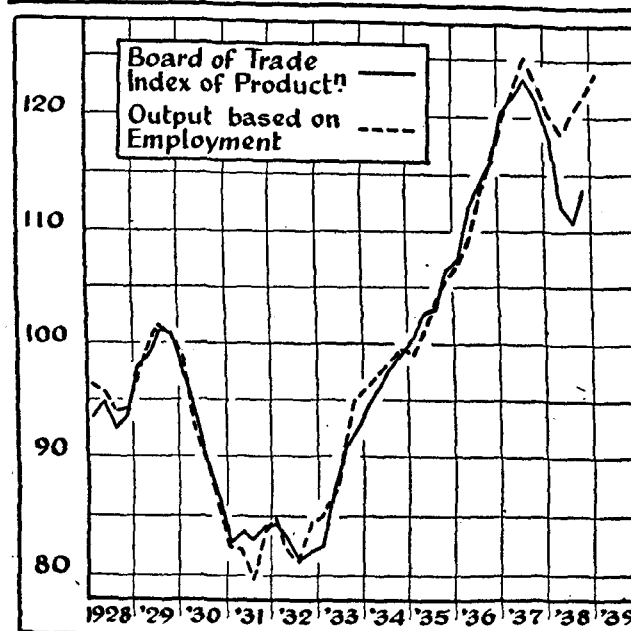
For a country moving into a war economy, it is, therefore, of great importance to discern when "full employment" arrives, for a great many things which were previously unnecessary then become urgent, while many things

As it stands, the Bill is a simple statement of well-contrived proposals. Male British subjects not ordinarily resident in a British Dominion, who are aged between 20 and 21, are uniformly liable, though in special cases the liability to be called up may be anticipated or put off; members of the Regular forces or, before April 27th last, of the auxiliary and reserve forces are exempted. Training is for six months and enlistment for four years, the balance of 3½ years to be spent with the auxiliary forces. Two details only of first-class importance were hard to settle, and both related to Ireland. In the Bill at present before the House, men domiciled in Britain are liable to serve. It is perhaps legitimate that the people and Government of an independent nation-member of the British Commonwealth should claim the right to contract out on behalf of their citizens domiciled in this country. Eire wishes this. But if this claim is conceded the concession should be bilateral; that is, the subjects of Eire in Britain, if exempted from military service, should no longer enjoy the material privileges of domicile here, in the shape of unemployment benefit and so on. They cannot expect to be permitted to make the best of both worlds. It has now been decided that the Bill will not apply to Northern Ireland. It is again an expedient concession to opinion in Eire to ensure that the Catholics of the Northern counties will not be brought forcibly into the scheme; and, by and large, it might be wise simply to make it possible for Lord Craigavon's burning loyalists to contract into the militia as volunteers.

that were right before become wrong. It was the perception of the changes in policy necessitated by the attainment of "full employment" that led to Dr Schacht's disagreements with the Nazi Government, and it is the non-perception of the change that is leading his successor into difficulties. For us in Great Britain, too, the attainment of "full employment" will be of great importance. Until it is reached, the present policy of financing three-quarters of the costs of re-armament by borrowing is economically justifiable. After it has been reached, the dangers of borrowing can be expected to increase rapidly. How close to "full employment" are we?

The impact of enormous orders for goods which are unimportant in peace-time naturally affects the accuracy of the accepted indicators of business conditions, which are designed to register the fluctuations in the activity of a peace-time economy. There is a risk of serious misconception in the fact that *The Economist* Index still stands 7 per cent. below its peak in the autumn of 1937. Similarly, because the official Index of Production stands about 8 per cent. below its 1937 peak, it might be inferred that there is 8 per cent. of productive capacity available before we regain the conditions of 1937; which were themselves probably less than "full employment."

But any such inference would be incorrect. The Board of Trade Index does not include the production of armaments, except in so far as they indirectly affect other industries, such as steel. This is equivalent to saying that the Board of Trade Index omits the most important factor in the present British economy. In the accompanying diagram an attempt has been made to surmount this diffi-



Both indices refer to mining and manufactures (i.e. excluding building and all service industries). They are corrected for seasonal fluctuations and for variations in the number of working days, and are based on 1929=100.

culty by the calculation of a new Index which, to distinguish it from the Index of Production, has been called an Index of Output. This Index has been based upon the fact that, while armament production is excluded from the Board of Trade Index of Production, armament workers are included in the employment returns. The Index of Output was therefore based upon the figures of employment in mining and manufacture, and makes allowance for the fact that there is a gradual increase from year to year in the average output per worker. It was adjusted in such a way that, as can be clearly seen from the diagram, it accords very closely with the Board of Trade Index for the years 1928-36. From the middle of 1937, however, there is a divergence, which should measure the effect of armament work. It will be noticed that, measured

on this basis, the output of the mining and manufacturing industries in the first quarter of 1939 was virtually as high as at the 1937 peak. Some of the shortages of men and material that were so apparent in the spring of 1937 have not reappeared. But this evidence would tend to indicate that they are not far off.

In any case, the total of the unemployment register, which stood at 1,727,000 on March 13, is a figure which injects more confusion than enlightenment into the discussion. Sir Ronald Davison has given his authority to some estimates of the number of men and women included in the total who cannot be regarded as available for work. Those who are on the register because of "normal and brief interruptions in their jobs" he puts at 500,000 (this is less than 4 per cent. of the insured population, and seems to be a very moderate figure). There are 110,000 men and women who have retired and are not seeking work, but sign on to the register to keep their pension rights alive. Sir Ronald estimates at 100,000 the number of young men who have grown inured to living on the dole and are not anxious to work. And finally there are 200,000 elderly unemployables. These deductions would reduce the total of 1,727,000 to 817,000. This figure must be still further reduced by the prospective net increase in the full-time armed forces, which, on the average of a year, may be not far short of 200,000. The available supply of labour is thus reduced to little more than half a million, considerably less than the lowest reasonable estimate of the additional labour directly required by this year's expansion in the defence programme, let alone the indirect effects of the expenditure.

This is the situation in its global form. But the problem with which we are faced is not one of demand for goods in general—that is, for labour in general. It is a greatly enhanced demand for specific varieties of goods impinging on the supply of specific varieties of labour. An unemployed textile worker in Lancashire, even if he is not included in any of the categories listed above, is not immediately available for, say, aircraft construction in the Midlands. It is possible, by a careful analysis of the Defence Estimates, to give some idea of the supply of labour available in individual industries in relation to the demands that can be expected to be made on those industries. For example, the increase between 1938-39 and 1939-40 in purchases of aircraft is estimated at £45 millions. Now the total number of unemployed recorded in the aircraft, motor car and railway vehicle industries combined is 16,500. At the time of the Census of Production of 1935 the gross output per head in these industries was £612 per annum, which increases in prices may by now have raised to about £700. Thus, even if all the 16,500 persons recorded as unemployed were immediately available for work, the gross value of their output in a year would only be about £11½ millions, as compared with a prospective demand of £45 millions. Similarly, the estimated increase in expenditure on arms and machines of all kinds is £24,200,000, while the potential gross output of all the unemployed recorded in the general and electrical branches of the engineering industry (i.e. omitting marine and constructional engineering) is only between £25 and £30 millions. These two are probably the largest instances in which the inevitability of "bottlenecks" can be statistically demonstrated. But such bottlenecks, large and small, will soon arise throughout manufacturing industry.

It is apparent from these data that a shortage of labour in a wide range of industries is very much nearer than appears at first glance. There is, however, another factor to be considered. "Full employment" may be reached even before all the available labour is absorbed, because of a shortage of fixed plant. There are undoubtedly shortages of some special varieties of equipment. Thus the problem of machine-tool supply has not been entirely

solved. But, in general, there is a considerably greater elasticity in plant than in labour, when industry is faced with a sudden access of demand, which is pressed regardless of cost. This is due to the fact that the great majority of industries work only a single shift in the day. If the labour is available, and overtime rates can be afforded, additional hours can always be worked. The two outstanding exceptions to this generalisation are, of course, coal and steel. There is no reason to anticipate a shortage of coal. The 1938 production of 228 million tons was 60 million tons below the record year of 1913, and though it might be impossible (and would at least take time) completely to regain this figure, there is obviously a wide margin of unused capacity. The theoretical capacity of the British steel industry is about 14½ million tons per annum, and the maximum that could actually be produced would be about 14 million tons. Working on Saturday afternoons and Sundays would add something to this total. Production in March was already at the rate of 13 million tons per annum, though most of it was for civil purposes. The highest annual production in the last war was 9,720,000 tons in 1917. There is a possibility of shortage here.

In general, however, the limits to production are set, in the short period, by the supply of labour and not by the

volume of fixed plant. And the limits are nearer than is generally recognised. The main conclusions that follow are twofold—direct and indirect. In the direct sphere it is urgently necessary to devise and put into force far-reaching and effective measures both for ensuring priority for Government orders and for organising an increase in the most vital varieties of labour. Of the two, priorities are more urgent than the dilution of labour. For there is no sense at all in engineering an artificial expansion of capacity, which can only lead to massive unemployment later, if there is any way of setting existing capacity free for war work. Indirectly, the imminence of "full employment" brings very much closer the point at which a re-casting of financial policies becomes essential if we are to avoid inflation. When the 350 million borrowing programme was first announced, there seemed to be some ground for hoping that "full employment" could be postponed until about next spring; this view was then expressed, with some reservations, in *The Economist*. The fuller analysis presented in this article compels a reconsideration of that opinion. Full employment, with the changes in financial and economic policy that it demands, will be upon us long before next spring. There is no time to be lost in preparing the new economic policy.

Price Cutting

(By a Correspondent)

WHEN, in 1937, the House of Lords, in the case of *Thorne v. Motor Trade Association*, decided that it should not be regarded as illegal if trade associations put names of members or others who broke certain rules upon a "stop list," or if they imposed fines for breaking rules relating to the maintaining of price lists, many trade associations must have been much relieved. Here was some assurance for them that there was little to fear from the traditional view that such arrangements might be regarded as being "in restraint of trade." Actually it was not the intention of the House of Lords to express in their decision any judgment about the desirability in the national interest of agreements to maintain prices. Nor can the Manchester magistrate's dictum that

If only the public would realise that in buying at these cut-price shops they are lending their help to criminal activities, they would think more carefully about where they buy.

be regarded as giving any authoritative sanction to the notion that price-cutting is immoral or inexpedient.

In fact, it seems that some people look upon statements of this kind as evidence that the selling of goods below recognised list prices should be condemned out of hand as a generally pernicious practice. Newspapers print articles about what they call the "cut-price racket"; and the tradesman who sells at cut prices is held up as an insidious danger to the "honest local tradesman" as well as to the customer who buys his goods.

The truth is, and it is sad to relate, that competition is losing its good old reputation. To administer the *coup de grace* the very name "competition" is given up, and the term "price-cutting," with its aroma of shady dealing, is used instead. This sort of indirect criticism is disingenuous and unfair in a world which has still much to gain from the processes of normal competitive trading and much to lose from their widespread suspension. It is, of course, undeniable that a good deal can be argued in justice against price-cutting of certain kinds. Goods acquired by fraud may be hastily sold at cut prices, and other forms of illegitimate trading may be bolstered in this way. But these are largely matters for the police, and can scarcely be said to dominate the general picture of cut-price selling.

Not least among the reasons for the outcry against price-cutting is the desire of certain trade associations to exercise complete control over trading in the goods in which they are interested. In groceries, in confectionery and in chemists' supplies there are powerful organisations which wage a ceaseless war against independent individuals who flout their price decisions. They track down the source of the price-cutter's supplies and seek to stop them. This is not very far from the oligarchical guild-regulations of the Middle Ages, and although in very many cases there is justification, it is hardly possible to argue convincingly that to-day as, supposedly, in those past centuries, the sole object of these restrictive regulations against "outsiders" is to protect the consumer against dishonest traders.

To come to the point: is the apparatus of inspection set up by trade associations really meant merely and invariably to detect illegal practices and frauds? It is very doubtful whether the case is so simple. One principal object of these devices is certainly to create the machinery for holding up prices against the consumer by enforcing an agreed price list, and it is done by means of a paraphernalia

THE WORLD OVERSEAS

This week the section of *The Economist* that is devoted to contributions by Our Correspondents in countries overseas and by other experts on the spot includes articles on:—

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of boycotting clauses, fines and black lists. The crux of the matter is that these regulations often have little regard for the actual reasons, economic or otherwise, why the particular goods are being sold at cut prices.

For example, cigarettes used to be the main department of the price-cutter's activities. At the peak of this so-called "unfair competition," there were nearly 5,000 shops selling cigarettes at below list prices. The big tobacco firms spent thousands to track down the culprits and to stop their supplies. Even the most vehement critics of cut prices can hardly claim that it was entirely fraudulent trading that stimulated and made possible this flourishing business. Indeed, underhand practices were probably quite the least important cause of it. The plain fact is that there are apparently some retailers who are willing to be satisfied with a smaller margin of profit than usual in order to have a bigger turnover. And in itself this would seem to be a mark of healthy trading.

But this does not exhaust the matter. The consumer should not be left out of the argument. Why should he not benefit if some retailers think it feasible to content themselves with reduced margins of profit? Only if the fixed prices arranged by trade associations were demonstrably "just" prices, by some absolute standard, would it be reasonable to refuse the consumer this relief in every case. At first glance it seems rather odd that manufacturers' associations should be so keenly concerned that retailers should not sell below the marked price. It would appear that, if members of an association sell an article for 6d. to the retailer, they should not be interested whether he in turn charges 10d. or only 8d. for it. The reason is really not far to seek. Not all traders are in a position to renounce part of the profit margin offered by the list prices. Some are more efficient than others; and it is to protect the relatively inefficient firms among customers (including some quite large ones) that associations try to prevent under-selling by the more enterprising ones.

Competition, as Adam Smith pictured it, has gone when quasi-monopolistic associations of manufacturers control retail trade in this way. Recently Mr Henry Smith, in a remarkable book on "Retail Distribution," put it like this: the manufacturer would not consent to a policy which would lessen the total demand for his products in order to provide a monopoly profit for established retailers, unless

he were able to augment his earnings by a share in the monopoly profits which *via fixed retail prices*—the price for this co-operation—he can sometimes do. This is to the point. It is well known that the monopolist's aim is not to maximise sales or cheapness, but to maximise profits through the instrumentality of fixed prices. More often than not his interest involves restriction of the trade that competition might bring.

So the public is warned against the price-cutter. We are told that cut prices are only a bait. They lure us into the shop, and then clever salesmanship will persuade us to make other purchases. But is this practice really more reprehensible than other more obvious and better-known baits, such as subtle window-dressing during sales and all sorts of tendentious advertising? We are surrounded by baits, but the trade associations accept the vast majority of them as legitimate aids to business.

The fact is that there is price-cutting and price-cutting. "Cheap sales" can have all sorts of different explanations. A recent American Court decision summed up the position in this way:—

If all profitless sales of goods were always, or even usually, made by merchants for the purpose of injuring their competitors, so that it could be said that such sales had, in and of themselves, a sinister significance, we would not hesitate to say that the legislature was within its rights [in opposing them], but, in fact, as the Court pointed out, there may be quite other reasons, and it is unjust invariably to accuse the retailer who "cuts" a price of improper practices. It would be absurd and wrong to say that the competition of outsiders against combinations should always be upheld as justifiable. It may very well happen that a combination or association has been successful in carrying through the necessary reorganisation of a trade or industry, and that some stabilisation of prices, which may be essential, may be unduly weakened by the piratical activities of small producers. To protect the pirates by law would then mean "compulsory competition," which might be as bad as compulsory combination. But conditions like these do not appear to be present in the case of retail trade and its associations, and it must remain doubtful whether the power to boycott and coerce retailers who think they can economically serve the public at lower than list prices can be commonly considered sound social policy.

NOTES OF THE WEEK

Russia and the Axis.—The obvious embarrassments of transforming a policy of appeasement into a policy of collective security have given rise to a further crop of difficulties this week. Serious negotiations with Russia started some two weeks ago with the Russian offer of a three-Power military alliance with France and Great Britain in return for mutual obligations to defend the respective neighbours of all three countries in Eastern and Western Europe. This offer was not accepted by the Western Powers, on the score that the small Powers of Eastern Europe would prefer a less binding agreement. While the three Governments concerned were trying to find an alternative basis of agreement, news came from Russia of the resignation, or dismissal, of M. Litvinov, Soviet Commissar for Foreign Affairs. The exact portent of this completely unexpected move on the part of the Russian dictator is not yet known. Stalin has for some time been taking a more and more active part in the conduct of Russia's foreign relations, whereas M. Litvinov's successor, M. Molotov, has not hitherto been associated with issues of this nature. The immediate reaction in Warsaw is favourable, and Russia is thought to be returning to a traditional and imperial foreign policy. On the other hand,

the Nazis are also pleased, evidently in the hope that, even if Russo-German co-operation is out of the question during the joint lives of Hitler and Stalin, Russian isolation is not excluded, and that the delay of the Western Powers in reaching agreement will have well served the purposes of Germany. The absence from Russia of M. Potemkin, Vice-Commissar for Foreign Relations, does not exclude him from ultimate succession to M. Litvinov, and the progress and range of his conversations in the Balkans will be a sign of the policy which the Soviet Union intends to adopt. The mere appearance of a Russian emissary in Sofia has encouraged pan-Slav opinion in Yugoslavia and Bulgaria, and the relations between the Russians and the Turks are well known to be cordial, while with Great Britain the Turks have already reached agreement in principle. The conclusion of an effective Black Sea pact which is said to be in view would necessitate the inclusion of Roumania. The Roumanian Government may be less hostile to co-operation with Russia than is commonly believed in London. The Roumanians, nevertheless, maintain, as do the Poles, that they are not lacking in soldiers but only in equipment, especially in aircraft, and would therefore prefer Russian co-operation in material and air power

rather than in troops. In this matter, however, both the Poles and the Roumanians would follow a British lead.

* * *

Poland Stands Firm.—The country most directly menaced in the Hitler speech was Poland, at one time Nazi Germany's only friend. Herr Hitler revealed that Poland had refused a demand for the incorporation of the Free City of Danzig in the Reich and for an extra-territorial "Corridor across the Corridor" in return for a 25-year guarantee of Poland's frontiers (though knowledge of this *quid pro quo* is denied in Warsaw). This offer, said the Fuehrer, was made once only, and as an earnest of the perils of refusal he denounced the non-aggression treaty. Colonel Beck's reply is to be made on Friday of this week, and whatever may be its tone, it will be firm in substance. The Poles are willing to discuss a new arrangement to take the place of the League High Commissioner, but they will not cede any of their rights. Indeed, the Poles seem to be firmer than the Axis, for there are evident hesitations in Rome about the prospect of being engaged in war for Danzig, and Herr von Ribbentrop's visit to Lake Como may well have the object of allaying these fears. The official attitude of the British Government is that Poland's attitude is Poland's affair; and this is the only attitude consistent with the maintenance of the new understanding between London and Warsaw which is the vital link in the Peace Front.

* * *

The Northern Neutrals.—The German Government, selecting a leaf from President Roosevelt's book, has proposed to the four Scandinavian countries and the three Baltic States the conclusion of mutual non-aggression pacts. Latvia is reported to have accepted, and her two neighbours may follow suit. But the Scandinavian countries are more likely to refuse, holding that even pacts such as these would infringe their neutrality. At first sight this attitude might seem to be excessively purist. But "non-aggression," on Nazi lips, can have peculiar meanings. As Poland has discovered, the existence of a non-aggression treaty does not prevent the putting of demands, or the abrogation of the treaty when they are refused. And, of course, it would be "aggressive" to accept a guarantee of independence from Great Britain. The Nazi aim, in fact, is clear. It is to build a political vacuum round Poland to the North, which will prevent any friends helping her, but which Germany's own peculiar notions of international law will enable her to break and enter at any time. The same tactic is apparently to be attempted to the South, for it is reported that similar proposals are to be made to Roumania (guaranteed though she is), Yugoslavia and Bulgaria. Hungary is reserved for a different role, for she is, it would appear, to be tempted by the bait of Slovakia into an offensive alliance against Poland.

* * *

Budget Roundabout.—The Commons' Budget debates this week and last have been concerned with two Budgets, this year's and the next. The Chancellor's proposals for 1939-40 have been assailed only in detail: no serious indictment against the increased tobacco duties has been proved, beyond their mechanical inconvenience, and only in the case of the new film duties (discussed in an Industry Note on page 331) have what appear to be genuine and justifiable grievances been revealed. It is the long-term problem of emergency finance that has engaged attention, and its discussion by members gained in importance because Sir John Simon, in his Budget speech, had signally failed to give any lead at all in this matter. Broadly, emphasis was given to two aspects of the Budgets to come: on the one hand, there was a widespread call for the conscription of wealth which, except in so far as this can rightly be regarded as a just and essential counterpoise to the conscription of man-power, is no more than a call for extraordinary means of increasing revenue; and, on the other, fiscal machinery to mobilise all the nation's economic resources to the single task of national defence was

demanded. For the first cause, the Labour Party propounded a scheme for a recurrent annual levy on property which, fixed at one per cent. on estates of £50,000 and over, would, it was claimed, bring in £80 millions. This was to serve as a partial substitute for defence borrowing. Sir John Simon rejected the plan on the ground that it would discourage saving. Both sides discussed the proposal in an atmosphere strangely removed from the real problems facing us. The problem of the near future will be to limit and control spending, not to penalise accumulated capital. But, on the other hand, it is obvious that most taxes that have to be paid out of income reduce the capacity to save.

* * *

Actually, the two aspects of the forthcoming financial difficulties which the Commons have been discussing are really one. The prime means of raising revenue is the orthodox one of taxation; the way to direct the disposition of the country's resources according to national need is largely taxation, too. The issue which the Chancellor of the Exchequer has not yet faced is that men, money and machines, capital and labour, industry and trade must now, or very soon, be deliberately diverted on a large scale from their normal uses and be placed at the Government's disposal. This means, for instance, that sharp increases in taxation will be needed to curtail non-military expenditure. It means that the purchase of luxuries and non-essentials, at home or from abroad, will have to be restricted by sumptuary taxation and duties. It means, in brief, the clear-sighted adoption of devices that run counter to the tenets of sound economic policy in peace time; penal taxes, restrictive duties, the control of capital movements, the mobilisation of labour and organised priority for the State over all essential supplies. The core of this programme is financial policy, and it would be comforting to be able to believe that Sir John Simon had his war-time tax plans ready.

* * *

The Need for Economy.—It is a matter for congratulation that it should be possible for the people of this country to bear the burden of defence expenditure to the tune of at least £630 millions in a single year and, at the same time, to effect slight increases in the cost of social services. Nevertheless, to spend the gigantic sum of £1,323 millions from the proceeds of loans and taxes in a twelve-month, with all the difficulties of supply and delivery that will be attendant and with the prospect of supplementary defence expenditure never far distant, is to incur a heavy responsibility; and the Government would do well to give the closest examination to various proposals which are currently being made, not to curtail the social services, for that would be to acknowledge defeat, but to ensure closer control of the day-to-day expenditure of departments to eliminate waste. Precedent for this is not lacking. Sir Percy

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Harris reminded the Ways and Means Committee of the Commons on Monday that twenty-two years ago, in the thick of wartime spending, a Select Committee was set up under the chairmanship of the then Sir Herbert Samuel to examine current expenditure and report upon possible economies consistent with the execution of the Government's policy. The Select Committee worked through sub-committees attached to the War Office, the Admiralty and the Civil Departments, respectively; it sat for two days a week all the year round; and it effected valuable savings in public spending without any diminution in public efficiency. Its like might well be seen again now. Parliament's control over the details of actual departmental expenditure is notoriously absent, being confined to the work of the Commons' Standing Committee of Public Accounts which belatedly considers the reports of the Comptroller and Auditor-General on closed departmental accounts. An Economy Committee of this kind is not needed simply because of the magnitude of our emergency expenditure. It would fill a clear gap in normal Parliamentary procedure.

* * *

Barter Approved.—On Thursday evening the Prime Minister announced that the Government had decided to accept the United States' proposal for negotiations to exchange American surplus supplies of wheat and cotton against rubber and tin, on a barter basis. Any agreement that can be effected between this country and the United States is *ipso facto* to be welcomed. Nevertheless, as was pointed out in these columns last week and admitted by Mr Chamberlain himself in the course of his announcement, there are serious objections to the use of barter transactions in world trade. It is the Government's hope that this particular bargain can be carried through without deleterious effects upon normal commerce, but its execution without appreciably influencing world markets and prices is bound to be difficult and complicated. And there are other countries than the United States that have wheat and cotton for disposal.

* * *

Assisting the Balkans.—None of this week's discussions in Parliament has had a clearer practical relevance to the balance of power in Europe than Monday's debate in the Lords on export credits. It is beyond doubt that Germany, by right of geography and normal economic evolution, has a natural claim to pre-eminence in the trade of South-Eastern Europe, and recognition of this fact is hampering to Britain's trade policy, which seeks at all costs to be fair. But it is equally true that German trading methods with their political implications scarcely invite the utmost consideration from peaceful powers; and, most realistically of all, it is unfortunately true that,

unless we are prepared to supplement the political guarantees against aggression we have begun to give in Eastern Europe with economic aid against penetration, those guarantees will lose much of their worth as contributions to the common front to safeguard peace.

* * *

Meanwhile, the first steps in a policy of collective economic defence are being taken by Sir Frederick Leith-Ross's mission in Bucharest. According to reports which have the appearance of accuracy, a British credit of £5 millions at 6 per cent. was offered. This was regarded by the Roumanians as very modest, even as a first instalment, and it certainly compares very unfavourably with the £16 millions of credits to Turkey at a lower rate of interest. Roumania is a larger country than Turkey and does a considerably bigger trade with Great Britain. A further credit of £2 millions to Greece is reported, though specifically as a first instalment, and Sir Frederick Leith-Ross is to go on to Athens from Bucharest. It would be the most short-sighted of policies to go a little way along the road of granting assistance and to refuse to go far enough to produce any effect. It is to be hoped that the danger of half measures is fully realised in Whitehall. It should be obvious, too, that credits are only an interim solution. The only permanently effective assistance that can be given to Roumania, Greece and Turkey alike is in the form of greatly increased purchases of their goods. Negotiations to this end are more difficult than the granting of credits and are reported to be moving slowly in Bucharest. But they must succeed if we are to achieve any reduction in these countries' present dangerous degree of dependence upon Berlin.

* * *

Serbs and Croats.—The failure of Prince Paul, Regent of Yugoslavia, to endorse the Serb-Croat agreement, the general lines of which were apparently accepted by the Prime Minister, M. Tsvetkovitch and M. Matchek, the Croat leader, on April 27th, has this week added serious internal tension to the already critical international position of Yugoslavia. Silence is maintained in Belgrade about the real causes of the breakdown—if, indeed, it can be described as a final breakdown—and M. Matchek himself ascribes it, rather generally, to the Regency being "influenced considerably by people opposed to any understanding with the Croats." It is believed that the Regent and the generals are disturbed by the proposals to "federalise" the Army. It is well known that Prince Paul has always been unwilling to make radical alterations in the Yugoslav constitution during his Regency; and that, in foreign affairs, he has, during the last few years, entrusted the conduct of policy to M. Stoyadinovitch, whose main purpose was to court favour in Berlin and Rome, and disentangle Yugoslavia from too close association with the status quo Powers in Central and Western Europe. The fact that these Powers now advocate understanding with the Soviet Union is not likely in any way to influence Prince Paul favourably. On the other hand, he has to deal with a Yugoslav public opinion which is very strongly pro-French and pro-British, and which harbours more than a memory of Serb Pan-Slavism. From the direction of official foreign visits, which are to be continued next week by Prince Paul himself in Rome, it would appear that Yugoslavia still hopes to maintain her precarious balance between the two Axis Powers. It is widely believed in Yugoslavia that the Axis does not function in the Balkan area and that profit can be derived from the divergence of interest between Rome and Berlin. On the other hand, it may rightly be doubted whether Italian objections in this, as in other matters, are of great concern to Germany. What is certain is that the breakdown of official negotiations between M. Matchek and M. Tsvetkovitch opens the way for German intrigues among the more radical members of the Croat national groups, as well as once more encouraging the pro-Germans in Belgrade. The risks to Yugoslav unity of seeking a Serb-Croat reconciliation are likely to be less than those of continuing in disunion when there are such ambitious neighbours just outside the gate.

The Latest Palestine Plan.—The situation in the Near East, in which the unrest in Palestine is so serious an element, may prove to have taken a decisive turn this week with the adoption of proposals by the Palestinian Arabs and representatives of the Arab States who have been meeting in Cairo. These proposals, as was to have been expected, guarantee the permanent superiority of the Arab over the Jewish element. They do not, however, insist, as the Palestinian Arabs insisted in London, that Jewish immigration should now cease. They propose that immigration should be limited to a total of 75,000 to be spread over the next five years, and that, if the Jewish element at any time exceeds one-third of the Arab element, immigration should immediately cease. Having thus guaranteed their numerical superiority, the Arabs demand that a new Government should be formed with Palestinian (i.e. Arab) heads of all departments assisted by British advisers, and that, in three years' time, a Constituent Assembly should meet and draw up a new Constitution. The resistance of the Mufti still has to be overcome, but it is said that the Arab States will withdraw their support if he continues to resist. On the other hand, they also convey that their co-operation with the Palestinians in finding a solution will be withdrawn if the British reject the proposals. It is hinted that the increasingly serious European situation may induce the British Government to accept this solution, in spite of its unfairness to the Jews, in order to secure the freeing of British troops in Palestine for the defence of Egypt and other threatened parts of the Near East. On the other hand, the Italian conquest of Albania has hardly encouraged pro-Axis feelings among Moslem communities in the Near East, though no doubt the relevant jokes from Hitler's speeches find adequate repetition and an appreciative audience for the German Arabic broadcasts. There are unconfirmed reports of renewed Italian assurances to Egypt, and Marshal Balbo is to visit Cairo, though there is no reason to believe that his visit is not, as announced, a private one.

* * *

Mr Gandhi's Tactical Victory.—The triumph of Mr Subhas Bose, recently elected president of the Indian National Congress in preference to the official candidate, has proved but a bubble. The majority of the old Working Committee having resigned, Mr Bose found himself unable, without Mr Gandhi's support, to form a new committee which would reflect his own Left Wing views. He thereupon himself resigned, and in his place Mr Rajendra Prasad has been elected Congress President. Mr Prasad is a moderate who has the full support of Mr Gandhi. The incident is a personal triumph for the Mahatma, since it was manifestly in order to retain his leadership that the Congress in effect reversed its previous vote. This is certainly not to be taken as a sign of remorse at the revolt of the rank and file against the other old leaders. There have been many signs of dissatisfaction with their oligarchic rule. For the moment the resentment against a clique is mingled, in the minds of many Congressmen, with hostility towards the moderate policies with which the clique has been identified, but it is hard to say how far either the earlier triumph of Mr Bose or his present chagrin bespeaks the majority view of the Congress on constitutional or economic issues. Pandit Jawaharlal Nehru, a member of the Left Wing but a follower of Mr Gandhi, resigned from the Working Committee when Mr Bose came in, but has refused to return with Mr Prasad. Never was Mr Gandhi more the personal dictator of Indian nationalist politics than he is to-day.

* * *

Difficulties in Newfoundland.—The latest annual report of the Newfoundland Commission of Government is more depressing than the last. The year 1937 was one of relative prosperity in this "special area" of the Empire, but in 1938 the recession in the United States combined

with special factors affecting the cod market to limit Newfoundland's income and depress the whole of its economic life. The Commissioners point out that the Island's exports amount to about £24 per head of the population, a very high figure for a poor community, and that the life and welfare of the people are therefore dependent on conditions outside their own control. In 1937-38 the improved economic conditions were reflected in the emergence of a budgetary deficit of only \$1,318,000, which was met by the British Treasury, whereas the estimates for 1938-39 showed a deficit of \$3,949,000. There is no visible prospect of a return to solvency. What is still more serious, there is no visible prospect of the establishment of the Island's commercial and industrial life on a permanently sound basis. Many new schemes of development are being pressed forward by the Commission, which has done its best in face of adversity to work upon a long-term programme, but these are still in the nature of public works and in some cases disguised relief. Meanwhile the continuance of Commission government, held necessary while Newfoundland is still subsidised by the British taxpayer, gives rise to growing dissatisfaction among a people long accustomed to self-government and nursed in the British democratic tradition.

Australia and the Pacific.—It is already clear that, however short or long Mr Menzies' tenure of office, he will leave his mark upon the external as well as the internal affairs of Australia. He has announced that diplomatic representatives of Australia will soon be appointed to Washington and Tokio, with the aim of maintaining closer contact with her neighbours and obtaining direct sources of information about the region of the world with which she is most intimately concerned. Australia has never hitherto followed the example of Canada and South Africa in appointing Ministers to foreign capitals, though not long ago she began to move along the same path by appointing in Washington a liaison officer to work with the British Embassy, much as the Australian liaison officer in London works with the Foreign Office. The long-term significance of the latest move will not be missed, more especially in the light of Australia's defence programme, which is also conceived on a regional basis. The Dominions have long regarded Europe as a sphere of vital interest for themselves only in so far as Great Britain is inextricably bound up with the fate of that Continent and they with hers. But this tendency towards isolationism from Europe has been accompanied by a growing realisation of their diplomatic and defensive responsibilities in their own regions. The result has been that the power and prestige of the British Commonwealth of Nations in the world as a whole have not diminished, but greatly increased.

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Japan's Hesitations.—A serious political conflict in Tokio between the partisans of an Axis and a neutral policy accompanies an intensification of the military struggle in China itself. The exponents of the policy of co-operation with the Axis, though forced to press for a favourable decision before the initiative in European affairs passes more decisively to the so-called Democratic Powers, are handicapped by the military reversals of the Japanese forces in China. Though it is considered doubtful whether the Chinese advances can be maintained, not only military and aerial reinforcements have had to be brought up, but the Japanese Navy is also said to be standing off the South Chinese coast, and ports south of Shanghai have suffered seriously from aerial bombardment. The main Japanese action seems to be in the Chekiang province and serious fighting is taking place around the town of Nanchang. The Chinese troops have been forced to retire and the frequent reiteration by General Chiang Kai-Shek that the Chinese offensive has not yet begun would seem intended to prepare opinion for the inevitable reversal of the present Chinese advance—though reversal does not by any means signify that it has failed to serve its purpose. Meanwhile, in Shanghai, and in Japanese-controlled territory, anti-British agitation continues and "demands" have been forwarded to the British Ambassador by the puppet mayor of the Greater Shanghai City Government, Mr Fu Siao-en. In Tokio, however, it appears that the contrary policy is gaining ground and that the Navy, the industrialists and the civilians in the Japanese Cabinet are pressing strongly for a policy "in line with the democracies." Exactly what this means in relation to the obligations of the Anti-Comintern Pact it is hard to say, but that the policy of close collaboration with Germany and Italy advocated by the Army and by General Koiso, Overseas Minister, finds considerable disfavour in influential Japanese quarters it is impossible to deny.

Civil Defence.—Every week the progress made by the Government in planning protection against air raids becomes more evident. But every week, too, the enormous amount that has still to be done in practice to make these plans effective is equally apparent. The fact is, as the latest admirable bulletin of the Air Raid Defence League* shows, that the gaps which remain threaten to diminish dangerously the usefulness of the good work done. If only because "there is virtually no protection at all" in districts where "Anderson shelters" are unsuitable, evacuation on a much greater scale than at present contemplated will have to be organised in the case of target areas. To budget for some 200,000 casualties in the first twenty-four hours of war, as the Ministry of Health's hospital plans do, is, indirectly, to recognise the need for this. Clear directions about the transfer of all but businesses which can only operate in their present places are imperative; and all the problems of transport and food supply involved in the redistribution of population will be correspondingly enlarged and made more urgent. But the main problem is still to provide for the maintenance of essential activities in vulnerable places. For this, street shelters, shelters for flat dwellers, strong protection for vital services and indispensable workers and the actual erection of Anderson shelters, all at present lacking, are wanted at once. The policy of providing A.R.P. services equally in all places is wasteful and wrong. The time has come to concentrate on congested target areas, to arrange the evacuation of all the people and activities not absolutely needed there, and to make it possible for those left behind to carry on with their jobs in reasonable safety.

Reserved Occupations.—The original schedule of reserved occupations, which was put out in January, was designed to list the trades in which all or part of the workers could not be dispensed with for whole-time service in the event of war. The persons affected by the

* An Outline of Civil Defence. Air Raid Defence League, 20 Great College Street, S.W.1. 6d.

schedule were accordingly debarred from enrolling for services which, though part-time in peace, would be full-time in war, with the result that half the man-power of the nation was debarred from military service, unless the men chose to abandon their trades and enlist in the Regular Army or in the other professional fighting services. The utmost the reserved men could do was to train for defence work that would be part-time in war as well as in peace. The net effect of so comprehensive a schedule was seriously to hamper Territorial recruitment and the call for a drastic modification of the list was already loud when the decision to double the Territorial Army, together with the earmarking of young men aged between 20 and 21 for militia service, made immediate action essential. Sir John Anderson has announced that another 1,500,000 men aged between 25 and 50, or nearly a quarter of the potential man-power compulsorily reserved, will be free, so long as peace lasts, to enlist in part-time defence services that may be full-time if war comes. The trades removed from the list include textiles, clothing, boots and shoes, printing, pottery, journalism, civil and local government service and retail distribution; an additional 630,000 men aged 25-38 will be available if they wish for the Territorial Field Force; and over 870,000 can join the Territorial Home Defence Forces or take on important civil defence duties. This arrangement is merely for the duration of peace; freedom to enlist from these trades (which are still apparently to be reckoned as indispensable in war) will cease, except in retail distribution, on the outbreak of war, though the men who join up between now and then for duties that will be whole-time in war will still be taken away. The change is a step forward, but it is still doubtful whether all the occupations listed as essential are in fact essential, and there is room for further revision of the 3,500,000 men between 18 and 50 who remain on the list.

National Nutrition.—Last week-end, scarcely noticed in the conventional hubbub that surrounded the delivery of yet another Hitler speech, the British Medical Association performed a public service by bringing together doctors, farmers, economists, politicians and business men, all experts in their own lines, to confer on the essentials of a national food policy. The need for such a policy, in which the requirements of health, agriculture and industry would be considered in mutual relation, was easily proved by reference to sadly familiar facts: between one-third and a half of the children in this country lack an adequate diet; to reach an all-round standard of good nutrition our consumption of milk would need to rise by 80 per cent., of butter by 40 per cent., of eggs by 55 per cent., of fruit by 120 per cent., and of vegetables by 85 per cent.; and even if the B.M.A.'s own dietary, prepared to cover only the barest minimum nutritional needs, were made general, with no one consuming more, we would, out of our present consumption, have too little flour, cereals, cheese, vegetables and milk. The causes of this state of affairs were also agreed: as Lord Astor put it, it is partly ignorance, but mainly poverty. The wage system takes no account of family needs, and the connection between malnutrition and the size of families has been statistically established. Family allowances were called for, cheaper methods of distribution and a more positive reorientation of our agricultural policy (which took shape before knowledge about nutrition revealed the prime importance of protective foods, such as eggs, cheese, milk, fruit and vegetables). Two points were made quite clear: first, that cheaper foodstuffs must be made consonant with the imagination, by no means to increase fertility and output; could home production be made to meet national needs. The latter was Sir Arthur Salter's argument, too, for food storage against the risk of war: rationing plans are not enough; there must be some guarantee that there will be food supplies to ration. An appreciable increase in home production is essential, but imports remain of key importance in the food problem, and cheapness and ease in their purchase are paramount for war safety as well as for peacetime health and nutrition.

THE WORLD OVERSEAS

Bulgaria and the Balkans

(By a Correspondent in Sofia)

BALKAN politics are conducted on a system which blends unflinching optimism with the cunning of those who have grasped the art of bargaining. The politics of Bulgaria are no exception to this general rule. Ever since 1934, King Boris and his councillors have faced the bleakness of the Balkan Entente with a public hope that satisfaction will some time be given to Bulgaria's territorial claims, and sooner rather than late—a hope seasoned by a private afterthought that, with the pressure put upon the Balkans by Germany's rearmament and dynamic foreign policy, the rendering of that satisfaction will become a necessity.

Germany's growing strength, shown most strikingly in the fall of Austria, convinced the Balkan Entente at that time that a measure of appeasement must be added to their policy. There was a precedent for this in the renewal in 1936 of good relations between Bulgaria and Yugoslavia, and in 1937-38 between Bulgaria and Turkey. The Salonika Agreement of July, 1938, which revoked the military clauses of the Treaty of Neuilly, and gave legal standing to the skeleton rearmament which Bulgaria had already managed to secure, was intended as a first step in a policy of appeasement, which eventually would bring Bulgaria into a new Balkan Entente designed, this time, to tamp Balkan frontiers against Axis penetration. The prophets at this winter's Entente conference were freely giving out Bulgaria's early adherence.

That adherence is now a virtual impossibility; and it is more to point out the mistakes of the past than to recommend their correction now that it is worth while to recite the present needs of the Bulgarian Government. The claims on Yugoslav Macedonia are no longer considered "actual." (Mihailoff, the leader of IMRO, the Macedonian revolutionary movement, is at present in Rome; the chances of an independent Macedonia are part and parcel of common discussion; and there is a general tendency in Sofia to wonder "why we ever bothered about such a useless piece of land.") Claims for the revision of frontiers are narrowed down to a claim on Roumania for the southern part of the Dobrudja, and a claim on Greece for a corridor to the Aegean through Western Thrace. Economic necessity is pleaded for both claims; for Dobrudja because it is the natural wheat-growing hinterland of the port of Varna, now in economic ruin; for the Thracian corridor because, under the existing dispensation, Bulgarian seaborne trade can reach the Mediterranean only with Turkey's tacit consent.

The second aspect of Bulgaria's isolation in the Balkans is her economic dependence on Germany. With about 80 per cent. of her foreign trade in the hands of the Reich, Bulgaria is hard pressed to find free exchange for her simplest purchases elsewhere. At the moment, the authorities in Sofia are unable to pay Roumania for the modest oil imports of 1938; and although this particular sum will probably be found, the position is going from bad to worse. With each tightening of the screw the Bulgarian Government is led to wonder more and more whether those Bulgarians were not right who, after the Munich Agreement had proclaimed the peaceful revision of frontiers, turned away from their approval of Britain with the bitter reflection that "nothing is ever done for Bulgaria."

Seeking Neutrality

The Bulgarian Government's foreign policy is nevertheless still one of complete neutrality. The weight of public opinion behind that policy is still so great that it is unwise, as well as unjust, not to consider what may yet be done to establish that Balkan unity, in fact if not in form, which alone might keep the Balkans out of a European war. The necessary premise to that consideration is the certain fact that no Bulgarian Government will surrender the substance of its territorial claims for the shadow of Balkan unity—unless forced by circumstances which do not now exist, though they may not be far off. They hoped, naturally enough, that Lord Halifax would drop a hint to M. Gafencu on the subject of the Southern Dobrudja; and, also quite

naturally, they took no account of the difficulties in the way of such a step. The official Roumanian attitude is curiously negative: in private, the advantages of good relations with Bulgaria are fully seen, but the Roumanian Government is frightened to give a precedent, in the shape of territorial concessions, to Hungary, whose irredentist claims on Roumania are considerable. Anglo-French pressure on Roumania to hand over the Southern Dobrudja to Bulgaria would, if it succeeded, probably make it possible for King Boris to join a Balkan bloc: the only trouble then would be that, with Roumania's intense indignation, there might no longer be a bloc to join. Nor is there yet a sign that such pressure is in the offing.

Now that Sir Frederick Leith-Ross is not going to Sofia, it is academic to discuss the economic side of help for Bulgaria. In brief, economic help would have to take the form of credits for the purchase of raw materials and even armaments; the buying up by Britain of large quantities of grain and soft fruits, probably at unremunerative prices; and, on a longer view, the development in Britain, or in the Empire, of a market for Bulgarian produce. For it is immensely important to remember, and to repeat again and again, that no Balkan country, and least of all Bulgaria, is going to offend Germany, without the prospect of finding an assured and remunerative market elsewhere.

In the new strategic position produced by Yugoslavia's encirclement by Germany and Italy, Bulgaria could remain neutral in time of war only with the consent of the Axis Powers. It may be that the political grounds for Britain to help Bulgaria no longer exist. If this is indeed true, then we will have taken another step towards the view that war in the near future is inevitable, because Bulgaria is, geographically and in many other ways, a vital piece in the pattern of any Peace Front against aggression. But if we do cut our losses (as, shortsightedly, the surrender of Bulgaria might appear), we will have given over to the enemy a friendly and unoffending people.

May 1st.

Seeking the Causes of U.S. Depression

[FROM OUR NEW YORK CORRESPONDENT]

THERE is a legend of a Russian Grand Duke who declared his abhorrence of war because it distracted the attention of officers from perfecting parade formations and rendered the soldiers' uniforms untidy. In the same way, an economic reporter must deplore the sequence of international crises, since they introduce what scientists call "uncontrolled" elements into the test tube of economic developments.

A year ago, the American economy was in the depths of a severe depression. The ascribed causes of this depression were, first, an abrupt curtailment of Federal expenditure combined with a contraction of credit due to a reduction in excess bank reserves and the "sterilisation" of incoming gold; and, secondly, a punitive tax on undistributed corporate profits. To produce recovery a programme of lavish deficit spending was authorised; excess reserves were multiplied by a reduction in required reserves, and by the monetisation of the previously sterilised gold; and the tax on undistributed profits was reduced to a shadow.

A smart rebound in production ensued. But, before it was resolved whether this rebound was due to the credit policy, the spending policy, or the tax policy, or to all or none of these, the recovery, having run about five months, began to hesitate, and then to dip. This vexatious behaviour was belittled during the first quarter of 1939; but, when the quarter closed without disclosing any further evidence of economic vigour and with a violent decline in the share market, and when the second quarter opened with the economy not only

failing to show the "spring upturn" but sagging drearily, three questions inevitably arose. Were the diagnoses of the last depression correct? Were the remedies adopted relevant? Or is our domestic economy dominated by events abroad?

America and Europe

It is easy to infer an intimate relation between this country and Europe. The severe collapse in the share market in March, 1938, was contemporary with the occupation of Austria; the break in September, 1938, synchronised with the Czech crisis; the break in January, 1939, coincided with the fall of Barcelona and the accompanying tension; and the bad decline of March, 1939, coincided with the crisis following the occupation of Bohemia and Memel. One could argue that the failure of production to make a recovery in early 1938 was attributable to the international tension that found its expression in the stock market collapse of March, 1938; that the recovery of the summer and early autumn of 1938 was arrested by the September crisis, reflected more seriously in the share market, which dipped and quickly recovered; and that the slow recession in production since the year end, like the March-April collapse in shares, reflected growing disappointment over the deterioration of international relations. Indeed, a very convincing gloss on the behaviour both of the share market and the production index over the past year can be written exclusively in terms of foreign affairs.

Yet, if one attempts to examine the specific points of contact between our economy and Europe, this interpretation does not hold very well. Commercially, we have enjoyed throughout the entire period a large export trade. Indeed, during the acutely depressed months of 1937-38, our exports held almost at the best level of the 1937 boomlet. Financially, the data do not indicate heavy liquidation of our securities by foreign holders over this period; on the contrary, during the past twelve months the influx of European capital appears to have been almost continuous and in very large volume, although it seems that no large part found its way into immediate security purchases. Our direct commercial and financial relations with abroad in the past twelve months would seem to have been a sustaining rather than a weakening factor. Furthermore, business men, in discussing their own views of their own problems, rarely describe the latter in terms of international troubles. Their own accounts of their difficulties are usually stated in terms of domestic business. Yet the fact remains that, for a full year, our stock market has synchronised in its movements with the course of European events; and has been a pretty fair barometer of our economic evolution. In each of its moves it has run more or less parallel to the British share market; but its fluctuations have been more violent, and apparently of greater amplitude, than those of European markets; as, too, have the fluctuations of our index of production. All of which, as Alice remarked, makes it very confusing.

The recession in production has brought steel output from about 55 per cent. of capacity to about 50 per cent. Such a decline is not unusual at this season of the year. It is discouraging because it started from a relatively depressed level, and because it had been believed that the spending programme would at least maintain that level. While the common note is rather minor, the general expectation still seems to be that the decline in the second quarter will not be severe. The principal basis of this hope is, as usual, the spending programme which is generally believed not to have exerted its full influence yet. For more than a year now, we have explained all economic phenomena in this country (except the stock market) primarily in terms of the magnitude of the Federal deficit; and it is increasingly questioned if so simple an explanation is adequate.

April 25th.

French Financial Problems

[FROM OUR PARIS CORRESPONDENT]

FISCAL receipts in March totalled 3,947 million francs. This was an increase of 988 millions over the March returns in 1938; the proceeds of direct taxes have doubled; and the magnitude of the fiscal effort that is being made is evident. Nevertheless, if the receipts are compared with the estimates the result is hardly so satisfactory. Several taxes, and notably

the turnover tax, have fallen short; and the chief cause is the international tension which has damped down business.

Meanwhile, M. Reynaud has decided to transfer 5,000 million francs in gold from the Equalisation Fund to the Bank of France in return for francs. This spectacular step reveals that the Fund had run short of francs. Some francs had been exchanged against gold (owing to the repatriation of capital), but others had been transferred to the Treasury, which had been compelled to ask for the reimbursement of its advances to the Fund. The simple truth is that the Treasury's means were no longer adequate to foot the bill for re-armament and the new security measures.

Signs of Strain

Thus there are signs of strain. The short-fall in receipts, the transfer of gold to the bank and the increase in the note circulation from 110,000 million francs to 122,000 millions in only a few weeks show that there is a gap between the needs of the Treasury and the readiness (much though this has increased) of citizens to subscribe to bonds. These circumstances explain the new decrees of M. Reynaud, notably the two masterpieces of the new batch: the tax on payments and the three-year National Defence Bonds.

The aid that has been given to the Treasury by the short-term market explains how the Minister of Finance was able to keep his promise not to borrow on the capital market for six months, although the Treasury needed 3,000 million francs monthly. After this effort, the market expected a funding operation. But foreign fears are not favourable to a long-term issue, and M. Reynaud has chosen to continue his operations in the short-term market. This market will be cleared by the issue of the National Defence Bonds, with 4 per cent. interest paid in advance for the three years of their maturity and exempt from the income tax. Afterwards the market will be ready to absorb new bonds—probably shorter term "armament bonds." The new three-year bonds are welcomed in financial circles and will certainly meet with great success.

The Sales Tax and Prices

The "resurrection" (from May 1st) of the 1 per cent. tax on sales—another old wartime acquaintance—provokes reserved comments. It will be easily collected, and its yield will be considerable. But to collect 5,000 to 10,000 million francs in this way cannot be done without some effect on prices and the cost of living. The question is how great will the rise in prices be?

The Government has actually taken some precautions against increased prices. Foods, like bread and milk, are exempted from the tax, and its incidence on agricultural products will be smaller than on manufactured goods. Moreover, its effect on foodstuffs, at least at the beginning, will be opportunistically counterbalanced by a seasonal decline in prices which is exceptionally sharp this year. The more pronounced effect on manufactures will be tempered by the fall in costs which the new increase in working hours—with no overtime rates for hours up to 45 a week—will bring about. Other factors, such as the lowering of the tax on production and on patents, and the work of the committees for the control of prices, must also be taken into account.

Export industries are still protected by the margin which remains between French and world prices, in which a similar rise may be expected, and also by the abatement of the tax in favour of the final seller. Nevertheless, the extra burden of the sales tax, paid on successive stages of production, will no doubt be considerable.

There is some contradiction between this increase in the tax burden on business and the hope expressed by M. Reynaud (and supported by an official campaign in favour of increased consumption) that increased activity in the "civil sector" of the country's economy will aid the financing of the "military sector." The latest measures may not be the last, according to M. Reynaud himself. But it is now an open question whether the French financial system could stand a third batch of decrees without losing its equilibrium. Experts say that it is impossible to tell.

However that may be, increasing fiscal and financial efforts have been accompanied by an increase in production and better activity in the investment of capital. Total issues on the capital market actually amounted to 401 million francs in March, against 378 millions in February, 390 millions in January and 96 millions in March, 1938. Re-armament still frightens some capital, but this has become the common lot of every country and every currency. Moreover—with this re-armament—the chances of success for London and Paris, that is, the chances of peace, are now increasing every day.

May 4th.

The State's Claims on German Savings

[FROM OUR BERLIN CORRESPONDENT]

HERR HITLER'S answer to President Roosevelt in his speech before the Reichstag effected no real change in the tense political situation. The suggestion that the Reich considers the present relations between Poland and Germany as unbearable and expects an early settlement of the territorial questions in particular, may be regarded as the most important part of the speech. That the solution to the problem will be of a type to satisfy the prestige requirements of the National Socialist military State, and its over-exaggerated sense of honour (that is, that it will be carried through by military force) is obvious from the way in which Herr Hitler described his recent offer for a peaceful settlement as "occurring only once."

Poland is to a great degree mobilised already, thus making it clear that she is ready to defend herself with arms, and the Third Reich will have to undertake far-reaching preparations in order to effect a *coup*. Aggression against Poland now involves the danger of widespread international conflict, and it is not yet clear just when Germany will be prepared to "settle the Polish question." The fact that the harvest has still to be taken in is an important factor. And chief interest in Germany still centres on various crucial facets of her domestic economy.

Not least among the interesting and important aspects of the German economic scene are the growth in the people's savings and their relation to the State's financial needs. Last year the trend of German savings was closely associated with the State's financing policies. Between 1932 and 1938 the national income increased from Rm. 46,000 millions to Rm. 76,000 millions, and the Reich's tax receipts from Rm. 6,600 millions to Rm. 18,200 millions (including the levy on the Jews). Expenditure on unemployment relief was about Rm. 2,000 millions less than in 1932, so that the Reich had about Rm. 12,000 millions more to spend out of current income than six years before. Actually, Rm. 11,000 millions more was spent last year than was received. It was the various savings institutions that absorbed about a third of the Rm. 8,000 millions of Reich loans which were issued in the year; and the absorption of these loans was made easier by the expansion of the savings banks' capital structure from Rm. 4,000 millions to Rm. 10,200 millions, though this increase includes sums, which, since they arose from the liquidation of certain industrial branches, cannot be regarded as real savings capital.

The organisation of Germany's savings banks has grown with the annexation of Austria and the Sudetenland. At the end of 1938 the balance of deposits in the Austrian savings banks was Rm. 1,450 millions, and in the Sudeten German banks Rm. 800 millions. The total in all the Greater German savings banks was Rm. 25,000 millions, of which some 90 per cent. consisted of savings deposits, other deposits and current accounts.

In the old Reich alone, savings deposits increased last year by Rm. 2,000 millions; and the surplus of deposits over withdrawals grew much faster than interest and other liabilities. The increase would have been even more striking if large holdings had not been withdrawn during the September crisis. On the other hand, the growth in the number of employed workers; the extension of working hours; the promotion of employees to higher wage levels; the curtailment in the construction of private dwellings due to the scarcity of materials; the ban on issuing mortgages for savings banks and insurance companies; and the food shortage; all have led to an increase in saving.

Government Restrictions

The distribution of balances also corresponded with the State's financial policy; that is, the Reich laid claim to the moneys deposited with the various savings institutions and their other credit activities were restricted accordingly. The ban on loans on mortgages, introduced in the summer of 1938, was later modified to facilitate the construction of military dwellings, agricultural workers' dwellings, new buildings and Four-Year Plan construction. The savings banks met these claims for credit with ease. In fact, definite competition developed between the various banks. And it is worth while noticing, in passing, that the so-called

"black" capital market is gaining increasing importance. This market is fed by private capital which is not deposited in banks or savings institutions or invested in Reich loans or other securities, but is used surreptitiously for the financing of building; and this naturally injures organised credit, especially since more favourable terms are granted on the black market.

The dominating influence of State claims in savings bank business is shown in the fact that the security holdings of the banks increased last year by Rm. 1,700 millions by the purchase of Reich loans, while mortgage holdings rose by only Rm. 400 millions and bank holdings by Rm. 365 millions. In the entire Reich, the savings institutions lent a total of Rm. 1,200 millions to the real estate credit business, and Rm. 1,160 millions to the working capital credit business (mainly personal credits). Following the ban on municipal credits, loans to municipalities remained within narrow bounds; and on balance municipal debts to the savings banks were reduced by Rm. 100 millions.

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Tax Abatement.—The "New Finance Plan," lately introduced by Herr Funk, provided that State expenditures were to be financed, not only by the issuing of tax certificates, but also by the levy of a tax on increases in income. Originally, only increases in yearly income up to Rm. 600 were to be exempt from the new tax; 30 per cent. of all increases above Rm. 600 was to be given to the State. The new tax aroused great indignation and opposition, not only in industry, which is already heavily burdened with the increased corporation taxes, but among people who had only just begun to earn more during the last two years. In a new decree, the Government has modified the tax appreciably. In 1939 and 1940, incomes up to Rm. 6,000 will be exempt; and increases up to Rm. 1,200 (instead of Rm. 600) will not be taxed, while for every third and subsequent child this allowance is raised by Rm. 900. Finally, the rate of tax on increases is reduced from 30 per cent. to 15 per cent.

May 1st.

Portugal Looks Ahead

[FROM OUR LISBON CORRESPONDENT]

HOPEFUL expectancy is the present characteristic of most business here, though actual transactions are limited. A firm market continues to rule for all State bonds, thanks to steady demand by small investors and the abundance of money in the market for which there is small outlet. The Lisbon Bourse offers little speculative scope, the Government is not short of funds and bank deposits are slowly but steadily on the increase. This condition leads to sharp competition among banks for all sound accommodation that may be sought.

In general terms one may say that Lisbon and Oporto, the two cities which embody the financial activities of Portugal, are at present over-supplied with banking facilities; but, taking the long view, Portugal's financial machinery, public and private, is well placed now either to promote national business expansion, if circumstances become favourable, or, should a storm break, to meet the

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first shock. The property market—more specifically rebuilding in and about Lisbon, which gave an outlet to surplus funds in 1937-38—shares in the general quietude. Most of the new flats are occupied; and much of the eighteenth-century property in the city proper can be let only at reduced rentals.

Spain at peace, and in temporary need of a great many things which, in a comparatively short space of time she may supply from her own resources, offers opportunities to Portugal of an exceptional if brief character. Trade in cotton and woollen textiles, foodstuffs, livestock, and even certain forms of metal work, such as spare parts and castings, is said to be under discussion; while, already, petty business has begun to benefit the numerous small villages that fringe the Spanish border. There is even talk of Spain drawing on Portugal for labour—although one may mention that this is nothing new.

Great interest attaches to the State of San Paulo's readiness to receive 50,000 Portuguese agricultural labourers. A leading Lisbon daily, the *Diário de Notícias*, welcomes the proposal, stresses the need for effective guarantees, and stipulates that repatriation, if necessary, will be assured, that immigrants will be able to send their savings home unhindered, and, a point of wider interest, that Brazil will see fit to resume payment of the interest on her foreign debts.

No official pronouncement has yet been made but these provisions are irrefutably sound. The Portuguese peasantry have largely made Brazil; and they are Portugal's most valuable asset and could become her most profitable export. With an annual increase of 80,000 in the population and ever-improving mortality returns, emigration must become part of national policy. But such valuable "invisible exports" as are provided by the home remittances of emigrants must not be allowed to become "frozen credits" through one-sided restrictions and failure to meet obligations.

The Government may be relied upon to safeguard the rights of the emigrant labourer. The policy of the present administration has been to benefit the peasant. Wages, expressed in terms of money, have risen only slowly; but, in many other directions, only faintly covered by the phrase "social services," the peasantry have gained by the insistence of the Government on real reforms. The average labourer now feels himself to be a person of value to the community. Salazar's name is never heard without some expression of esteem; *é uma benção*, "he's a blessing," is the usual phrase. The closer one dissects the work of this professor of economics who, though not wholly a follower of Adam Smith, is testing a well-defined theory by practical application to the duties of statecraft, the more readily one agrees—especially if one compares the country to-day with the Portugal of 1910-1926!

April 24th.

Trade Policy in Greece

[FROM OUR ATHENS CORRESPONDENT]

A NEW problem confronted this country when the pound was divorced from gold in 1931 and foreign lending ceased in the London market. As Greece was relying on foreign—and especially British—financial assistance to carry out the programme of economic reconstruction drawn up in co-operation with the League of Nations, and, pending its execution, to balance the country's international accounts, the sudden withdrawal of all assistance from abroad very soon led to a heavy currency depreciation. Urgent measures were needed; and these consisted in a partial default on the foreign debt service, in foreign exchange control and restriction of imports and, later, in an effort to expand exports.

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The following table shows the evolution of foreign trade since 1929—the last pre-crisis year.

(In thousands of tons and millions of drachmae)			
	1929	1932	1938
Imports:			
(a) Weight	2,773	2,375	2,741
(b) Value	13,276	7,870	14,761
Exports:			
(a) Weight	754	512	1,349
(b) Value	6,960	4,757	10,149
Import surplus:			
(a) Weight	2,019	1,863	1,392
(b) Value	6,316	3,113	4,612

This table shows the expansion of exports since 1929 and the reduction of the commercial deficit—the main aims of the Government. Bearing in mind that the drachma represented in 1937 only 41 per cent. of its gold value in 1929, it will be seen that the actual reduction in the commercial deficit is larger than appears from these figures. An important increase in the import surplus in 1936 and 1937 was the result of the rise in international prices and, also, of larger imports of essential foodstuffs, fuel and industrial equipment material. The increase in the bulk of imports since 1932 is due, principally, to heavy purchases of foreign minerals such as coal, metallurgical and chemical goods. Imports from the United Kingdom, Germany and the U.S.A. moved between 1929 and 1938 as follows:—

(Millions of drachmac)				
	Greek Imports from		Greek Exports to	
	1929	1938	1929	1938
United Kingdom ...	1,688	1,926	816	843
Germany	1,250	4,256	1,613	3,904
United States	2,088	1,070	1,118	1,731

Balance of Payments

According to figures contained in the annual report presented to the shareholders' general meeting by the Governor of the Bank of Greece, the country's balance of international payments for 1938 presented the following picture:—

	Gold frs.
Debtor balance from goods and services	36,951,000
Creditor balance from capital transfers	48,596,000
Creditor balance	11,645,000

The adverse balance of trade was gold Frs. 122,625,000 and, but for certain exceptional exports, would have been still higher. It should be noted, moreover, that out of the above creditor balance, only gold Frs. 2,375,000 (say £172,375) have been added to the bank's gold and foreign exchange reserves. The remaining gold Frs. 9,270,000, resulting from transactions with "clearing" countries, have reduced the country's debt on clearing accounts, a debt which at the end of 1938 was still gold Frs. 8,971,151.

The extent to which Greek trade is conducted by means of compensation and clearing agreements is illustrated in the following table:—

	1938 (per cent. of total)	
	Imports	Exports
Free exchange countries	38.4	34.87
"Clearing" countries	61.6	65.13

Over 34 per cent. of total foreign trade in 1938 was done with Germany, exports to which represented 40.12 per cent. of the total. Nearly 55 per cent. of the tobacco exported during the past year was purchased by Germany. The Governor's report indicated a continuation of a strict policy of exchange control and limitation of imports.

April 21st.

Defence Costs and Declining Business

[FROM OUR HELSINGFORS CORRESPONDENT]

FINLAND, fortified by a prudent and successful policy in finance and commerce during recent years, is facing a period of greater strain than for some time is rising, and business is falling about the Finance Accounts for 1938. Preliminary data show a considerably better result than had been possible to reckon on in advance. The Exchange had been possible even beyond expectation from the profits made at the peak of the trade cycle in 1937, before the recession which marked

last year set in. Owing to the fact that there is this cyclical lag in the case of State revenue, receipts were even larger than in 1937. Only the net income from the State railways, which reflects current business conditions directly, actually declined.

Altogether, revenue rose from 1937 by 12.7 per cent. and amounted to 4,862 millions. Of this total income and property tax produced 1,089 million marks; customs duties, 1,832 million marks; excise duties on tobacco, sweetstuffs, alcoholic beverages, etc., 477 million marks; the stamp tax, 265 million marks; the State Railways, 190 million marks; and the State forests, 268 million marks.

On the other hand State expenditure also increased. Among other things there were larger grants for defence. Nevertheless, there was a considerable surplus, and 350 million marks could be transferred to the Budget Equalisation Fund, which was 150 million marks more than the amount scheduled in the Budget. This Fund, which is intended for use in case of a depression, now amounts to 850 million marks, which gives the Government considerable scope for relieving unemployment, etc., without imposing any extra burden on the public finances.

The Cost of Defence

Expenditure on defence has grown to such an extent that, in the Budget for 1939, it stands at 1,172 million marks, or 22.5 per cent. of the total State expenditure. And, owing to the current political tension the Government has found it necessary to expedite the work of acquiring essential materials for defence. This was to have been done over a period of six years according to last year's plan. Now, proposals have been submitted to the Diet for a supplementary Budget, in which 350 million marks are set aside for this purpose, and the necessary funds are to be provided by borrowing.

The new calls for defence come just when the downward trend which marks world markets in spite of some recovery in the United States is affecting Finland, too. So far, Finland has a very creditable record in both public finance and commerce, all things considered; and, at the moment, some slight improvement is actually visible in the timber market. But this improvement will not exert any influence worth mentioning on timber felling during the 1938-39 season which has already been concluded in the southern parts of the country. Lumber work has been on an appreciably smaller scale than during the previous year; and, as yet, the market for the principal products of the paper and pulp industry shows no signs of improvement. It is the export industries that are most in danger.

There are signs of some falling back in industries supplying the home market, which are less dependent on the cyclical position abroad. These were fully occupied throughout 1938 in many branches, though some were more rapidly affected by the downward business trend. At the beginning of this year, however, output appears to have begun to fall off in all the more important trades, with the exception of foodstuffs and luxuries.

Even so, exports have so far been maintained at about the same level as last year, while imports have decreased considerably.

April 21st.

Canada's New Wheat Scheme

[FROM OUR OTTAWA CORRESPONDENT]

THE Government has now submitted to Parliament the balance of its new wheat marketing policy, in the form of a rather complicated scheme of crop insurance, which is intended to reconcile the Western grain growers to the reduction of the basic guaranteed price of wheat from 80 cents to 60 cents per bushel for the crop year 1939-40. Its chief features can be summarised as follows. On all wheat which passes through the terminal elevators there will be levied a charge of 1 per cent. to create a fund, which will be supplemented by contributions from the Federal Treasury. This fund will be used in what are described as emergency years—1939 is to be regarded as such and others determined by Order-in-Council—to make payments to grain growers in

the three prairie provinces at the rate of \$1 per acre on half of their cultivated acreage in townships where the average yield of wheat is from 11 to 15 bushels per acre, of \$2 per acre in townships with an average yield of between 6 and 10 bushels and of \$2.50 per acre in townships with a yield of less than 5 bushels.

These payments on an acreage basis will be subject to deductions of one-tenth for every cent by which the average price of wheat exceeds 70 cents per bushel from August to December in any year and, when the price reaches 80 cents per bushel, no acreage payments will be made. The Government is also empowered to vary the limits of the 10 cent range in succeeding years. When there is a total crop failure in a district, farmers will receive the \$2.50 payment, regardless of whether it is an emergency year and of what the price-level is. Wheat is to be used as a yardstick for determining crop yields, but payments will be made on all cultivated acreage, whether it is sown with other crops than wheat or left in summer fallow.

The township is to be taken as the unit of yield to avoid individual declarations and to prevent any encouragement being given to the farming of poor land; and large-scale farmers are excluded from the benefits of the scheme by the fixing of a maximum limit of 200 acres on which any individual farmer can claim the acreage bonus. To reinforce this plan, Bills have been introduced for the regulation of the operations of the Winnipeg Grain Exchange and the encouragement of co-operative marketing. The Wheat Board will not be abolished but will operate as a central selling agency for co-operative organisations, after the manner of the former central selling agency set up for the wheat pools.

Mr Gardiner, the Minister of Agriculture, who characterised the present system as uneconomic, inequitable and tending to stimulate the production of wheat at the expense of other grains, estimated that the new scheme, under the most unfavourable conditions, would not in any year cost the Federal Treasury more than 30 million dollars. This year it would have to find at least 48 million dollars for the operations of the Wheat Board and in addition 12 million dollars for the relief of totally indigent farmers.

Western Opposition

The avowed object of the scheme is to ensure some minimum return to every Western grain grower each year, and at the same time to reduce the burden thrown upon the Federal Treasury. It is assured of popularity with farmers who are cultivating sub-marginal land, or are living in areas very liable to drought, but it has had a very unfavourable reception from the main body of the Western farmers, who have not to face these abnormal difficulties. Their spokesmen maintain that the 60 cents basic fixed price will mean that the average farmer will not get more than 40 cents per bushel for his wheat on delivery at the elevator; that this figure is far below the average cost of production for wheat; and that the acreage bonus will not offer adequate compensation for the price reduction.

The organisation known as the Prairie Markets Conference has condemned the new scheme as unsatisfactory and is sending a delegation to Ottawa to interview the Cabinet. Protests have also been raining in upon the Western members at Ottawa, and there is a movement among the Liberal contingent, who have been telling Ministers that they might as well not run again to secure election, if the basic price is reduced to 60 cents, to organise obstruction against the legislation.

To meet the charge that it has been showing special favouritism to Western farmers, the Government has undertaken to pay a bonus of 2 cents per pound for cheese of a certain quality. It has also introduced legislation guaranteeing a fixed price, amounting to 80 per cent. of the average level of the preceding three years, for other farm products to co-operative organisations formed for marketing such products.

April 15th.

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Letters to the Editor

Trade Aid for Allies

TO THE EDITOR OF THE ECONOMIST

SIR,—In your issue of April 27th (on page 182) you gave a complete account of the "agenda for preparedness," and pointed out, in respect of the economic aspects of the problem, that "the long and short of it is that we must be prepared to spend money on buttressing the economic independence" of the countries of South-Eastern Europe.

On the basis of some personal experience may I add that the only genuine means to strengthen the economic independence of the countries in question would be the purchase of their goods against free exchange at competitive, that is to say, *overrated* prices. You rightly said that "this is a wider matter than the mere defence of existing British trade, and it cannot be governed by purely commercial considerations."

Credits for armaments and other political purposes are wasted money, because you never know whether the arms will not sometime be turned against the creditors. From the British point of view, purchase of goods on a larger scale means spending money for political purposes, but getting value for that money to some large extent and collecting stocks partly for war storage. For the selling countries it would mean sounder prosperity than that based on exports against clearing balances, the consequence of which will sooner or later be the destruction of their home industries.

Even the difficulty of financing British imports at prices above world prices could be overcome if necessary. Should the countries in question agree, in cases of large purchases, to reserve some part of their free exchange proceeds so obtained for reimbursements of former liabilities, the foreign creditors might also be induced to create a fund, from which the difference between world prices and actual prices of the goods purchased might be drawn. It is probably merely a matter of negotiation.

I do not doubt that every country of Central and Eastern Europe would welcome any kind of help which would increase their exports against free exchange, on the basis of the prices paid at present by their biggest customers.

I am, Sir,
Yours faithfully,
STEPHEN KOPPANY.

London, E.C.2.

M. Reynaud's New Plan

TO THE EDITOR OF THE ECONOMIST

SIR,—May I point out a slight error that has slipped into your article of April 29th entitled "M. Reynaud's New Plan"? On page 248 you say that the population of France fell by one and a half millions between 1931 and 1936. There is a mistake in this statement that might give readers an unduly pessimistic impression of the French position. It is not the total population that has fallen but the *working* population, because of unemployment. Actually, the total population of France rose from 41,835,000 in 1931 to 41,907,000 in 1936.

Yours sincerely,
CHARLES RIST.

Versailles.

England and Germany

TO THE EDITOR OF THE ECONOMIST

SIR,—I am much obliged to you for publishing the letter I took the liberty to address to you (*The Economist*, April 15, p. 137). I do not expect you to be anything else than truly British, but I should very much like a better understanding from you for present-day Germany. We are a truly united people, everything being done for the working class, which is in our country surely better off than in any other country of the world.

Live and let live, but do not want the whole world for yourself. We do not want British, but German colonies taken from us under false pretences twenty years ago. Sir Edward Grey was glad to be out of Versailles, where he said "They are out for loot," and he criticised in particular the Allies keeping all the German colonies.

With regard to Czecho-Slovakia, Dr Benes himself did not want at Versailles the Sudetenland included in the new Republic, but the Allied Powers insisted, and from that day the Czechs have been faced with trouble. Are they not at present much better off without the fear of having to fight by French or Russian command sooner or later against their German neighbour?

I remain, dear Sir,
Yours faithfully,
H. WOLFF.

Cologne.

Inflation Ahead

TO THE EDITOR OF THE ECONOMIST

SIR,—In a leader on April 15th you envisage the possibility of inflation owing to the huge demand on industry for the Fighting Services. Among the alternative means of countering this evil, you mention the rationing of production and labour under Government supervision.

Is there not another, and more natural, way to regulate production so as to avoid a clash of civil demand with the Government's requirements? A rise in the rate of interest is surely the only really adequate way of curbing unessential investment. To pursue, at one and the same time, a cheap money policy to stimulate investment and a policy of restricting production in order to facilitate the Government's re-armament policy is contradictory and precarious.

I am, Sir,
Your obedient servant,
S. HERSZBERG.

Lódz, Poland.

Books and Publications

Administering Britain's Tariff

To the exiguous tariff literature of the last few years Mr McGuire's book* makes an important addition. It is almost the first attempt to deal comprehensively with the new fiscal order built up chiefly since the Great War—one of the several unregarded revolutions effected by Conservatism. The first third of the book is devoted to general and mainly theoretical issues relating to tariffs; from Chapter IX on "Departmental Organisation" the author deals with matters peculiar to the British tariff system. The closing chapter on "Trade Bargaining" examines the ways in which tariffs have been used since 1932 as a means of obtaining concessions from other countries; it includes an account of the Anglo-American Trade Agreement of last year.

The scheme to which Mr McGuire has worked is attractive; whether it is altogether justified by the result is another question. The political background presented gives no more than a bare sketch of the machinery of Britain's legal and legislative systems. The economic background consists of an unsuccessful attempt to expound the elements of theory in less than twenty pages.

There are very few writers who can deal clearly and adequately with the fundamentals of economics, or even of a part of economics, in twenty pages, and Mr McGuire is not one of them. His statement of the pure theory of international trade, for example, is apparently intended for a reader without previous acquaintance with this doctrine. It is so brief that the layman is unlikely to gain very much from it, while the advanced student is likely to feel that the really interesting problems have been left out. Again, in one or two places Mr McGuire's desire to be concise has led him into such odd statements as this (page 19):

Nevertheless it is incorrect to say that foreign competition will not injure an efficient domestic industry: a favourite free trade argument. The industry may be more efficient, but if its comparative costs are greater than those of its foreign competitor, it cannot continue.

Then what is the industry of higher comparative costs "more efficient"?

When we come to the descriptive part of the book, we enter a field which has been little worked. Here the author scores heavily. This is the substance of the book. Mr McGuire's practical experience in the Customs and Excise Department enables him to deal authoritatively with the technical matters which make up nine-tenths of the problems of a tariff in operation and about which the average student is quite uninformed. One of the most striking features of our system is the way in which very old methods of control and taxation have survived, with some adaptation, down to the present day; the thirteenth-century Customs procedure for the checking of wool exports, for instance, flourishes side by side with the seventeenth-century Excise procedure of entry into and inspection of premises where taxable commodities are made.

In one direction, however, there is a real and significant change: the decline of the control of the ordinary Member of Parliament over fiscal affairs. As Mr McGuire says (pages 233-4):

With the growing assumption by the Government of economic activities, it has become more the function of the ordinary Member of Parliament to scrutinise and criticise rather than to legislate. This further step of placing economic activities with an outside body [the Import Duties Advisory Committee] shifts the function of watching on to the Government in the first place, and the ordinary member tends to become a referee.

It may be added that the development of bilateral trade agreements is likely to reduce still further the power of Parliament reluctant to reject, and practically unable to amend, those results of secret and delicate negotiations by the Executive.

On debatable matters Mr McGuire preserves throughout

* "The British Tariff System." By E. B. McGuire. Methuen. vii + 312 pages. 10s. 6d. net.

the kind of impartiality that consists in setting arguments *pro* and *con* against one another and refraining from passing judgment. Perhaps it might not unfairly be called the Civil Service approach. His style, dry and impersonal, fits his method. No one will read this book for pleasure, but it will certainly be a standard work of reference on technical questions for everybody who is seriously interested in the subject. The needed economic analysis of the British tariff system has still to be written, but Mr McGuire's excellent description will serve as a useful prelude to it.

Shorter Notice

"Encyclopædia Britannica Book of the Year, 1939." Encyclopædia Britannica Company. 760 pages. £2 5s.

The growing intensity and pace of learning and its propagation are beyond the wit of the individual mind to master; but these very facts create the need for a compact, up-to-date and authoritative summary of recent progress, an object notably achieved in the second issue by the Encyclopædia Britannica of an annual supplement or Year Book. This is a truly remarkable compendium of information, and the list of contributors speaks for the adequacy of its treatment. It is a "Survey of the principal persons, events and developments in various spheres of knowledge and affairs during the year 1938." The variety of subjects dealt with in the Year Book is catholic, ranging from geophysical prospecting to staple fibre, from entomology and the year's pests to the new industry of plastics, and from politics to exploration. The latest knowledge in the human and scientific spheres is too often hidden in the Proceedings of learned societies, and such a summary as this is invaluable to those who either must or like to keep abreast of advancing knowledge.

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1938-39

Paul Einzig

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THE CENTRAL ELECTRICITY BOARD

The Report of the Central Electricity Board for the year 1938 was published on April 5th last. The results which it shows fully establish the economic justification of the "Grid." The success of such a large-scale example of public enterprise is sufficiently important to justify the following extensive examination of its purpose and its achievement, which is the work of an expert Correspondent. It is accompanied by a series of Charts on page 346.

Why an Electricity "Grid"?

FOR reasons which are discussed more fully later, certain savings are to be anticipated if an electrical transmission system is built to connect two or more generating stations situated in and serving different districts. In appropriate circumstances, the savings will be more than enough to meet the capital charges and (relatively modest) operating expenses of a system of interconnection. Furthermore, such a system may also make available a supply of electricity at various points between generating stations at a lower price than would otherwise be possible.

For many years it has been held that a network of transmission lines would be economically justifiable in this country. If the enlightened self-interest postulated by the *laissez-faire* economist had prevailed, the requisite system would have materialised without State intervention. But apart from the construction of transmission lines for the mutual assistance of neighbouring undertakings—for example, the line built in the 'twenties to connect the great Barking station of the County of London company and the Brimsdown station of the "Northmet" company—little progress was made. The great technical achievements of the industry were thus under-exploited. From the beginning of this century, for example, it was generally recognised that the London supply companies were too small for individual generation on an economic basis. In 1904, private legislation was promoted which would have brought about an effective pooling of their generation—and, despite the opposition of the companies, the Bill failed to become law only by the smallest margin. But it was not until the London Electricity (No. 2) Act of 1925 was passed that the London Power Company was made the joint generating entity of the eight "West End" companies, and belated economies began to be achieved.

Excessive individualism in the industry thus prevented any movement towards pooling of generation. So, in 1925, a Government committee under the chairmanship of Lord Weir recommended that a public body should be established to construct, own and operate a system of transmission lines connecting the major stations of the country, and that, to take advantage of the system, the equipment required to meet the electrical demands of the country should be concentrated in a comparatively small number of generating stations. These generating stations were to remain under the ownership and operation of the ordinary supply undertakings, with a public body acting as a wholesale jobber between their owners and also between the owners and other undertakings who were not to generate.

The Central Electricity Board is the public body set up by the Electricity (Supply) Act of 1926, which implemented the proposals of the Weir Committee.

The Economies of the Grid

If a transmission line is built to connect two generating stations, dual economies are to be anticipated, on capital and on revenue account.

On capital account there will be savings because the plant needed to meet the requirements of the two interconnected systems will be less than the sum of that needed to meet their requirements individually. In the first place, they need less spare plant against the emergency of the

breakdown of part of their generating equipment.* Secondly, it may well be that the time at which the systems experience their respective maximum demands will not coincide. A further capital economy made possible by interconnection is that, as load increases, it is possible to add new units of generating plant of a larger size than are likely to be convenient on a small isolated system. The capital costs of larger units per quantum of output are less than those of smaller units, and their technical performance tends to be better and running costs lower.

On revenue account, unless all the stations are of equal, or nearly equal, efficiency, there are economies to be effected by concentrating output during periods of reduced load on the more efficient stations, reserving the less efficient stations for periods of peak load. The degree to which such concentration can be carried is well shown in the Central Electricity Board's report for 1938, which relates that of the 162 stations under the Board's direction (excluding nine which were not in operation during the year), 43, or more than 25 per cent. by number but not by capacity, were run for less than 2,400 hours (100 days) in 1938. Moreover, even if stations are equally efficient, economies can be won at off-peak times by closing down some and running others at outputs nearer their economic optimum.

The Grid in Practice

It is not difficult to demonstrate the economies which arise in theory from an inter-connected transmission system; but to put such a scheme into practice, and to arrange the "terms of trade" to make it effective, constituted a formidable problem. The framework established by the 1926 Act, and the fabric built up on that framework by the Board and by the Electricity Commission, have taken the following form. The whole of England, Scotland and Wales (the sparsely populated North of Scotland is excluded) has been divided up into eight areas. For each area a "Grid Tariff" has been established, which consists of a scale of charges at which the Board is prepared, under certain circumstances, to give a supply of electricity to authorised undertakers, on terms which vary according to the four classes of undertakers.

Class 1.—If the Board is not in a position to give a direct supply, the undertaker (except in the exceedingly rare cases where he operates his own plant entirely independently) buys an indirect supply from a neighbouring undertaking on the terms at which that undertaking obtains its supply, directly or indirectly, from the Board, plus an appropriate amount to cover the operating and capital charges (the latter at prescribed rates) involved in its transmission to the purchaser.

Class 2.—If the undertaking does not own a "selected

* Suppose two systems have to meet a load of 50,000 kw. each. Operating individually, each system would be secure if its plant consisted of 4 sets of 12,500 kw. each and 1 set of 25,000 kw., a total of 75,000 kw., or for the two systems, a total of 150,000 kw. Each could suffer a mishap to its largest single unit without being crippled. Interconnected, they would have a greater margin of safety by operating jointly 7 sets of 12,500 kw. each and 2 sets of 25,000 kw. each, making a total of 137,500 kw., showing a capital saving of 8 per cent. With more stations in the pool a saving of greater proportion can be made with a gain, rather than a reduction, in the improbability of inadequacy.

station" (i.e. one of the generating stations selected on the strength of its economy of operation to be continued indefinitely) it buys from the Grid at the Grid Tariff. No undertaking can be compelled by the Electricity Commission to take a supply from the Grid unless it can be established that it will cost the undertaker less, over a period of seven years, than the prime costs of independent generation (excluding capital charges).

Class 3.—If the undertaking owns a selected station, the owner has to operate the station according to the directions of the Board in the matter of rate of output, etc.; to sell the output to the Board at cost (including overhead expenses, depreciation and interest on the capital involved at rates between 5 and 6½ per cent. corresponding—within those limits—to the average rate of interest or dividend paid by the owner upon his share and loan capital); and to buy back what he requires for his own purposes on one of three bases:—

- (a) the Grid Tariff;
- (b) the cost at which he generates, corrected for load factor, etc., and augmented by his share of the Board's expenses;
- (c) an estimate of the cost which he would have incurred if he had been generating all his own requirements.

Of these alternatives, the owner can make his own choice. It was originally anticipated that alternative (b) would become most generally applicable; but the loading added to the actual cost for the "share of the Board's expenses" has as a rule been such as to make either (a) or (c) more economical. Hence, while the owners of small or inefficient stations have frequently found that the Grid Tariff is their most economical price, the owners of large selected stations have mostly bought back their own requirements on basis (c)—that is, a hypothetical estimate. In a number of cases, the owner of a selected station or stations has installed plant adequate but no more than adequate to meet his own expected requirements, and the Board has, in effect, used the station more intensively, taking the surplus output on to the Grid at the incremental operating cost. The owner has received no benefit from the Grid, but the Grid has received, in the common interest, power generated at very low cost.

In establishing the Grid Tariffs, the Board had a delicate task, for on these tariffs more than on any other single factor hung the financial success of the whole scheme. The financial result to be expected if they were set too low would be obvious; on the other hand, if they were set too high, independent generation might continue to be a more economic source of supply, and the Board would not then obtain the full load that it required for success.

In fact, it appears that the Board has settled the Grid Tariffs with nice judgment, and the level of charges seems to have met the requirements of the majority of the cases for which it was designed. There was, however, a range of undertakings whose position was not met by any of the three clauses mentioned above, whose stations or load were too small to justify "selected station" treatment, but large enough to offer the possibility of independent generation at a lower cost (excluding capital charges) than the Grid Tariff.

Class 4.—Agreements of an *ad hoc* character have been made to cover these "Special Arrangement" stations, the general nature of which requires the Board to pay the capital charges of the station concerned, and to give a bulk supply to the owner at a price so calculated as to make the net cost of supply slightly lower than costs of independent

generation. As the capital charges on the station are amortised, the time will come when the Grid Tariff will be the more economical, and the station would, presumably, then be closed down entirely, and the undertaking become a normal Grid Tariff purchaser.

There was some doubt whether arrangements of this type were *ultra vires* the Board; they were obviously economic in the general interest, but the rather narrow provisions of the 1926 Act did not seem to cover them. The necessary powers were, however, conferred on the Board by the Electricity (Supply) Act of 1935.

Class 5.—There are two other types of agreement between the Board and owners of generating stations which should be mentioned, though it is believed that only one example of each type—of any size—exists:—

(i) There is a special agreement between the North Wales Power Company and the Central Board, designed to achieve the optimum use of the hydro-electric power station of that Company in conjunction with steam stations in Lancashire, etc., to meet the combined load of the area. This comes under the arrangements of the 1935 Act.

(ii) There is an agreement between the Board and the Grampian Electricity Company by which the surplus output of that Company's hydro-electric stations is taken by the Board.

The Grid Tariff

The general form of the Grid Tariff is of the two-part type—that is, an annual charge per kilowatt of maximum demand (calculated on the basis of the maximum amount of power taken in any half-hour of the winter months of the year) and a charge per unit actually taken. Certain corrections, however, are made to these charges:—

(i) **Power factor.**—Allowance is made for certain electrical characteristics of the power taken which involve the use of more generously dimensioned equipment than the amount of power by itself would indicate.

(ii) **Cost of coal.**—If the price of coal varies from that assumed in framing the tariff, the unit price is adjusted in the same sense. The size of the coal adjustment has been designed to cover more than the actual burden or gain of any changes in the price of coal to provide to some extent for changes in costs of other stores. Since the tariffs were framed, the price of coal sold to central stations has increased in much greater proportion than the general level of prices, so that the Board has received a windfall profit, perhaps a substantial one, under these adjustments.

(iii) **Rates on generating stations.**—As its operating account shows, the Grid is a considerable payer of rates directly. But indirectly it has an interest, probably of larger magnitude, in the rates payable by the owners of selected stations. The Grid Tariff is adjusted in proportion to the burden of rates falling upon generating stations, but on balance such adjustments may have worked out in the Board's favour.

The amount of the kilowatt charge per annum is not a flat rate, but arranged in a series of steps. The highest rate applies to the basic demand—i.e. the amount of the purchaser's requirements in the datum year. Further amounts are taken at lower prices, with two intermediate steps. The size of the intermediate steps is determined by a complicated formula, the ostensible object of which is to ensure justice as between undertakings which at the datum year had shown enterprise and success in developing their load, and undertakings which, at the datum year, had a considerable potential load not so developed.

The Board's Achievements

IN discussing the economies to be expected of the Grid, a distinction was made between capital and revenue savings. Those of a capital nature could be considered the more certain, assuredly the more easily predictable. But they were dependent on one vital condition—that the total load should continue to grow. It is hard to imagine an asset less easily liquidated than a power station, which has a

normal working life of twenty years or more. And it would have been little gain if the Grid had merely released from service certain types of capital equipment which had no more than a scrap value for other purposes. In order to realise the capital economies of the Grid, a growing load was essential; so that the amount of new generating plant, which would otherwise be necessary, could be reduced. In

this respect the Grid has been well served by fortune—or, at least, has not been betrayed by misfortune of a type which, though improbable, was not impossible. As the adjoining Table I shows, the total load of the country has continued to grow—not, indeed, with unchecked speed, but even in years of depression each year has seen an advance in the figures. The industrial recovery of the last five years must have been welcomed by the Board and has helped materially in demonstrating the full economic justification of the Grid at an earlier date than was, or might reasonably have been, expected. To this extent the Board was fortunate in the timing of its inception.

It is apparent from the preceding account of the relations between the Board and authorised undertakers that the position of the latter was protected so that they should be in no way worse off by reason of the existence of the Board. In a large number of cases—it might almost be said in every case—it was inevitable that the undertakers should receive an active measure of benefit from its operations, for it is impracticable to devise standard conditions applicable to a large number of cases of widely differing circumstances which shall be of disadvantage to none without, at the same time, granting a measure of advantage to many.

Further, in the negotiations with owners of selected stations with whom terms are settled by the Board on basis (c)—that is, hypothetical costs of independent generation—the owner of a selected station should usually settle on terms which give him some advantage. It is quite unlikely that the Board would have been able to settle without appeal to the Commissioners all but one of the large number of such negotiations that have occurred, unless it had shown some flexibility in its interpretation of hypothetical costs. Thus, it might have happened that the Board's existence might have been justified economically, and yet that the Board had been unable to retain, to meet its own considerable costs, a sufficiently large proportion of the economies due to its operations. In point of fact, the Board has now reached a position in which it is fully self-supporting, an achievement which is in large measure due to the ability with which it has been administered.

The management, in addition to its inherent economic problems, had perforce to commence work in rather a difficult psychological atmosphere. There were not wanting those who speculated on the possibility that the Board might fail and that its transmission lines might be handed to the authorised undertakers to deal with on individualist lines. Such feelings have by now been dissipated, and on this the Board must be congratulated. But the fact that in the early days, at all events, the Board had to meet no less hostility than ready co-operation adds to, rather than detracts from, the measure of its success.

Economies in Generating Plant

The following table sets out, for the last eighteen years, (i) the total installed capacity of all generating stations owned by authorised undertakers; (ii) the aggregate of (non-simultaneous) maximum demands on stations owned by authorised undertakers; (iii) the difference between (i)

and (ii), that is the approximate amount of reserve capacity; and (iv) reserve capacity expressed as a percentage of maximum demand.

TABLE I.—INSTALLED CAPACITY, MAXIMUM DEMAND, AND RESERVE CAPACITY
(in millions of kilowatts)

Year	Installed Capacity	Maximum Demand	Reserve Capacity	Reserve capacity as percentage of maximum demand %
1921-22 ...	2.756	1.639	1.117	68
1922-23 ...	3.091	1.830	1.261	69
1923-24 ...	3.407	2.075	1.332	64
1924-25 ...	3.724	2.298	1.426	62
1925-26 ...	4.422	2.558	1.864	73
1926-27 ...	4.682	2.701	1.981	73
1927-28 ...	5.258	3.235	2.023	63
1928-29 ...	5.802	3.369	2.433	72
1929-30 ...	6.600	3.601	2.999	84
1930-31 ...	6.946	3.801	3.145	83
1931-32 ...	7.195	3.951	3.244	82
1932-33 ...	7.366	4.156	3.210	77
1933-34 ...	7.837	4.802	3.035	63
1934-35 ...	7.785	5.297	2.488	47
1935-36 ...	8.100	6.044	2.056	34
1936-37 ...	8.398	6.609	1.789	27
1937-38 ...	8.913	7.284	1.629	22
1938-39 ...	9.349	8.081	1.268	16

These figures (which are set out graphically in the first chart on page 346) make an interesting showing. It will be seen that from 1931-32—when the existence of the Board first began to influence the situation—not merely has the proportion of reserve plant steadily decreased, but the absolute amount has actually decreased in every year. In 1938-39, the absolute amount of reserve capacity was smaller than in any year since 1922-23, when the maximum demand was less than a quarter of that of 1938-39.

From these figures it might be argued superficially that the ratio of reserve capacity has been reduced from more than 60 per cent. in pre-Grid days to less than 20 per cent. now, representing a saving of 40 per cent. on 8,000,000 kilowatts, which, capitalised at £15 a kilowatt, would represent a capital economy of £48 millions. Actually, this reckoning is too generous, for several reasons. First, the acquisition of smaller undertakings by larger undertakings, which has been going on continuously, clearly has the effect of reducing the proportion of reserve capacity which is necessary. Secondly, a large number of small undertakings have closed down their own generating stations, taking supply from their larger neighbours, and would have done so even if the Grid had not been established. Thirdly, the average size of generating units has probably not increased in so great a proportion as the total load, which increased five-fold since 1921. Finally, for various reasons the margin of spare plant in 1938 was less than was intended—or, probably, thought desirable—by the Board.

Presumably such factors as these have been taken into account, and, judging from the figures, fairly assessed by the Board in estimating that the Grid has produced savings of some £22 millions in capital expenditure on

reserve plant by 1938—a figure which represents nearly three-quarters of the capital expenditure on the construction of the Grid.

Overall Economies

A further diagram on page 346, which is reproduced from the 1938 report of the Board, shows the changes in national average costs of generation since 1922.

The report makes the following comment on this chart:—

“In the construction of this graph, the annual data have been adjusted to the average price levels and load factors ruling in the period 1927-30 inclusive, during which period price levels and economic conditions were relatively stable. The graph shows clearly the more rapid downward trend since the Board commenced trading on January 1, 1933. By the year 1937-38 (the latest year of account of authorised undertakers for which national figures are available) the adjusted average cost per unit sent out to local distribution systems was nearly 24 per cent. below the figure which would have been reached if the normal trend of improvement prior to 1932 had continued.”

The amount of the total savings thus disclosed—beyond that which the continuation of the normal trend would have shown and therefore reasonably attributable to the Board—amounted, on the basis of 1927-30 conditions and prices, to some £8.2 millions for the year 1937-38. These results are given *ex parte*, but the general tenor of the report suggests that they may be accepted without reserve. They fully justify the construction of the Grid.

Results in 1938

The figures for 1938 show a really satisfactory result. Without allowing for any easement, such as charging operating expenses to capital, grants received from the Minister of Labour, etc., the net resulting profit—before depreciation or amortisation—is equivalent to 7.42 per cent. on the total capital expenditure. The appropriate rate of provision for depreciation is obviously a matter of opinion; but if it is taken that 4½ per cent. is an economic rate of return on capital, there is available for depreciation 2.92 per cent., which, allowing for compound interest at 3 per cent., would amortise the whole capital expended in a period of less than 24 years, a period which is well on the safe side.

On this basis, therefore, it is fair to say that the results for the year 1938 show that the operations of the Board, after providing considerable advantages for at least some part of those with whom they trade, and inflicting disadvantages on none, have resulted in an economic return on the capital expended. The year 1938 was not, however, quite a normal year for the Board, and some of its special features deserve reference.

Reserve Plant.—Table I showed that the reserve capacity of plant in 1938 was only 1.3 million kilowatts, repre-

Those who remain sceptical may find even more convincing proof in the Board's accounts in the form which is set out in Table II opposite. In interpreting these results it must be remembered that the Board's constitution does not allow it to profit at other people's expense, for safeguards are inserted throughout the Act to ensure that its customers are not put in a worse position than they would be if the Board had not been established. The table is not presented in quite the same form as that used by the Board, which, in its report, deducts the cost of energy lost in transmission, etc., from cost of energy purchased and adds it to the cost of transmission. In Table II gross profit is computed, following the normal trading practice, after deducting from the proceeds of sales the whole costs of purchase without allowance for any proportion of power purchased which is lost by the wayside. This method has an incidental advantage in showing what are normally regarded as transmission expenses without any disguising addition.

The capital expenditure shown in the table (Item 16) is the total of capital expenditure as it would be regarded from the strictest economic point of view. It includes all costs of establishing the enterprise, including interest charged to capital and expenses prior to trading, but excludes discount on and costs of issue of capital.

It will be seen that in every year since trading began, turnover has increased; and that in each year since operations commenced on a really substantial scale—that is, from 1934 onwards—all the operating indices have gone down while the final return on capital has steadily increased.

sending no more than 16 per cent. of maximum demand. This might be taken to represent a crowning achievement of economy. But that is not a correct interpretation, and it cannot be doubted that the Board would view with concern the prospect of last year's experience being excelled or even equalled. The principal causes were two. First, pressure of the re-armament programme delayed the delivery of new plant, to such an extent that the installation of 123,000 K.W. of plant which was planned for operation for the winter peak load was not completed in time. Secondly, a very sharp cold snap was experienced just before Christmas, coincident with the normal maximum demand, with the result that while the volume of output required by authorised undertakers in the year was 4.7 per cent. less than the latter had forecast in the early part of the year, the sum of their maximum demands was 2.2 per cent. above their forecasts. If all the plant ordered for completion in 1938 had been available, and if the maximum demand had borne the normal relation to the output for the year, the margin, in place of the actual 16 per cent., would have been about 23 per cent.—a figure which can be regarded as about normal.

Secondly, in the course of the summer, a new 30,000

TABLE II. TRADING RESULTS AND RETURN ON CAPITAL EXPENDITURE.

	1932	1933	1934	1935	1936	1937	1938
1 Gross revenue	£ 4,719,935	£ 5,518,694	£ 18,495,879	£ 22,911,635	£ 25,941,646	£ 29,650,187	£ 34,067,587
2 Energy purchased (gross)	4,395,169	5,165,177	17,740,535	20,959,571	23,325,915	26,597,634	30,213,347
3 Proportion of purchases to revenue (%)	93.0	93.6	96.0	91.4	89.8	89.8	89.0
4 Gross profit	324,766	353,517	755,344	1,952,064	2,615,731	3,061,553	3,854,240
5 Transmission expenses	250,922	260,322	374,462	452,351	485,623	544,751	570,371
6 Do. as proportion of gross profit (%)	77.2	73.4	49.5	23.2	18.6	17.8	14.8
7 Local rates	77.2	73.4	49.5	23.2	18.6	17.8	14.8
8 Do. as proportion of gross profit (%)	...	...	...	...	...	...	...
9 Management and general expenses	...	48,712	239,868	313,077	328,481	367,567	393,831
10 Do. as proportion of gross profit (%)	...	13.8	31.7	16.2	12.5	12.0	10.2
11 Total operating expenses	250,922	316,815	669,647	856,023	926,509	1,060,273	1,116,808
12 Do. as proportion of gross profit (%)	...	89.5	88.7	43.8	35.4	34.6	29.0
13 Net profit	73,844	36,702	85,697	1,096,041	1,689,222	2,001,280	2,737,432
14 Rents receivable	...	Cr. 48	Cr. 12,498	Cr. 16,848	Cr. 12,384	Cr. 13,228	Cr. 16,936
15 Total profit	73,844	36,750	98,195	1,112,889	1,701,606	2,014,508	2,754,368
16 Net capital expenditure	21,738,829	26,738,113	29,836,185	32,071,568	33,788,773	35,646,942	36,903,297
17 Proportion of net profit (15) to capital expenditure (%)	0.34	0.14	0.30	3.44	5.0	5.61	7.42

TABLE III. BALANCE SHEET OF THE BOARD AS AT DECEMBER 31, 1938

LIABILITIES	£	ASSETS	£	ASSETS—continued.	£
Stock outstanding (per Table IV)	52,793,003	Capital expenditure on general purposes:—		Brought forward ...	39,491,117
Creditors:—		Land and buildings	540,538	Capital expenditure on standardisation of frequency:—	
Accrued interest	660,483	Overhead lines	9,778,145	Amounts advanced, repaid or due to authorised undertakers	16,085,207
Accounts payable, amounts accrued and deposits	2,608,900	Underground and other cables	6,194,212	Discount on stock and issue costs	1,192,185
Balances outstanding in respect of capital expenditure	418,193	Transforming and switching stations, etc.	13,871,415	Total	17,277,392
Total creditors	3,687,576		30,384,310	Stores and materials	19,826
Reserve:—		Preliminary expenses, fittings, furniture and equipment	175,167	Debtors:—	
Profit on realisation of investments	40,221	Vehicles, tools and instruments	92,313	Amounts recoverable from Electricity Commissioners and Minister of Labour	265,781
Net revenue account	2,190,472	Interest (net) charged to capital	6,132,529	Accounts receivable	2,114,015
		Payments under Section 26 Electricity (Supply) Act, 1926	118,978	Deposits and unexpired charges	52,457
		Net capital expenditure	36,903,297	Total	2,432,253
		Discount on stock and issue costs	2,587,820	Redemption fund investments	1,726,597
				(Market value, £1,649,396)	
				Treasury Bills, deposits and cash	1,109,774
					£62,056,959
Total	62,056,959	Carried forward	39,491,117	Outstanding commitments on construction contracts estimated at £2,400,000.	

K.W. set "blew up," owing to a fault in an important forging built of a very up-to-date steel alloy—the sort of accident which is an inevitable concomitant of technical progress. There was reason to fear that two other sets of the same size, and another new set of 50,000 K.W. might be similarly afflicted, making a total of 140,000 K.W. which had to be withdrawn from service. In addition, one undertaker in Lancashire is reported to have had two large sets simultaneously out of action at Christmas time—a coincidence which is theoretically most improbable. With such a combination of adversities, the margin of reserve capacity must have seemed none too big last year—at all events, in some districts. The capacity of transmission lines is limited, so that surplus plant in Cornwall can help little to relieve a shortage in Aberdeen if plants and lines are near full load along the route.

It might be argued that the Board were running undue risks in 1938; and that they should avoid cutting things so fine in the future. This, however, would not be a fair argument. The object of having a margin of safety is not that that margin should never be called upon: there is no sense in a regulation that there must always be a cab waiting on the rank. However fine the unused margin may have been last year, the fact remains that all emergencies were met.

Output in 1938.—It has been mentioned that output in 1938 was 4.7 per cent. less than had been anticipated at the beginning of the year. Partly this may have been due to the course of industrial activity, but it was also partly due to the course of the weather. The cold snap in December was short lived, and it would, of course, have affected the output for the year in much smaller proportion than it affected the maximum demand for the year. Other factors counter-balancing this cold snap included prolonged periods of unseasonably mild weather in the spring and the autumn, with a reduction of sales for domestic heating. The effect of these spells must have

been particularly pronounced, since it is at such intermediate periods that secondary and occasional sources of domestic heat—for which electric fires are outstandingly economic—are particularly employed.

Effect on Earnings.—The abnormal conditions of 1938 which ran the maximum demand to within such a close limit of available capacity, must have been favourable to the Board, but to a degree which could easily be exaggerated. The cold snap would benefit the revenue of the Board, in the year's accounts, only in the case of undertakers buying at the Grid Tariff. The extra revenue attributable to this factor is estimated by the Board at no more than £75,000. Secondly, non-completion of plant due for delivery would save the Board little. In the accounting of the Board with owners of selected stations, interest is not capitalised in respect of plant under construction, so that there would be a saving of interest for which the Board is responsible only in respect of the particular item delayed—which may have been quite a small part of the total expenditure relevant to any complete unit. On the other hand, both these items, and a third factor (the double "outage" in Lancashire already mentioned) must surely become relevant in future discussions of hypothetical plant necessary for the undertakers' own requirements and may probably lead to a slight shifting of the balance of account in favour of the Board.

Against any small adventitious revenue for the year 1938 which could be attributed to the factors referred to above must be set the loss of revenue due to the abnormal weather. It is, however, impossible to give any quantitative estimate of this amount. On balance, it may be concluded that while the abnormal features of 1938 gave some slight assistance to the Board's earnings, the adventitious element was of secondary and, indeed, almost negligible magnitude. In some respects those very abnormalities will in future turn to the Board's advantage, though probably not to any very substantial extent.

The Board's Finances

BEFORE considering in detail the finances of the Grid, it is necessary to discuss an important matter not previously raised, namely, standardisation of frequency.

In the circumstances in which the electric supply of this country developed, it was inevitable, and probably advantageous, that different systems should make use of different voltages and characteristics of supply. Equally, the time was bound to come when uniformity became desirable. It is obviously inconvenient and costly to manufacturers and users of electrical appliances, that different specifications should be required for different parts of the country. In order to remedy the diseconomies, and quite regardless of the existence of the Grid, a policy of standardisation has been instituted and is being carried through, though at a pace which is majestic rather than precipitate.

One particular factor involved in standardisation of supply presented peculiar difficulties—frequency of current or the number of times per second that alternating current changes direction. The commonest frequency throughout the country, and one which on technical grounds is perhaps the most convenient, is of fifty cycles per second. Apart from a number of minor "sports," there were three large non-standard areas—Birmingham, Clyde Valley and Glasgow (both of which had a frequency of 25 cycles a second), and the large North-Eastern area, with a frequency of 40 cycles a second. Standardisation of frequency is a more serious problem than standardisation of voltage, both because the expense of a change is more costly, and also because it cannot well be carried through piecemeal, since the spreading out of the change over a long period might involve extreme inconvenience.

It is arguable whether considerations other than the institution of the Grid would, of themselves, have justified a change in the major areas of non-standard frequency. It is probable that the change-over in the Midland and the Scottish areas could be well justified by those other con-

siderations. In the case of the North-Eastern Area, a high degree of integration of generation on the lines of the Grid had already occurred and was being extended, so that the exclusion of that area from the scope of the Grid was by no means unthinkable. At least, it cannot be argued that the coming of the Grid was the major reason for standardisation of frequency, and it is possible to hold that it was only a minor cause.

Whatever the reasons which made standardisation necessary, the Central Board was a very convenient vehicle to finance it. In all justice, the non-standard undertakings could not be expected to pay for their own standardisation, and the financial method actually adopted, namely, capital grants to the undertakers changing over, financed by a levy on the whole supply industry to provide for interest and amortisation of those grants, seems appropriate. The necessary funds were raised by the Board as part of its

TABLE IV.—CAPITAL RAISED BY THE BOARD
(£000's)

Stock	Date of Issue	Amount Issued	Purposes of Issue		Amount outstanding at Dec. 31, 1938	Price May 3, 1939	Yield to redemption %
			Trading	Standardisation of frequency			
4% 1929-29	May, 1929	£000's 3,000	£000's 2,400	£000's 600	2,960,810	100	4 0 0
5% 1930-70	Jan., 1930	7,000	7,150	2,850	9,934,209	106	4 7 3
4½% 1931-73	Oct./Nov., 1931	3,000	4,620	1,380	5,978,844	104½	4 3 0
4½% 1935-75	Nov., 1930	6,000	4,725	2,275	6,840,015	108½	4 5 0
4½% 1937-82	Feb., 1932	7,000	7,000	3,000	9,795,794	105½	4 2 0
3½% 1933-93	June, 1932	10,000	5,200	2,800	7,850,315	86½	4 3 0
3½% 1934-94	June, 1933	8,000	5,630	3,870	9,433,016	80½	4 3 0
3½% 1934-94	Oct., 1934	6,000					
	Feb., 1936	3,500					
Totals		53,500	36,725	16,775	52,793,003	—	—

normal finance, and their service is met by the levy, which is collected by the Electricity Commission and paid over to the Board. In the earlier years this part of the Board's revenue—an assured amount equivalent to about a third of the costs of service of its loans—undoubtedly gave some confidence to discerning investors in its stocks. Table IV on the opposite page sets out the various stocks issued by the Board, and still outstanding, their dates of issue and the purposes to which they were allocated.

The first five stocks were all unfortunate in that they were issued at a high rate of interest (the first issue, though only carrying interest at 4 per cent., was costly, since it was issued at 83 per cent.) and made no provision for call at an early date. Such criticism is easy after the event, but not therefore necessarily invalid; and the Board's advisers might well have done better for the undertaking. The annual interest burden, before redemption commenced, was £2,278,750, equivalent to 4.26 per cent. on the par value of capital raised, and to 4.58 per cent. on the net amount of £49,719,707 actually received by the Board. The stock issued for standardisation, however, is not really an obligation of the Board. On the stock issued for General Purposes, the full interest payable was £1,577,625, which represents 4.28 per cent. on the gross amount, or 4.61 per cent. on the net amount of £34,137,180 realised. If the cost on the net amount had been 4 per cent.—an aspiration not totally unreasonable—the annual burden on the Grid would have been less by £212,138, while if 3½ per cent. had been achieved, the saving would have been £297,481 per annum, though this, perhaps, would have been asking too much.

The terms on which the Board borrowed provided for the charging of interest to capital during the earlier years to a rather generous degree. Actually, as is seen from Table V below, interest in respect of trading capital was first charged to revenue in the year 1936, a year earlier than was necessary; in 1937, interest was charged to revenue to a substantially greater degree than the obligations prescribed; while in 1938 the whole interest appropriated to trading, namely £1,577,625, was charged to

revenue, although the Board was obliged to charge only £453,500. Hence the actual full amount charged was some £1,124,125 in excess of that prescribed.

TABLE V.—EARNINGS AND APPROPRIATIONS, 1936-38

	1936	1937	1938
Total Profit (as per Table II).....	£1,701,606	£2,014,508	£2,754,368
Other Income:—			
Interest.....	13,025	30,204	57,152
Unemployment grants.....	354,239	226,558	267,143
From Electricity Commissioners.....	559,771	712,985	733,553
Total other Income.....	927,035	969,807	1,057,848
Total Income.....	2,628,641	2,984,315	3,812,216
Interest Payable.....	2,197,242	2,248,325	2,248,325
Less Charged to Capital.....	Cr. 288,972	Cr. 382,922	Nil
Balance of income.....	1,909,170	1,865,403	2,248,325
Redemption Funds.....	719,471	1,118,912	1,563,891
	493,855	785,095	1,134,850
Surplus.....	225,616	333,817	429,041

The provision for the repayment of moneys borrowed is based upon the allocation for amortisation of the assets on which the money has been spent, as prescribed by the Electricity Commissioners. In total the amortisation funds established are more than enough to cope with the due redemption of the various loans.

In connection with Table II, it was argued that earnings in 1938 were fully adequate to provide for the amortisation of the capital assets of the Board within their useful lives. From the table above it will be seen that the total earnings of the Board for 1938 showed a surplus, after interest payable but before amortisation or sinking funds, of £1,563,891. The annual amount necessary to redeem, by means of cumulative sinking funds, the whole of the stock issued for General Purposes by the respective due dates, is under £500,000. It will be seen, therefore, that the 1938 earnings of the Board are sufficient to pay the whole of its interest and sinking fund obligations, and that ample provision is made for the amortisation of its assets.

What of the Future?

ANIMADVERSION on the outlook for the Board must start from a consideration of the general outlook for electric supply. Any discussion must realistically take account of the possibility of war. If war occurs, ever-increasing supplies of electricity will be demanded for manufacturing armaments, and the generating capacity of the country will be taxed to its limit. If there were to be some falling off in civil industrial activity, the effect on the demand for power is likely to be somewhat mitigated, for the engineering industries are great users, and many peace-time industries which might experience a recession are but modest users, of power. If, however, from any cause there were a marked decline in industrial activity the electricity supply industry and the Board could not remain unaffected.

During the period 1929-33, in which the depression gathered full force, the volume of public electricity supply increased steadily, but it would be erroneous to deduce from this experience that the demand for electricity is subject to a natural law of perpetual increase. The experience of the United States and of other industrial countries in recent years furnishes adequate refutation of this idea. Several causes contributed to the maintenance of the growth of demand for electricity in those years of depression. At their opening, electrification in this country was in a relatively backward state. Again, domestic demand in those years was stimulated successfully, partly owing to the great volume of new housing activity. Between 1928-29 and 1938, industrial sales of electricity multiplied 2.12 times, while sales for domestic purposes increased by 3.62 times. If the domestic load had shown only the same growth as the power load, sales in 1937-38 would have been 3,000 million units, or 15 per cent., lower.

Such circumstances are not likely to recur, if industrial depression should come in the near future, and if no other

special cause were in operation at such a time, it would be wise to expect not merely a reduction in the rate of increase, but even a shrinkage in the total demand for electricity. One special factor, however, might well come into play: a general policy of railway electrification. It is difficult, however, to foresee how quickly or how extensively railway electrification would offset a falling general demand for electricity.

The Weir Report on Railway Electrification (not to be confused with the Weir Report which gave birth to the Grid) estimated that if the railways of the country were completely electrified (envisaging this as a twenty-year programme, though perhaps a shorter period might be possible, a more than proportionate part being accomplished within, say, the first seven or eight years) the energy required would be about 6,000 million units. This is the total of direct current at the voltage of utilisation; it would probably correspond to about 7,500 million units a.c. at high voltage, and would call for a maximum demand of perhaps 1½ million kilowatts. The present rate of consumption for the country as a whole is perhaps 23,000 million units a year. It will be seen, therefore, that railway electrification could make a considerable contribution to the maintenance of output during years of recession. But its effect on the Board's fortunes is less easy to predict. In the areas supplied by undertakings owning selected stations, the railways would buy their power direct from those undertakings. In other areas the supply would be taken direct from the Board. If this supply were taken at the Grid Tariff it would probably be a decidedly remunerative load; but more probably the price settled would be a low one.

Finding some such factor—and it is difficult to discern any other cause of any magnitude—it is to be expected that the total electrical load of the country would diminish

in depression. What part would this play on the fortunes of the Board? In respect of its trade with owners of those selected stations which have been built of no greater capacity than is necessary to meet their owners' requirements, the Board would suffer no loss. If the owner is buying at the hypothetical costs of independent generation, the plant necessary (however hypothetical) for one year's load cannot be deemed to be whisked away if next year the load falls. It is in respect of sales at Grid Tariff that the Board would suffer loss. Here it is possible to foresee a very substantial diminution of revenue with very little reduction of costs to set against it. In fact, some elements of cost would increase, since plant extension programmes, for a substantial part of which the Board is financially responsible, must be settled more than two years ahead. As, however, the Board treats interest on capital during construction of generating stations as a revenue charge, the potential increase in the financial burden is not so threatening as it would be if a less conservative policy were followed.

It is, however, impossible to make any measure of the potential loss to the Board due to a serious depression, the more so as no information is available regarding the volume of its trade transacted at the Grid Tariff. All that can be said is that the Board is likely, by the time depression comes, to have a comfortable lump of fat to sustain it through a period of adversity. The revenue account now shows a credit balance of £2,190,472. The surplus for the current year is almost sure to be greater than last year's figure of £492,041; and there are obviously also certain concealed reserves due to the conservative estimation of revenues not settled at the closing of the accounts.

The Board's Surpluses—A Suggestion

Let us now turn to consider the future through less gloomy spectacles. If the load continues to grow, the earnings of the Board will almost certainly continue to expand. Interesting questions will then arise. If nothing happens to change industrial prospects for the current year, it would not be surprising if the Board, after making increased provisions for replacement, showed a surplus for 1939 of £750,000, or, possibly, even £1 million. For the first three months of the current year the increase in the number of units sold has amounted to 13.7 per cent. It is probable that the smaller and less urban undertakings have contributed as fully as in the past to this increase, and their demand is particularly helpful to the Board's earnings, for they form the bulk of Grid Tariff consumers.

At this rate, it would not be long before the Board had accumulated a sufficient surplus to protect it against reasonably foreseeable depression without any alarm for its finances. Reasonable provision for such an emergency can be justly regarded as a first claim on surplus earnings. But after this point it would be obviously desirable to share some of the benefits among the authorised undertakings. It might, alternatively, be thought desirable to accelerate the amortisation of certain intangible assets in the Board's balance sheet, but such a measure would unreasonably prejudice the present to benefit the future.

If the growing surplus were to be devoted to the benefit of authorised undertakers the division of the benefit would hardly be effected without controversy. Grid Tariff consumers would probably be the most numerous and perhaps the most vocal claimants. On the other hand, owners of selected stations would say, with no less justice, that they are the greatest contributors to the Board's prosperity, and so far (their owners might argue) the Grid has provided no advantage to them. But yet another possibility presents itself. A great deal of the Board's trading is conducted on the basis of hypothetical plant and hypothetical cost. As time goes on, the element of hypothesis must grow larger and the foundation of reality proportionately less. It is hard to contemplate the indefinite continuance of this rather unreal state of affairs.

As at present constituted, the Board is inhibited from owning or directly operating any power station, unless it is established that no one else will undertake the responsibility. In the great majority of cases no harm has been done by this rule; the terms of the Board's arrangements give the owner of a selected station every incentive to

efficiency, and the proportion of cases in which efficiency of operation might have been bettered to a significant degree is not great. It is known, however, that there are cases where operating efficiency has been lamentably low; and other cases—not confined by any means to the smaller undertakings—where capital costs of construction have been extravagantly high.

If the Central Board were to take over (by purchase or lease—for financial reasons the latter would usually be more convenient) and operate selected stations, there would be no reason to expect that efficiency would in any single case suffer, if the Board retained its high standard of management. In many cases it would certainly gain, and in some cases gain considerably. At present a certain division of responsibility is bound to arise between the Board and the owners of selected stations, which might well have led to greater difficulties than have hitherto transpired; and the centralisation in the Board of direct responsibility for generation would have certain advantages by way of planned technical progress. It is assumed, of course, that if selected stations were taken over the necessary staff of engineers and operating personnel would also be taken over.

Evidently it is not practicable that the Board should take over selected stations on terms which give no financial advantage to their present owners. If, however, the Board were in a position to offer to lease selected stations from their owners and to give a supply in future on satisfactory terms, and the whole deal could provide a reasonable financial inducement to the owners, the situation would be different. Here, possibly, is a use for some part of any future surpluses which the Board might consider it could spare. Such a policy would need legislation, and financial reasons, if no other, would make it desirable for the Board to proceed gradually.

The advantages that might be expected can be briefly set out. First, a fairly immediate improvement, of modest size, should be seen in the efficiency and economy of generation by raising the standard of less efficiently run stations. Secondly, a better and more organised development of generating technique in the future should result. Thirdly, some improvement might well be encouraged in the standard of distribution. At present, the outlook of the chief executives of many large undertakings is warped by the ownership of generating stations—fascinating instruments which tend to divert attention from the more prosaic, but no less important, problems of distribution. Furthermore, the ownership of generating plant has biased the selection of chief executives for large undertakings—particularly municipal undertakings. If a municipality owns a magnificent generating station which is a source of pride to the council, it is very likely to choose for the control of its undertaking a man whose principal abilities are in supervision and management of generating plant. Such a man is not likely to be the man best fitted for running a large commercial undertaking—and he may even not be the best type for devising the distribution system. If generating stations were handed over to the C.E.B. the chief executives of more large undertakings might be recruited on grounds of outstanding commercial ability and not necessarily on engineering qualifications. This suggestion for the use of some part of the anticipated surplus profits of the Board should be to the advantage of the supply industry. But it would not exclude the use of part of the surplus to benefit those smaller units in the supply industry, the Grid Tariff consumers.

Conclusion

This survey of the Central Electricity Board has shown how it originated, how it has functioned, and what its future may be. It demonstrates that the results achieved amply justify the boldness of the project. No great claim has yet been made that it has contributed tremendously to the achievement of what is, after all, its principal aim, namely a "cheap and abundant supply of electricity." It has, however, already made a significant contribution to that object, and one that is certainly larger than is generally realised. There is no doubt that in the future its contribution will be even greater.

THE BUSINESS WORLD

Britain's Exchange Clearings—I

EXCHANGE clearing, in its present accepted meaning, is a comparatively recent addition to the machinery of international trade. It sprang up in Central Europe in 1931, as a corollary of the foreign exchange restrictions introduced in that year, while in this country it was first put into application as recently as in 1936. Originally, exchange clearings were instituted by creditor countries, mainly as a coercive measure to ensure the payment of outstanding debts due to their nationals from countries operating exchange restrictions. This initial aim has, however, gradually receded and the primary function has become the continuance and regulation of reciprocal trade, under conditions of exchange restrictions, by way of dispensing with the purchase and sale of foreign exchange.

Britain's first clearing agreement was that concluded with Spain, on January 2, 1936, followed in succession by the Anglo-Roumanian Agreement, signed on May 2, 1936, the Anglo-Turkish Agreement of September 2, 1936, and the Anglo-Italian Agreement, signed on November 6, 1936. The Anglo-Spanish Clearing proved a short-lived one, as political developments compelled both parties to suspend it in December, 1936, since when it has not been resumed. The remaining three clearings are still in operation, although all have been modified by supplementary agreements.

The Controller of the Clearing Offices issues regular monthly statements on the position of accounts, which are of great practical value for those trading with the countries concerned, as they convey, along with specific information, a fair indication of the "transfer risks" connected with prospective deliveries. According to the statements issued on March 31, 1939, the total sums liquidated through the three clearings since their commencement appear as follows:—

	Total deposited	Trade arrears cleared	Financial debts cleared	New exports cleared
Roumania* ...	9,831,579	1,616,602	2,140,100†	4,044,354
Italy	15,454,841	2,883,512	914,762	11,348,689
Turkey	2,679,617		£1,832,015	

* As from February, 1939, only the figures relating to the new agreement are published; the above figures cover both agreements.
† Including public debt service.

In order to consider the true meaning of the available figures, it is necessary to relate these to the respective agreements. In the following the agreements will be examined separately, in an order dictated by convenience.

Anglo-Italian Clearing.—Under the supplementary Agreement of March 18, 1938, the allocation of sterling deposits is as follows:—

- 46 per cent. to Coal Sub-Account, in payment of coal exports.
- 41 per cent. to Sub-Account "D," in payment of all other exports.
- 6.5 per cent. to Arrears Account "A," in payment of trade arrears.
- 6.5 per cent. to Arrears Account "C," in payment of financial debts.

The agreement represents what may be called the standard or orthodox type of exchange clearing. Except for the separation of coal exports from other goods on the British side, all exports and imports are treated globally

and uniformly. The rate of conversion is the official rate of sterling on the Rome Bourse, at present fractionally under 89 lire. Study of the monthly statements shows that the pace of liquidation in respect of current exports has been a fairly steady one for some time now, exports of coal being settled in about 15 days, those of other goods in about five months from date of deposit in Rome.

It must be added, however, that this relatively smooth working has been achieved only at the cost of a substantial contraction of British exports to Italy, which have had to be curtailed repeatedly. Actually, in the present position the initiative rests entirely with Italy, the extent of trade being determined by the value of Italian exports to this country, and these have been showing a falling tendency. It is apparent that at the prevailing "official" rate of conversion, the Italian currency is substantially overvalued in relation to sterling, a view that finds its confirmation also in the exchange discounts to which the various categories of lire are subjected in free markets. As a natural consequence, Italian exports tend to be diverted to countries whose currencies are equally overvalued, a point that will be enlarged on in a second article.

While, therefore, regarded purely as a payments agreement, the Anglo-Italian Clearing may be said to be working adequately, its effect on the reciprocal trade of the two countries is decidedly a restrictive one.

Anglo-Turkish Trade and Payments Agreement of September 2, 1936, modified by Supplementary Agreement of May 27, 1938, provided for sterling deposits effected in London to be allocated as follows:—

Ordinary Trade	Compensation Trade
70 per cent. to Sub-Account "A" in payment of outstanding and current debts, in chronological order.	10 per cent. to Sub-Account "A" (see opposite).
30 per cent. to Sub-Account "B," at the free disposal of Central Bank of Turkey.	30 per cent. to Sub-Account "B" (see opposite).
	60 per cent. to Compensation Account, in payment of new exports, outside chronological order. (Also available for arrears.)

In comparison with the Anglo-Italian Clearing, the Turkish Clearing presents two main structural differences. First, it allows 30 per cent. of the value of ordinary exports from Turkey to be released in free sterling, a not unusual practice in clearing agreements with economically weak countries. Secondly, it introduces the principle of compensation business, which does not imply, as often wrongly assumed, any direct barter of goods, but simply the payment of a special premium by the Turkish importer to the exporter, encouraging thereby the exportation of certain specified categories of Turkish products. What happens at the British end is that the values of the two operations are set against each other, outside the ordinary clearing, thus enabling prompt payment for the British exporter concerned. In other words, compensation business under clearing creates a flow of reciprocal trade at a special, free-market rate of exchange, alongside the normal exchange of goods regulated through the ordinary clearing at "official" rates.

The figures of the Anglo-Turkish Clearing provide no very encouraging reading. A steady accumulation of deposits in Turkey awaiting remittance has led to a sum of £1,790,000 standing unremitted on March 31, 1939. The figure compares with a total of £1,227,911 paid out

to British exporters through the ordinary clearing since its beginning and shows, moreover, an increase of £359,000 over the corresponding figure a year ago. The explanation lies, again, chiefly in the "official" rate of conversion, which is at present 590 piastres. Evidently, at this rate the Turkish currency is considerably over-valued, a fact for which nothing furnishes more convincing evidence than the premium paid (on sterling) in compensation trade, which is at present over 60 per cent.

So long as this official rate is maintained in the operation of the clearing, there seems little likelihood for improving its present position. Recent indications point to a growing portion of current trade being diverted to compensation channels, in itself quite a natural development. At the same time, the question of the amounts outstanding will have to be tackled sooner or later, as it seems hardly capable of solution within the framework of the existing agreement.

The *Anglo-Roumanian Clearing* marks a third stage in the evolution of clearing agreements. Compensation trade was provided for in the first agreement, of 1936, on lines essentially similar to those described above. Following the good results achieved by the experiment, a further bold departure was made in the second agreement, signed on September 2, 1938, which extended the principle embodied by clearing compensation, i.e. the freeing of the exchange rate, to all classes of goods. Virtually the Anglo-Roumanian Clearing stands now midway between a clearing system and a free exchange regime. While control over the operations is being maintained on both sides, the rate of exchange is allowed to find its natural level. The allocation of sterling deposits is at present as follows:—

Ordinary Trade	Compensation Trade
40 per cent. to Special Account, in payment of public debts service, banking credits, outstanding debts, and Government purchases (A).	0-30 per cent. (according to product) at free disposal of Roumanian National Bank.
40 per cent. to U.K. Goods Account, in payment of any goods of British origin (B).	Balance in equal proportions: for payment of United Kingdom goods, listed on Schedule "B" (D), and goods from any country, listed on same Schedule (E).
20 per cent. to U.K. General Account, for financial payments within the U.K. (C).	

Imperial Chemical Industries

INEVITABLY, the first comment on the 1938 accounts of Imperial Chemical Industries must be to congratulate the directors on adding the essential complement of a consolidated income statement to the consolidated balance sheet which was first introduced last year. The market reputation of a great concern can only be strengthened when the directors are clearly at pains to give the fullest possible information to their shareholders, leaving less room for whispers of great profits hidden away or of dark losses concealed.

The consolidated income statement, in fact, shows that the profit and loss account of I.C.I. itself has already been telling most of the story, so far as net profits and reserves are concerned—assuming, as is reasonable,

In addition there is a special regime for oil exports, allocating 50 per cent. to the Special Account, the balance to be used for approved payments of the oil companies.

The Special Account, appearing in the monthly statements under separate headings according to its subdivision, continues to be governed by the official rate on sterling, which is Lei 667. The four further categories of sterling, as shown above, are dealt in freely in the Roumanian market, the latest quotations being as follows:—

	Lei
Compensation rate for U.K. goods (D)	1,050
Ordinary rate for U.K. goods (B)	1,070
Compensation rate for goods from any country (E) ...	1,270
Rate for financial payments (C)	1,400

As was only to be expected, the new system has given a considerable impetus to Roumanian exports to this country. In the first quarter of this year, these exports reached the value of £1,350,000 or more than treble the corresponding figure for last year and the clearing accounts have marked a commensurate expansion.

On the other hand, the freeing of the exchange rate resulted in a remarkable, though not unnatural, development: the considerable discounts on the Roumanian currency have led to a slowing down of British exports, manifested in the accumulation of unused clearing balances at this end. On March 31, 1939, there stood to the credit of Roumanian banks an unused sum of about £400,000 in respect of British exports of the non-compensatory class alone, and while part of this sum is probably earmarked, payments being delayed only by details of procedure, this portion is likely to be more than offset by further sterling deposits on imports in transit or under clearance.

Recent experience confirms that the prevailing exchange rates are prohibitive for a wide variety of British goods previously sold in Roumania (mainly consumption goods) and while some automatic adjustment in the rates is bound to take place through the play of supply and demand, it is doubtful whether this can suffice to bridge the existing wide gaps.

Further consideration of some of the problems arising out of these Exchange Clearing Agreements will be given in a second article.

that this year's practice is typical of what has been normal in the past. The consolidated trading profits, less losses, of the group in 1938 amounted to £9,023,292, with a further £951,879 from associated (as distinct from subsidiary) companies, £321,135 from marketable and other securities, and £157,406 from property. Together with miscellaneous credits of £9,861, total income is £10,463,573. Since no comparison with earlier years is available, these income figures stand for the present as a statement of fact rather than as a record of movement; but they are far from exhausting the interest of the income statement. The consolidated balance sheet issued last year had already revealed the relatively small size of the fixed loans and debentures of the group. But the consolidated income statement shows the yet more striking fact that net debenture and loan interest, at £203,321, absorbs rather under 2 per cent. of the total available revenue. Sundry charges, of which the most important are £2,088,682 for obsolescence and depreciation (to which I.C.I. contributes £1,500,000), £514,438 for taxation, and £276,021 for miscellaneous expenditure, including A.R.P., reduce net consolidated income to £7,281,742, from which there is deducted a further £220,451 for dividends to outside shareholders and profits retained by subsidiary companies, before arriving at the figure of £7,061,291, which is the profit shown in the profit and loss account of the parent concern.

From that point onwards full comparison with earlier years becomes possible. The long-term movement of profits (which is shown in the accompanying chart) is considered in

greater detail below, but it can be said at once that, for a year of trade recession, the 1938 results are satisfactory.

They are compared with those of 1936 and 1937 in the following table:—

	1936	1937	1938
Earned for pref.	7,203,329*	7,510,707*	7,061,291*
Ordinary Stock—			
Earned	5,612,315	5,847,195	5,335,210
Paid	3,935,913	4,284,158	4,032,149
Earned %	12.4	12.5	11.6
Paid %	8	8½	8
Free reserves	1,500,000	1,500,000	1,125,000
Carried forward	665,142	556,179	621,245

* After provision to Central Obsolescence and Depreciation Fund: 1936, £1,000,000; 1937, £1,500,000; 1938, £1,500,000

Apart from the appropriations from the year's profit, there are, as usual, several transfers from reserve to write down asset values. Shares, debentures and advances in subsidiary companies are written down by £231,818 from Capital Reserve, which also contributes £53,182 against shares and debentures in associated companies. From Central Depreciation and Obsolescence Fund as much as £1,475,000 is applied in writing down interests in subsidiaries. The net effect is to leave shares and debentures in subsidiaries virtually unchanged at £76,710,937, against £76,697,315. Evidently the board intends to continue to write down the valuation of shares in subsidiaries over a considerable period. In the last three years no less than £9,790,959 has been transferred for this purpose from reserves, to which £6,165,959 was contributed by the Capital and General Reserves and £3,625,000 by the Central Obsolescence and Depreciation Fund. Writing down of assets on this scale must manifestly imply that the directors consider that subsidiaries should be valued at lower figures in the parent company's books. But it need not mean that there has been any previous inflation of values. When a large group is formed, its subsequent organisation into a single and more efficient whole may mean that the very arrangements introduced to improve efficiency will make some plant redundant, while other quite serviceable plant may be modified or changed to conform with the new production scheme. Cases of this kind would no doubt account for the transfer from Central Obsolescence and Depreciation Fund. The amounts written off out of Capital and General Reserve might be applied for other reasons; but much the greatest part of £6,165,959 so employed in the last three years originated in the surplus of £5,434,141 when the company's capital was reduced in 1936. It is reasonable to conclude, therefore, that this policy of transfers from reserve does not spring from doubts in the board's mind regarding the values at which assets are carried, but is rather a normal process implicit in its continued task of consolidating and strengthening the group.

But perhaps the most interesting movements of the year are to be found in the balance sheet. For illustrative purposes, the parent company's own balance sheet is preferable, since it provides comparisons over a longer period than the consolidated balance sheet (which is, however, summarised in the table below). Cash has risen from £1,684,630 at December 31, 1937 (when there were no Government securities to supplement it) to £3,999,767, plus £1,000,269 of Government securities at December 31, 1938. The improvement is due partly to the proceeds of 500,000 preference shares in African Explosives and Industries, Ltd., sold on the London market last July, partly to a decrease in sundry debtors, but mainly to a fall of £1,259,535 in marketable and other investments "arising from the sale of certain holdings."

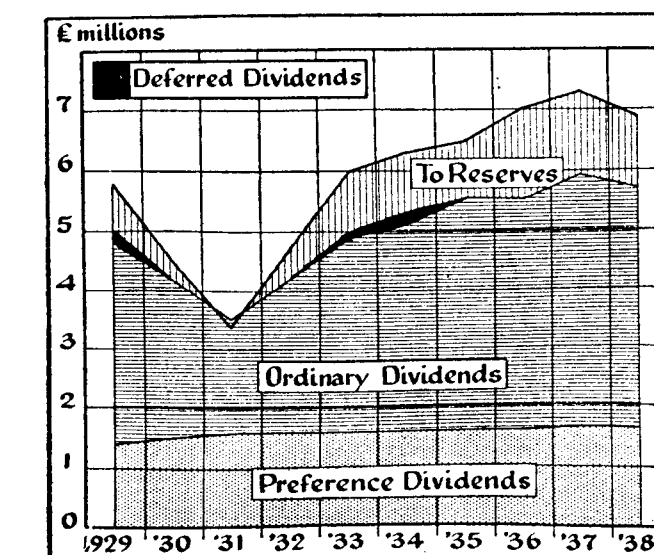
That is a move to be heartily welcomed. Again, it is reassuring that market and computed values of the present portfolio show a surplus over book values, compared with a depreciation of £324,066 at the end of 1937. Rightly or wrongly, the market has often been ready to listen to rumours, however unreasonable, of large losses on these marketable securities whenever sudden falls occurred on Wall Street. More important, the relatively small cash holding of the company has in the past been an undeniable weakness in the balance sheet. In the parent company's account, cash stood at over £4,000,000 in 1931; and in 1932 and 1933 cash and Government securities amounted, roundly, to £7,000,000 and £8,000,000. But more recently the cash holding has been reduced to between £1,000,000 and £2,000,000, unsupported by Government securities. However well marketable shares may turn out as a trade investment over a long period, there can be no doubt that cash and Government securities are normally preferable for a great concern in a developing industry, which may at any time have to embark on large-scale capital expenditures. Normal depreciation and reserve allocations would, of course, provide some millions of cash out of profits which might suffice to finance capital expenditures in an ordinary year—though last year, when no major development was undertaken, saw capital expenditures of as much as £3,014,000. Manifestly a great concern should have ample cash resources beyond its ploughed-back earnings, and the strengthened cash position in the latest balance sheet represents a marked improvement.

Taking a wider survey of the company's progress than is offered by detailed study of the year's accounts, the movement of profits during the past decade must be considered satisfactory, even though the unfructified earnings originally represented by the deferred shares have not come up to expectations. In the table overleaf the Board of Trade Index of Production for the chemical and allied trades is compared with an index of I.C.I. net profits, first on the base of 1930 = 100, and then on the base 1935 = 100.

CONSOLIDATED BALANCE SHEET ANALYSIS (in £000's)
Imperial Chemical Industries and subsidiary companies

	Dec. 31, 1937	Dec. 31, 1938
Cash	2,693	5,766
Marketable and other investments	6,914	6,754
Total liquid assets	35,607	37,065
Creditors, loans, charges, tax, etc.	12,063	12,870
Total current liabilities	15,761	16,316
Surplus liquid assets	19,846	20,749
Land and buildings	23,857	24,037
Plant and machinery	32,399	33,474
Ships, rolling stock, etc.	1,226	1,242
Shares and debentures in associated cos.	7,436	7,091
Patents, mineral rights and goodwill	15,699	15,727
Total Fixed Assets	80,617	81,571
Obsolescence and depreciation	5,635	5,683
Minority interests	2,335	3,427
	92,493	93,210
Prior Charges—		
Debs. and secured loans of subsidiaries	5,889	5,725
Pref. stock (I.C.I.)	23,801	23,801
Net equity	62,803	63,684
I.C.I. ordinary stock	50,402	50,402

IMPERIAL CHEMICAL INDUSTRIES' PROFITS 1929-38



Next Week's Issue will include the
FIFTH ANNUAL SURVEY
of the position and prospects of
UNIT TRUSTS
published by *The Economist*

The Survey will review the developments of
the past year and will include articles on

Growth of Sales
New Trust Formations

Statutory Control of Unit Trusts
Management Costs

The Survey will also contain a directory of all unit trusts formed
in this country, and particulars of management companies.

	1930 = 100	1935 = 100
	Chemical and Allied Trades Production	I.C.I. Net Profits
1930	100	100
1931	95.9	76
1932	98.8	106
1933	101.7	134
1934	104.6	142
1935	110.6	150
1936	115.4	161
1937	124.5	168
1938	118.1	158

The movement of the two series of indices is instructive. The first series shows that after the setback due to the great depression, I.C.I. profits forged ahead much faster than production. By 1935, production was 10 per cent. higher than in 1930, but profits were 50 per cent. higher as a result, no doubt, of improved earning power resulting from reorganisation. But since 1935, as the second series

shows, the movement of profits has been closely parallel with the movement of production, which suggests partly that most of the fruits of reorganisation are now gathered, and partly that the directors have adhered to their declared policy to regard the group as a responsible national institution already earning a fair return on capital, and to pass on most of the benefits of improved efficiency to customers.

From the investors' point of view, I.C.I. ordinary stock emerges from this year's accounts, and over a longer period, as a sound industrial holding. The war equity of the group is almost certainly smaller than the public sometimes assumes. Indeed, some fall in profits might occur during a war, though any fear of a collapse in earnings can be ruled out.

At the current price of 29s. 10½d. the ordinary stock yields £5 7s. 6d. per cent., a reasonable, if unexciting, return for an essentially stable industrial equity.

Finance and Banking

The Collapse in Discount Rates.—Much of the substance has already departed from the widespread criticism of the authorities for their alleged new "dear-money" policy. This week the position in the short-loan market has eased appreciably, and there has been something approaching a collapse in discount rates—the three months' Treasury bill rate having fallen from 1½ to ¾ per cent. The turn of the month marked the turn of this credit tide. A further expansion of £6,376,000 in the note circulation was fully neutralised in its effect on bank cash by the appropriate increase in securities held by the Banking Department. On the other hand, the authorities allowed the May 1st dividend disbursements to have their full effect on the cash position, and thus the latest Bank return shows a decrease of £16,468,000 in public deposits and a corresponding increase of £16,789,000 in bankers' deposits. With their cash positions thus fortified, the clearing banks from the beginning of this week re-entered the market as buyers of bills. It was their competitive bidding for June and July maturities which provided the factor immediately responsible for the decline in bill rates. By Thursday the clearing banks, in order to satisfy their requirements of July bills, had been forced to reduce their buying rate to ¾ per cent. The money position has eased correspondingly. By Wednesday all clearing banks had brought back their rate for old loans against bills to ½ per cent., and by Thursday it was becoming more and more difficult to obtain ¾ per cent. for any bill money. The substantial sales of July maturities to the banks have liberated a corresponding amount of money, and the demand for fresh loans against bills has virtually disappeared for the time being.

Japanese Currency Manœuvres.—By all accounts the yuan, which is the new currency introduced by the Japanese in Northern China, is experiencing very heavy weather. Its complete introduction was to have been effected by March 10th, but it was subsequently decided to postpone the full plan until April 10th, and even now it is not completely in force. The Chinese themselves will have little or nothing to do with it, while the foreign banks regard it as inconvertible, and so are segregating it in special accounts, virtually on a clearing basis. Meanwhile it is only quoted at a discount of 30 per cent. compared with the Chinese dollar (instead of the hoped-for premium equal to that of the Japanese yen), and thanks to the sterling and dollar credits granted last year, the Chinese dollar has recently been very stable at about 8½d. It is true that remittances abroad are not always easy to arrange, but in the main the dollar is functioning successfully as the medium for financing China's external trade. The Japanese have recently drawn up regulations for the formation of a Reserve Bank at Nanking and the

introduction of their own currency in Central China, and it is clear that they wish to get into their own hands all the foreign exchange emanating from Central China's export trade. The new regulations, however, have not yet been promulgated, and recent reports suggest that the Japanese will move very slowly and cautiously. Their chief weapon is the hold they now have over the customs, while they may also make the reopening of the Yangtse conditional upon the acceptance of the new currency by both Chinese and foreign traders and bankers. On the other hand, their experience in North China is not encouraging, and, of course, any attempt to enforce a new currency or to obtain a monopoly of the proceeds of China's export trade would be bitterly resented in both Chinese and foreign commercial circles. These considerations may suggest to the Japanese the need for extreme caution, and no definite move has been made as yet, beyond the drawing up of the regulations. Meanwhile the Chinese dollar remains a stable currency, well able to finance such trade as is possible to-day.

A "Bear Squeeze" in Belgas.—The feature of the foreign exchange market during the past week has been the appreciation of the belga to a point well beyond that at which it began to pay to send gold from London to Brussels. The rush to buy belgas which, in little more than a week, has sent the rate from 27.85 to 27.50 to the £ has been caused largely by bears of the currency who have hurried to cover following the disappointment of their hopes of an early devaluation. The Belgian authorities have made the most of the opportunity given to them to teach the speculators a sharp lesson. The exceptional tightness of the credit position in Belgium has made it virtually impossible for the bears to borrow the belgas they had sold forward. They have therefore been forced to go to the spot market for their covering operations, and here the National Bank has for the time being had the whip hand and has been able to impose its own terms. Speculators against the belga had perhaps based their operations on the assumption that their losses were limited by the cost of sending gold from London to Brussels, basing their reasoning on the statutory obligation placed on the National Bank to buy gold at 6,615.46 belgas per kilo fine. They had not reckoned, however, on the fact that an import licence has to be obtained for importing gold into Belgium or had assumed that this licence would be granted automatically, as had been the case in the past. It served the immediate purpose of the Belgian authorities not to grant such licences and therefore no gold has gone from London to Brussels, though on paper the profit to be made on such arbitrage would have yielded up to 1s. per

ounce of gold. As the Belgian National Bank is at present engaged in transferring the bulk of its gold reserve from Brussels to London and New York, it does not wish to receive gold in Brussels, but prefers to acquire the foreign exchange with which, if it so wishes, it can obtain gold on much better terms in foreign centres. This not only serves its own immediate purpose of shifting the Belgian gold reserve abroad. It also castigates the belga bear more severely than if his losses had been limited by the gold point from London.

British Banks and Dollar Accounts.—Many Continental owners of refugee funds find it difficult to make up their minds whether they prefer to keep their money in London or in New York. Some of them, being desirous of eating their cake and having it, have opened dollar accounts with London banks. Most London bankers receive such accounts without much enthusiasm, for it is almost impossible nowadays to earn money on dollar balances.

American banks allow no interest on sight deposits, and at present it would not pay to employ such funds in swap transactions. The London banks, in order to be compensated for their trouble, have to charge a commission on dollar accounts, or alternatively they stipulate that owners of such accounts must also keep a sterling account with them, with a minimum balance. The dollar deposits are kept in the name of the London bank, but the foreign customer is informed with which American bank his funds are kept, and the London bank disclaims liability in case of the insolvency of the American bank in question. This arrangement was initiated in 1931, when there was a danger of losses through bank failures; at present the condition is a sheer matter of form, since the funds are usually kept with first-class New York banks. Most London banks also stipulate that the owners of the dollar balances are not entitled to draw dollar cheques. They also refuse to issue dollar cheques at the request of the owners of dollar deposits who can only dispose of their funds by means of mail transfer. In many instances the London banks prefer to introduce their client to an American bank branch in London rather than open a dollar account for him.

MONEY MARKET NOTES

Foreign Exchanges

THE immediate reaction to Hitler's speech in the foreign exchange market was favourable, and while Swiss francs, guilders and French francs were strong in terms of sterling, the pound itself appreciated against the dollar. On Saturday, however, its effect seemed to be wearing off, and sterling showed a slightly weaker tendency, the sterling-dollar rate again being pegged at 4.68½. On Tuesday, for the first time for some weeks, there was a noticeable improvement in the undertone; buying orders for sterling were received from several centres, which sent the rate up to 4.68½, although it closed a little lower at 4.68½. The better tendency, however, was not maintained, for the following day, after a firm opening, it relapsed to 4.68½, at which level it was held by the Control. On Thursday there was little change. The forward premiums contracted on Tuesday to 1½c. for one month and 2½c. for three months; on Thursday the three months' premium was only 2-1½c., as a result partly of official operations in the forward market. Swiss francs have also not maintained the improvement shown after Hitler's speech, when they fell to 20.82½, and have since risen to 20.85½-6½. Guilders, which benefited at the end of last week from the repayment of a Dutch credit to France, have since relapsed, and on Thursday were quoted at 8.78½ fl., against 8.75 fl. last Saturday, although they recovered in the late afternoon to 8.77½-¾ fl. Registered marks were weak on Thursday, and were offered at a discount of 65 per cent.

The Bank Return

THERE has been another big rise this week in the note circulation, which is now at its highest level of the year and is £4 millions above the Easter peak. The corresponding Bank return of last year also showed a rise; but it only amounted to £1.2 millions, so that the increase this year of £6.4 millions, taken in conjunction with last week's rise of £4.1 millions, must be put down to precautionary measures against international events, hoarding and, possibly, to bigger purchasing power as a result

of the Government's heavy armament expenditure. It is noteworthy that the level of the note circulation this week is not only £5 millions higher than a year ago, but is as much as £20.3 millions higher than in 1937, when it was expanding under the influence of the Coronation. The gold in the Issue Department has been valued at 148s. 5d. per fine ounce, compared with 148s. 6d., and as the value of the total gold holding is unchanged, there must have been a transfer of gold to the Bank from the Exchange Account. In the Banking Department the most interesting feature is the rise of £16.8 millions in bankers' deposits, which easily explains the relieved conditions in the money market. The bigger note circulation has not been allowed to affect bankers' deposits, for it has been offset by an

	May 4, 1938	Apr. 19, 1939	Apr. 26, 1939	May 3, 1939
	£ mil.	£ mil.	£ mil.	£ mil.
Issue Dept.:				
Gold	326.4	226.2	226.2	226.2
Value per oz. fine	85s.	148s. 6d.	148s. 6d.	148s. 5d.
Notes in circulation	490.5	485.0	489.1	495.5
Banking Dept.:				
Reserve	36.7	42.2	38.0	31.5
Public Depts.	10.7	22.1	27.1	10.5
Bankers' Depts.	117.5	96.5	91.4	108.2
Other Depts.	36.0	38.8	37.6	37.0
Govt. Secs.	117.8	102.0	107.2	111.9
Discounts & Advances	8.2	6.7	6.2	8.2
Other Secs.	19.3	24.2	22.3	21.9
Proportion	22.3%	26.7%	24.3%	20.1%

increase of £4.7 millions in Government securities and of £2 millions in discounts and advances, so that the sharp drop of £16.6 millions in public deposits, which is mainly, but not entirely, accounted for by the heavy dividend disbursements on May 1st, has had its fullest possible effect on the banks' cash.

The Money Market

THE return to more normal conditions in the money market is discussed in a Finance Note. It was preceded by a further fall in the average rate of allotment at last Friday's Treasury Bill tender to £1 4s. 3.67d. per cent., in spite of a decline in the total amount applied for from £66 millions to £63.5 millions. The market syndicate, as a result of the smaller applications, obtained a 31 per cent. allotment, against 26 per cent. in the previous

week; but its allotment was small enough to make market houses unwill-

	May 5, 1938	Apr. 29, 1939	May 4, 1939
	%	%	%
Bank Rate	2	2	2
London Deposit Rate ...	1½	1½	1½
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1½	1½-1*
Others	1½-5½	7½-1	¾-7½
Discount Rates:			
Treasury bills	1½	1½	1½
Three months' bank bills	1½-2-9½	1½	1-1½

* 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.

ing sellers to the banks except at lower rates, and there is a tendency to hold bills in anticipation of a further fall.

The Bullion Market

THE turnover in the gold market has dwindled to very small proportions, amounting on Saturday to only £42,000. Sales from Continental hoards are nowadays always restricted when the international situation appears a little easier; but as offerings from these quarters—even though sometimes small—have been continuous in the last few months, while hoarding demand has been negligible in the same period, supplies in the hands of hoarders must have been reduced considerably. It is

Date	Gold			Silver price per oz. standard	
	Price per fine oz.	Prem. or Disc.	Amt. dealt in †	Cash	Two Mths.
1939	s.	d.	d.	£'000	d.
April 28 ...	148 6	par	451	20½	20
" 29 ...	148 6	par	42	20½	19½
May 1 ...	148 6	par	266	20½	20
" 2 ...	148 6	12pm.	159	20½	20½
" 3 ...	148 5½	par	377	20½	20
" 4 ...	148 6	par	460	20½	20

* 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.

significant, too, that the revival of political uneasiness on Wednesday, which affected the foreign exchange market, did not induce any noticeable

increase in Continental resales; for part of the larger turnover, both on that day and on Thursday, was accounted for by official offerings. The stronger tendency in the dollar, and the absence of any premium, encouraged arbitrage

demand which on Tuesday had to be supplemented by official buying in order to absorb the very small offerings; and on Thursday arbitrageurs only obtained about 60 per cent. of their requirements.

INSURANCE NOTES

Motor Union Insurance.—This company, controlled by the Royal Exchange, transacts a large motor insurance business, whose results are included in the accident branch. Accident premiums were slightly smaller at £1,552,000, and the underwriting results were definitely satisfactory for this class of business. Fire premiums increased from £195,000 to £201,000. The results of the last two years are given below:—

	1937	% of	1938	% of
Profit	£	Premiums	£	Premiums
Fire	27,914	14.3	30,337	15.1
General	114,709	7.3	139,170	9.0
Charges to profit and loss	142,623		169,507	
	90,028		80,897	
	52,595		88,610	

Assets total £3,090,000 and aggregate market values of securities £2,485,000, compared with book values of £2,396,000. The investment reserve stands at £254,000 and general reserve fund at £768,000, to which the directors propose to allocate £116,000 from profit and loss. The 37 per cent. dividend costs £54,000, compared with available interest earnings of £81,000.

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Law Union and Rock Insurance. New sums assured in 1938 increased further from £2,606,000 to the record figure of £2,811,000. In addition, sums assured under staff life assurance and pension schemes amounted to £295,000 and deferred annuities to £68,000 per annum. Death claims increased from £453,000 to £529,000, but surrenders fell from £121,000 to £99,000. The net rate of interest on the life assurance fund was £3 11s. 7d. per cent., against £3 13s. 6d. per cent. Although mainly concerned with life assurance, this company, which is a subsidiary of the London and Lancashire, also transacts fire and accident business. Fire premiums last year fell from £441,000 to £429,000, and accident premium income increased from £260,000 to £265,000. The results of the last two years are given below:—

	1937	% of	1938	% of
Profit	£	Premiums	£	Premiums
Life	17,078	19.3	17,078	17.3
Fire	85,236	19.3	74,188	17.3
Accident & general	4,794	1.8	17,214	6.5
Charges to profit and loss	107,108		108,480	
	39,671		38,644	
	67,437		69,836	

Assets total £14,210,000, against £14,076,000. Of the life assets aggregating £11,859,000, loans increased from £3,267,000 to £3,637,000, while British Government securities fell from £3,194,000 to £3,016,000. Debenture stocks rose by £88,000 to £1,229,000, and preference stocks also showed a moderate increase. The dividend is again 16s. per share and costs £130,000, compared with available interest earnings of £45,000. The profit and loss balance shows a further reduction from £16,700 to £1,500.

London and Lancashire Insurance.—Total premium (excluding premiums in the life department, which is administered by the Law Union and Rock) increased by £20,000 to £6,753,000. Underwriting results for the last two years are given below:—

	1937	% of	1938	% of
Profit	£	Premiums	£	Premiums
Fire	366,720	13.2	324,194	11.8
Accident & gen'l.	100,629	4.0	43,827	1.7
Marine	35,852	2.5	66,236	4.6
Life	17,078	...	17,078	...
Capital redemption ..	1,060	...	1,335	...
Charges to profit and loss	521,339		452,670	
	227,486		197,533	
	293,853		255,137	

The departmental reserves are very strong, and amount to £3,502,000, £2,023,000 and £1,575,000 in the fire, accident and marine departments respectively, equivalent to 127 per cent., 78 per cent. and 110 per cent. of the 1938 premium incomes. Total assets in the consolidated balance sheet, excluding life assets, amount to £18,289,000, and general reserve stands at £2 millions. The profit and loss balance is increased from £2,680,000 to £2,880,000. The 50 per cent. dividend costs £537,000, compared with available interest earnings of £481,000.

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Legal and General Assurance.—In 1938 the Legal and General issued 13,621 new policies for ordinary business for a total net sum of £7,294,000, compared with 12,658 policies for £7,267,000 in 1937, and 7,892 decreasing term and group assurance policies for £9,271,000 compared with 8,424 policies for £11,282,000 in the previous year. The sum received as consideration for immediate annuities fell from £1,648,000 to £1,159,000. Ordinary deferred annuity contracts, representing future payments of £108,000 per annum, were issued, compared with £117,000 per annum, and group pensions amounting to £1,789,000 were issued against £2,097,000 in 1937. The somewhat pronounced fall in group business, of which the Legal and General is well known as a pioneer, doubtless reflects the uncertainty of the times and is not due to diminution in the scope for this type of protection. In addition, new sinking fund policies assured £1,224,000 compared with £1,518,000. The net rate of interest on the life assurance and annuity fund fell from £4 6s. 7d. per cent. to £4 2s. 8d. per cent. Death claims increased from £858,000 to £972,000, but maturities showed a very large decrease from £1,446,000 to £689,000. Fire premiums increased from £338,000 to £365,000 and underwriting profits were satisfactory at 14.6 per cent. of the premium income; accident premium income was maintained at £207,000 and a satisfactory profit of £20,000 was secured. Total assets increased from £42,735,000 to £47,015,000. Loans and mortgages, including deposits at interest, increased

Silver has shown one or two fairly sharp rises, though the higher prices have not been fully maintained. Buying has not been large, but has been fairly general, while supplies have been very small.

from £14,927,000 to £16,432,000, while deposits on loan showed a large increase at £2,368,000 against £969,000. British Government securities amounted to £7,158,000 compared with £5,850,000, but Colonial and foreign government securities showed little change at £1,777,000. Debenture and preference stocks at £3,956,000 and £2,211,000, compared with £3,263,000 and £1,954,000, respectively, but ordinary shares showed a decrease from £4,343,000 to £4,080,000. Reversions and life interests, a form of investment which has been cultivated to a special degree by the Legal and General, showed some increase at £4,702,000. The dividend is repeated at 40 per cent., free of tax, and costs £100,000; in addition a bonus of £12,500, free of tax, as in 1937, has been declared. Interest earnings are available to the extent of £80,000 to meet these disbursements.

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London and Provincial Marine and General.—This Company was acquired by the Yorkshire Insurance Company in 1913, and since the war it has transacted fire and accident business, the premium income from which is approximately equal to that from marine insurance. As a rule substantial transfers have been made from the marine account to profit and loss, but in 1938 no transfer has been made; the marine fund, however, increased during the year from £194,000 to £211,000 and now amounts to 180 per cent. of the 1938 premium income. Fire and accident premiums amounted to £113,000 against £116,000. The results of the past two years are given below:—

	1937	% of	1938	% of
Profit	£	Premiums	£	Premiums
Fire & accident	7,307	6.3	9,025	8.0
Marine	15,000	12.3	...	...
Charges to profit and loss	22,307		9,025	
	14,330		26,761	
	7,977		Dr. 17,736	

Total assets amount to £1,582,000. Investment and other reserve funds aggregating £700,000 and the profit and loss balance, after paying the 10 per cent. free of tax dividend on paid-up capital of £300,000, is £148,000. Interest earnings amount to £45,000.

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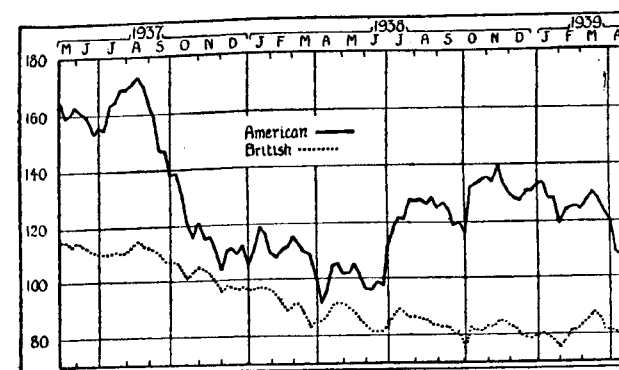
British and Foreign Marine Insurance.—This Liverpool marine company, owned by the Royal, has a record of consistently successful underwriting. Last year, however, the 1937 account was closed with a loss of £37,600, equivalent to 8 per cent. of the premiums of that year. Marine premiums last year amounted to £512,000, of which 27.7 per cent. was absorbed by first-year claims, compared with £470,000 (32.5 per cent.) in 1937. There is a small fire (reinsurance) account, for which premium income last year amounted to £24,000, and underwriting profit to

Investment

The Fall Checked?—Investors might be pardoned for supposing that the markets had lost all power of recovery. This week's rally provides a partial assurance that recovery possibilities have not fallen into complete atrophy. In view of the building up of a formidable technical position, markets were due to respond to the first inkling of better news. And this week—at least, for the first part of the week—the news from Europe's storm

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.



centres has seemed better. The turn of British foreign policy appeared to be bearing some fruit, for although Herr Hitler complained a week ago about encirclement his speech slammed no doors, and may have tempted the more adventurous investor into feeling that a political respite was at hand. Whether this respite will be shorter in view of the departure of M. Litvinov from the Russian Foreign Ministry has yet to be seen. Viewed in relation to the movements of the past month, however, this week's rally has still to be treated conditionally. It is soundly based, so

far as home industrial equities are concerned, on two assumptions—first, that the political risk may now be discounted at a less extreme rate, and, secondly, that the exigencies of near-war finance will still leave an equity for investors to enjoy. On the first assumption, no mortal would care to dogmatise; and, for the second, many observers regard the Budget only as an interim consolation for the market. In Wall Street, the Albanian crisis over the Easter week-end settled a point on which chart readers had been divided—that a bear market had been in operation since last November. Wall Street does not make light of Europe's difficulties, and it is not receiving the expected assistance from the domestic industrial trend.

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The Market and Foreign Investments.—If the Chancellor intended to clarify his desires regarding dealings in foreign securities, his answers to questions in the House of Commons this week failed to achieve their purpose. Piecing together the operative portions of Sir John Mellor's question and the Chancellor's reply, it appears that the latter can give no assurance that he does not propose to discourage transactions in foreign securities, where vendor and purchaser are both resident within the United Kingdom. This form of words also applies to the purchase abroad of securities of a British Dominion expressed in terms of the currency of that Dominion. Combining it with the information previously given, to which reference was made on page 261 of last week's issue, it seems that (a) the Chancellor hopes that there will be no British purchases of foreign securities and (b) may propose to discourage transactions in foreign securities between British residents in the United Kingdom. In answer to a supplementary question, Sir John Simon made it clear that he had the problem of capital exports in mind. The relevance of transactions between resident British nationals to the exchange position and the subjection of this type of business to a sort of vicarious frown remains unexplained. It is not surprising, in view of the different interpretations of the Chancellor's

£2,700. Total assets amount to £3,454,000, and apart from adequate departmental reserves, general and contingency reserves total £1,233,000. The dividend is maintained at 13½ per cent. and costs £134,000, compared with interest earnings of £125,000.

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Marine Insurance Company.—Following a substantial increase in premium income in 1937 from £592,000 to £722,000, a further expansion to £743,000 occurred last year. First year claims and expenses accounted for 33 per cent. of the 1938 premiums, against 37 per cent., and second year's claims reached the same proportion—43 per cent.—as in the previous year. The 1936 account is closed by a transfer of £58,000 to profit and loss, equivalent to 9.7 per cent. of the 1936 premium income, compared with 14.7 per cent., 20.1 per cent. and 23.2 per cent. in the previous three years. Total assets amount to £2,631,000 and the reserve fund to £700,000. The profit and loss balance is reduced from £422,000 to £382,000 after payment of the dividend. The Marine is a subsidiary of the London and Lancashire; the dividend is again 40 per cent. and costs £174,000, against net interest earnings of £84,000.

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Car and General Insurance.—This company is interested chiefly in

World Marine and General Insurance.—The premium income of this company, which belongs to the "Northern" Group, was somewhat smaller than in 1937. Fire and accident premiums fell from £124,000 to £113,000 and marine premiums from £135,000 to £129,000. The results of the last two years are given below:—

	1937	% of	1938	% of
Amount of Profit	£	Premiums	£	Premiums
Fire and Accident	7,007	5.6	5,324	4.7
Marine	15,000	11.1	10,000	7.7
Charges to profit and loss	22,007		15,324	
Less: Items debited to Profit and Loss account	3,363		10,500	
Net trading surplus	18,644		4,824	

Total assets show little change at £993,000, of which Stock Exchange securities account for £854,000, a sum less than the aggregate market value on December 31, 1938. There is a general reserve of £300,000. The dividend is again 40 per cent., free of tax, and costs £40,000 compared with net interest earnings of £27,700.

motor insurance, and the bulk of its accident premiums is derived from this source. These premiums increased by 10 per cent. last year to £1,506,000, and underwriting profits were satisfactory. Fire premiums were slightly smaller at £98,000, compared with £101,000. Marine premiums fell from £73,000 to £61,000, and the results were unsatisfactory; £32,500 has been transferred from profit and loss to strengthen the marine fund. The underwriting results of the last two years are given below:—

	1937	% of	1938	% of
Profit	£	Premiums	£	Premiums
Fire	15,597	15.4	19,673	20.1
General accident	76,668	5.6	88,272	5.9
Charges to profit and loss	92,265		107,945	
	78,351		70,921	
	13,914		37,024	

Assets total £2,317,000, of which Stock Exchange securities account for £1,658,000, against an aggregate market value on December 31st of £1,784,000. Investment reserve fund stands at £36,000 and general reserve at £560,000, to which £17,000 will be allocated from the profit and loss balance. The Car and General is a subsidiary of the Royal Exchange, and the dividend, maintained at 50 per cent., costs £38,000, compared with available interest earnings of £51,000.

suggestions, that a varying degree of effect is being given to them in the sections of the city concerned. Certain leading jobbers in the "House" have removed American securities from their investment lists. Brokers have ceased to recommend such purchases. But practice is by no means uniform and the view has, indeed, been propounded that the whole matter remains a question for the individual investor and that it is for professional dealers to facilitate the orders which they may receive. In some non-professional quarters there is a tendency to minimise the practical difficulties of understanding and giving effect to the Chancellor's intimation. Apparently, it is not realised that precise limitation on the lines which seem to be suggested would virtually close the London market in international securities, leaving the outside market still functioning. When the requests restricting exchange dealings came into operation a set of precise instructions was issued to the financial institutions affected. A similar step to ensure the correct and general implementation of the wishes of the Treasury regarding foreign security transactions would be widely appreciated.

Prevention of Fraud (Investments) Act.—On Friday last week the "Sharepushing" Bill received the Royal Assent, after a chequered legislative career. In many respects the Bodkin Committee would find it difficult to recognise the Statute which has emerged from their deliberations two years ago. Section 12 of the Act has taken immediate force. In future, misleading, false or deceptive statements, promises or forecasts, whether made consciously or recklessly, in connection with inducements to acquire securities, property, or speculative interests in commodities, may be visited with a maximum penalty of seven years' penal servitude. The provisions of the Act which regulate the business of dealing in securities do not come into force until the Board of Trade appoints a day. After this date no person will be allowed to carry on, or purport to carry on, the business of dealing in securities unless he is licensed by the Board of Trade, or is a member of a recognised Stock Exchange or association of dealers, or exempted by the Board of Trade. The new status of unit trusts, which was introduced into the Bill at a late stage, has been reviewed in recent issues of *The Economist*. Financial journals have reason to respect the provisions of Section 12, and *bona fide* security-dealing organisations may well feel that the net has been spread very wide to catch the small sharks which prey in financial waters. The virtues of the Act will be measured by its success in healing a financial sore without hampering the pursuit of legitimate business.

Capital Market Stagnation.—The value of capital issues in April was the lowest this year, both on our old and new bases, and insignificantly higher than in April, 1938. Encashments of National Savings Certificates more than offset the small new capital requirements calculated on the old basis. The new basis figures show a fall in United Kingdom non-Government borrowing from £5,784,000 to £1,932,000 between March and April, but Empire borrowing, up from £980,000 to £3,073,000, partially restores the balance. Figures on old and new bases are given in the following table:—

(£000's omitted) excluding conversions

	Old Basis					New Basis				
	U.K. Govt.	U.K. Other.	Brit. Emp.	For. Emp.	Total	U.K. Govt.	U.K. Other.	Brit. Emp.	For. Emp.	Total
Monthly av., 1938	6,325	6,424	2,025	235	15,009	6,325	14,146	1,761	528	22,760
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
Mar., 1938	300	4,266	80	2,399	7,045	300	10,194	140	2,399	13,033
Apr., 1938	Dr. 300	125	Nil	Nil	Dr. 175	Dr. 300	3,110	478	Nil	2,288
Jan., 1939	250	8,719	3,110	Nil	12,100	250	12,410	3,426	Nil	16,086
Feb., 1939	Dr. 250	5,819	350	Nil	5,619	Dr. 250	6,165	3,850	Nil	9,765
Mar., 1939	Dr. 450	1,499	26	200	1,275	Dr. 450	5,784	980	200	6,514
Apr., 1939	Dr. 500	285	3	Nil	Dr. 212	Dr. 500	1,932	3,073	Nil	4,505

The "new basis" figures include £1,015,000 of Ceylon 3½ per cent. stock, issued to redeem the 4 per cent. stock, 1939-59, and £617,400 3½ per cent. stock of the Uganda Government, for which permission to deal was given. The most important industrial placing consisted of John Summers' issue of 1,288,185 "A" ordinary £1 shares. Clearly, the Government's defence financing has little to fear in the way of competition from demand for new civil capital.

Foreign Bonds at New "Low."—Renewed political uncertainty is reflected in the new low level of 56.8 recorded by the index of 106 foreign bond prices compiled by the Municipal and General Securities Company in April. The 3.1 points drop in the European index is, however, much less severe than in the preceding month, for effects of the Albanian crisis were fortunately counter-balanced by President Roosevelt's message. 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	Unaffected Bonds	De-faulted Bonds
				States	Provinces	Total			
1938 April	(28) 88.9	(31) 77.3	(4) 98.5	(35) 69.8	(11) 51.4	(46) 64.9	(109) 75.1	(54) 78.3	(55) 72.1
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
December	78.1	64.2	87.0	53.7	40.7	50.2	61.3	68.7	56.0
1939 January	(25) 69.1	57.7	83.2	56.2	40.2	51.9	(106) 58.3	(46) 64.7	53.8
February	75.1	59.1	82.0	55.8	42.9	52.4	60.1	67.5	54.9
March	66.5	60.3	78.8	57.5	45.7	54.4	59.4	66.0	55.1
April	63.4	59.1	74.0	54.2	41.4	50.8	56.8	63.4	52.1

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

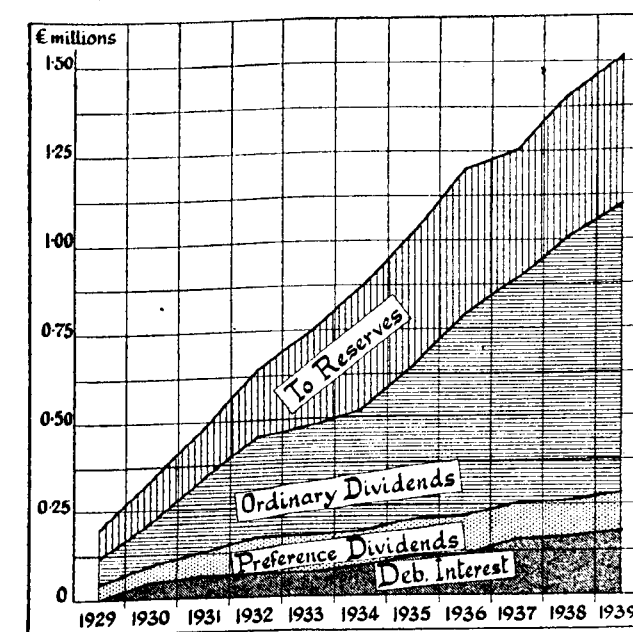
Egyptian issues have fallen further, while South American bonds were disturbed by the possibility that the Chilean debt service might be suspended in order to release funds for repairing earthquake damage, and by the continued absence of any debt offer by Brazil. Eastern bonds, however, have proved relatively resistant.

Company Notes

Marks and Spencer Report.—Few surprises are contained in the Marks and Spencer full report to March 31st last, for the features of the year's trading were already known from the preliminary statement, discussed on page 262 of *The Economist* of April 29, 1939. In all essentials its excellent impression is confirmed by the report, which however, discloses that the stores' trading results cover a 53-week period. This point, however, does not seriously affect the general conclusions. Total profits amount to £2,380,610, against £2,106,507, and show a rise of 11 per cent. if allowance is made for the longer trading period. Equity earnings, as estimated in last week's issue, amount to £1,265,019, against £1,134,990 for 1937-38. The uninterrupted trend of profits is brought out in the chart appearing on the opposite page, which covers eleven years to March 31, 1939, and may be compared with last week's profits analysis for the past three years. Apart from the expected symptoms of expansion, the balance sheet contains no striking changes. Properties stand at £8,849,061, against £7,994,597, although some £431,046 was set aside for depreciation, and stock-in-trade is 9 per cent. higher at £1,642,629. The new loan of £500,000 at 4 per cent. appears in the balance sheet, and is secured by an issue of £550,000 4½ per cent. first debenture stock. This new issue (to which reference was made at last year's meeting) accounts for a rise from £3,265 to

£19,856 in general interest charged in the profit and loss account. In each of the past three years the allocation from revenue to general reserve has been kept at £150,000, together with the sum to be capitalised for the annual share bonus. When the latest bonus has been distributed the general reserve will stand at £2,150,000. The general

MARKS AND SPENCER PROFITS—1929-39



impression left by the report is that the continuance of regular share bonuses is fully justified by the maintenance of a high earnings ratio on an ever-increasing capital. Meanwhile, the group retains a large margin of available capital resources. Including the £500,000 of new loan finance, cash amounted to £935,341 at the date of the balance sheet, and net current assets to £757,000.

SUEZ CANAL COMPANY

NOTICE IS HEREBY GIVEN that the General Meeting of Shareholders will be held at the Salle d'Iena, 10, Avenue d'Iena, Paris, on Monday, 5th June, 1939, at 2 p.m.

Holders of not less than twenty-five shares who are desirous of being present or represented at the Meeting must prove at the Head Office of the Company, 1 Rue d'Astorg, Paris, before 2 p.m. on the 31st May, 1939, that they have deposited their shares with the Company or with any of the Company's appointed Agents.

Shares may be deposited in London with Messrs. N. M. Rothschild & Sons, who will in due course deliver a card of admission for the meeting.

Le Secrétaire Général,
MICHEL HOMOLLE.

Paris, May, 1939.

RIO TINTO COMPANY, LIMITED

DIVIDEND ON SHARES TO BEARER

HOLDERS OF SHARE WARRANTS TO BEARER are informed that they will receive PAYMENT of the DIVIDEND declared at the General Meeting held on the 28th instant, at the rate of Two Shillings and Sixpence per Share on the Preference Shares, less Income Tax, on and after Saturday, the 13th May, 1939, on presentation of Coupon No. 84 on the Preference Shares either at the Company's Office in London or at the Société Générale, 29 Boulevard Haussmann, Paris. Coupons for payment in London must be left four clear days previously for examination, and may be deposited forthwith.

By Order,
J. DAVIDSON, Secretary.

11 Old Jewry, London, E.C.2.
28th April, 1939.

GOVERNEMENT IMPERIAL DU JAPON

EMPRUNT

FOUR PER CENT. DE 1910
FRANCS 450,000,000

NOTICE IS HEREBY GIVEN that the COUPONS due 15th May, 1939, will be PAID on and after that date (Saturdays excepted) between the hours of 11 and 3 at The Yokohama Specie Bank, Limited, where lists may be obtained.

Coupons, which must be left three clear days for examination prior to payment, will be paid at the rate of exchange on Paris ruling at the time of their presentation.

For THE YOKOHAMA SPECIE BANK, LIMITED,
H. KANO, Manager.

7 Bishopsgate, London, E.C.2.
1st May, 1939.

Morris Motors Prospects.—The Morris Motors directors claim that, in view of the difficult trading conditions of 1938, the results are "very satisfactory." Those difficulties included falling demand for private cars, particularly in the earlier part of the year, higher costs and certain dislocations caused by the re-armament programme, and together they made a fall in trading profits inevitable. It amounts, in fact, to 19 per cent., for gross profits of £1,751,695 last year compare with £2,168,530 for 1937. The reduction in ordinary earnings, moreover, is roughly equal to the £417,000 fall in gross profits, since higher charges for depreciation and maintenance are offset by a lower taxation provision, as the following table shows:—

	YEARS ENDED DECEMBER 31ST		
	1936	1937	1938
	£	£	£
Gross profit	2,372,082	2,168,530	1,751,695
Maintenance	311,030	323,341	342,782
Depreciation	182,017	186,392	209,851
Total surplus*	2,039,342	1,819,962	1,355,852
Taxation	336,036	529,483	470,497
Preference divs.	225,000	225,000	225,000
Ordinary shares:—			
Earned	1,478,306	1,065,479	660,355
Paid	894,375	864,563	864,562
Earned %	74.4	55.5	34.4
Paid %	45	45	45
To reserves	500,000	\$200,000	Dr. 100,000†
Special provisions	†50,000	Cr. 1,700	Cr. 81,531
Carry forward	272,462	275,078	252,402

* Including other income, after charging staff fund allocation.
† Staff pensions. § Dividend equalisation.
‡ From div. equalisation.

The course of profits over the past eleven years is charted at the head of the next page.

GENERAL MINING & FINANCE CORPORATION, LIMITED

(Incorporated in the Union of South Africa.)

ABRIDGED REPORT OF THE DIRECTORS FOR THE YEAR 1938. To be submitted at the Annual General Meeting to be held in Johannesburg on 6th June, 1939.

ACCOUNTS

Working profit for the twelve months ended 31st December, 1938, after deducting administration expenses, amounted to	£526,578 6 0
Unappropriated balance brought forward from 1937 was	132,149 5 8
Making the total available profit	£658,727 11 8
Which has been dealt with as follows:—	
Interim Dividend No. 25 of 10 per cent., equal to 2s. 6d. per share, paid to all Shareholders registered on the 24th September, 1938	126,457 18 0
Final Dividend No. 26 of 15 per cent., making a total of 25 per cent., or 5s. per share for the year	189,686 17 0
Amount provided for taxation	10,000 0 0
Amount placed to General Reserve	200,000 0 0
Leaving a balance of unappropriated profit to be carried forward of	£132,582 16 8

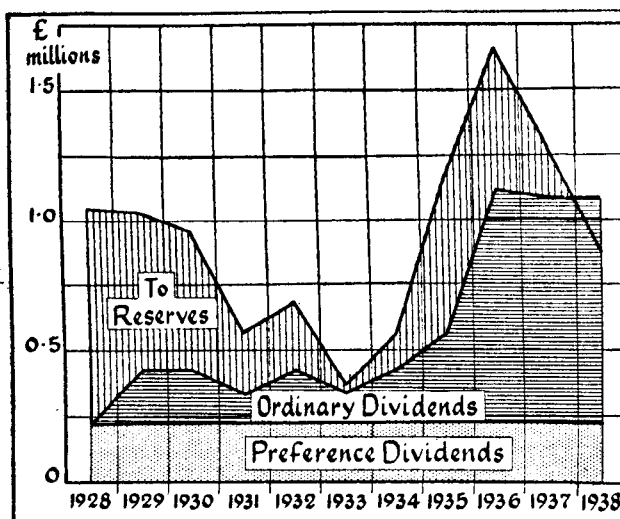
INVESTMENTS

The Company's investments are taken into account in the Balance Sheet at £2,835,097, which represents their book value after providing for such depreciation as existed at 31st December, 1938. All investments appear in the books at or under cost, but in no case above the market price ruling at the end of the financial year. The aggregate market value of investments largely exceeds the book value shown in the Balance Sheet.

The principal interests of the Corporation are in the following companies: Van Ryn Gold Mines Estate, Ltd., West Rand Consolidated Mines, Ltd., East Rand Proprietary Mines, Ltd., Durban Roadsideport Deep, Ltd., Phoenix Oil and Transport Co., Ltd., Metal Traders, Ltd., and Castor Lubricants, Ltd. The Corporation also holds various mining properties, real estate and leasehold property, etc.

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

MORRIS MOTORS' PROFITS—1928-39



Although a 45 per cent. dividend is paid for the third year in succession, it is short-earned by over 10 per cent. on a strict calculation of earnings. In 1937, a dividend equalisation reserve was opened with an allocation of £200,000. To maintain the 45 per cent. payment, half of this reserve is drawn upon, together with £80,163 representing dividends declared by subsidiaries from profits earned before 1938, and the carry-forward is reduced by £32,676. Last summer, the assets of Riley (Coventry) Ltd. were acquired, but this acquisition can hardly have affected last year's results. These assets were acquired in the first instance by Lord Nuffield for £143,119 and 143,119 £1 shares in the new Riley company were thereupon transferred to Morris Motors for the token sum of £100, the difference between the par value of these shares and the nominal payment being represented by an increase in the capital reserves shown in the consolidated balance sheet. The total assets of the group, however, are slightly lower at approximately £13½ millions, owing mainly to a reduction in stock from £3,378,584 to £3,176,445. Until the Budget, the outlook for the current year appeared rather brighter. Stewart & Arden (the Morris distributors) announce that sales for the year to date are considerably in excess of those for the corresponding period last year. A substantial rise in profits, however, would be required if a 45 per cent. dividend is to be maintained out of this year's current earnings, and a current yield of £8 5s. per cent. on the 5s. units 30s. 6d. appears to recognise this fact.

* * *

Ford Profits.—The 11½ per cent. fall in Ford Motor trading profits, from £1,565,465 for 1937 to £1,388,744 last year, measures the effect of the sharp reduction in car sales in the home market. In this respect Ford Motor shared the common experience of other producers, but in addition the company's ancillary income from sales of pig iron was affected by the closing of the blast furnace for a period, owing to the existence of large stocks. Provision for depreciation is increased by £48,658 to £863,723, and after provision for other prior charges equity earnings show a sharp fall from £375,065 to £169,006. The directors however, have again recommended a 5 per cent. dividend,

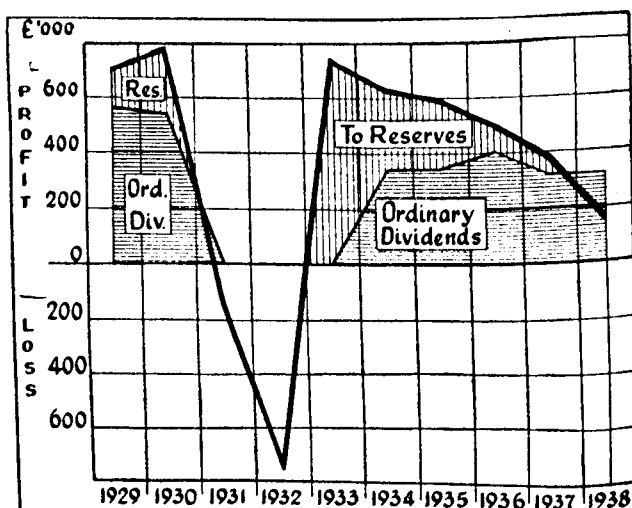
though it is hardly more than half covered. Profits for the past three years are analysed in the following table, while an eleven-year record is provided by the chart. No credit has been taken for earnings of the Continental subsidiaries:—

	Years to December 31		
	1936	1937	1938
Gross profits, less directors' fees*	1,549,524	1,565,465	1,388,744
Depreciation	649,571	815,065	863,723
Taxation	174,209	229,641	231,979
Employees' funds, etc.	116,412	145,296	122,593
Exchange differences	Cr. 6,912	Cr. 176	1,453
Loan interest	4,477	574	Nil
Ordinary shares:—			
Earned	511,767	375,065	169,006
Paid	405,000	326,250	326,250
Earned (%)	7.6	5.7	2.6
Paid (%)	6	5	5
Carry forward	864,179†	912,994	755,750

* About £7,000 each year.

† After deducting £14,074 net adjustments.

FORD MOTOR PROFITS—1929-38



The 20.5 per cent. fall in debtors and amounts due from subsidiary and associated companies and the 41 per cent. in trade creditors, reflect the year's decreased turnover. Moreover, cash has increased by £863,239 to £1,567,596, and stocks have fallen by £385,876 to £1,725,725. During the year capital expenditure totalled £495,656, but plant, etc., is reduced by £464,223 to £4,630,234—a tribute to cautious depreciation policy. Since the accounts were closed, the Luxembourg holding company has been put into liquidation, and a new holding company has been registered in Guernsey to acquire its assets (except surplus cash of £610,000 and a loan of £898,000 due from Ford Motor) and liabilities for £3,000,000 in shares, which will be transferred to the Ford company. Thus the latter will obtain discharge of its loan, will augment its cash holdings by £610,000, and will control the Guernsey company. Meanwhile, the company is well placed to take advantage of any improvement in demand, but it has no direct stake in re-armament business, in the shape of a shadow factory, and may thus be exposed to the full effects of the higher horse-power tax. Competition in the low horse-power categories, the demand for which may be stimulated by the new duty, is already acute. The £1 ordinary shares quoted at 16s. 9d. yield £6 7s. per cent., compared with a yield of £8 5s. per cent. on Morris Motors. In view of the rather similar profits experience of Ford and Morris last year, the disparity in yields is striking.

* * *

Forestral Land Profits.—A fall of £207,866 in the total profits of Forestral Land Timber and Railways to £443,228 reflects the reduced demand for tanning materials

last year, though in comparison with the profits recorded between 1931 and 1935, the results seem less unfavourable. The total distribution is reduced from 9 per cent. to 7 per cent. on the ordinary shares, by the reduction in the cash bonus from 3 per cent. to 1 per cent., but shareholders do not feel the full force of the drop in profits. In 1937 available earnings represented some 16.1 per cent. for the ordinary capital, but equity earnings in 1938 represented no more than 8 per cent., at £215,020 against £441,134. The 7 per cent. distribution involves the omission of any allocation to general reserve—in 1937, £50,000 was set aside—and the transfer to dividend equalisation account is reduced from £150,000 to £25,000. This account now stands at £275,000, and represents 7½ per cent. actual on the ordinary capital. Each year's profits include varying amounts transferred from the Depreciation Account in respect of investments in La Forestal Argentina, but as these transfers (which amounted to £340,000 in 1938 against £400,000) correspond to amounts appropriated out of profits by La Forestal, they may properly be included in current profits. Despite the relatively wide fluctuations in profits in recent years, the group enjoys a satisfactory financial position. Reserves are substantial, and the consolidated balance sheet shows net current assets of over £4½ millions. Over half of this total, however, is represented by stocks, the rise in which from £2,273,065 to £2,663,934 is probably due to reduced demand. In view of the uncertain outlook for the current year the return of £8 10s. per cent. on the £1 shares at the present price of 16s. 6d. appears justified.

* * *

Canadian Pacific Prospects.—It is impossible not to commend Sir Edward Beatty's faith in the future of the Canadian Pacific Railway, and his insistence upon the advantages of unified railway control in Canada. But it is doubtful whether stockholders will find much positive encouragement from his speech in Montreal this week. Net earnings for the first quarter of the year show a welcome gain of \$220,000. But it seems that last year's final restoration of wage cuts was premature, that competition from other means of transport is increasing, particularly from inland shipping, and that savings from co-operative measures (some in effect and some only authorised as yet) between the company and the Canadian National Railways amounted to no more than \$1,989,000 at the end of 1938. Meanwhile, internal business conditions in Canada remain "disturbed, and in some respects depressed." Manufacturing and mining industries are reasonably prosperous, but the construction industry is lagging, and an improvement in Western grain prosperity still awaits a normal harvest, despite last year's larger crop. In such circumstances the board's decision to omit any dividend on the preference stock last year gains in significance.

* * *

The Week's Company Profits.—This week's company reports, 65 in number, show total net profits of £17,022,603, against £18,063,975 for the previous financial year, a fall of 6 per cent. The total profits of 955 companies whose reports have appeared this year amount to £130,499,000, and show a fall of 9 per cent., compared with the previous year's total of £142,938,870. Our usual analysis of profit and loss accounts appears on page 354, while the results are discussed in preceding notes and on page 330 under the heading "Shorter Comments."

* * *

Company Meetings of the Week.—Reports of company meetings will be found in this issue from page 335. Addressing the *Union Bank of Scotland* meeting, Sir A. Steven Bilsland expressed satisfaction that the bank's investments in the aggregate were worth more than their balance-sheet figure. The investment policy of *Atlas Assur-*

ance was discussed by Mr G. F. Hotblack at the annual meeting. In the past five years most of the new money in the life fund had gone into ground rents, properties, mortgages and other loans. At the *Caledonian Insurance* meeting, Mr Charles H. Scott Plummer pointed out that in the life department the expense ratio had fallen from 16.7 to 16.4 per cent. Addressing *London and Lancashire Insurance* members, Sir Frederick Pascoe Rutter stressed that the amount of interest earnings had been well maintained, and that the value of investments exceeded book values by more than £1,000,000. The issue of 21,513 new life policies, and a total of £16,565,154 new life sums assured were among the points mentioned by Mr Ernest E. Bird at the *Legal and General Assurance* meeting. At the *Equitable Life Assurance* meeting, Mr H. L. M. Tritton pointed out that the Society had obtained a substantial amount of new business from pension schemes. The results of the valuation of the continuous disability account were described by Mr Harold J. Morland at the *Friends' Provident and Century Life* meeting. The fund of £351,648 was over seven times the premium income. A plea for freer consultation between the Committee of the Stock Exchange and accountants regarding applications for permission to deal was entered by Mr C. J. G. Palmour at the *Institute of Chartered Accountants'* meeting. At the *Apollinaris and Presta* meeting, the chairman stressed that, in view of the restrictions hampering export business, it was more than ever necessary to develop sales of other articles. The satisfactory progress made by the Luipaards Vlei development programme was stressed by Sir Frederic Hamilton at the *H.E. Proprietary* meeting. At the *Hudson's Bay* meeting, Mr P. Ashley Cooper stressed the increasingly efficient management of the retail stores, from which increased earnings were to be expected. Mr H. E. Miller informed the shareholders of *Pataling Rubber Estates* of the special cultivation measures undertaken in 1938. At the *London Asiatic Rubber and Produce* meeting, Mr H. J. Welch reported on the directors' intention of using the 5 per cent. new planting quota in 1939 and 1940. Mr E. F. Slade informed shareholders of *Bekoh Consolidated Rubber* of the company's successful efforts to revise its production quota in 1938, and looked forward to increased profits. At the *Rio Tinto* meeting, the Rt. Hon. Sir A. Geddes voiced satisfaction with the results in a difficult year, and stressed the importance of the company's Rhodesian interests. Lord Elibank, at the *Southern Areas Electric* meeting referred to higher coal costs; consumers increased 8 per cent. last year. Mr John Lawson, at the *Olympic Portland Cement* meeting, stressed the burden of double taxation in transferring profits from the United States to Britain, but anticipated full operation of the American plant in 1939 on Government contracts. Members of *Gresham Life Assurance* were informed by the Hon. W. B. I. Barrington that new business on the Continent and overseas had more than made up for the decline at home. Reviewing the progress of *Gresham Fire and Accident Insurance*, Mr Barrington declared that employers' liability business had improved, but motor insurance business was still more difficult. At the *North British and Mercantile Insurance* meeting, Viscount Wakefield showed that in each of the past four years net new sums assured in the life department had exceeded £5 millions. Sir David Milne-Watson informed *South-Eastern Gas* shareholders that sales of appliances had been maintained, and several public lighting contracts had been obtained. Mr Henry S. Loebel disclosed at the *English and Caledonian Investment* meeting that 74.2 per cent. of holdings were within the Empire. *London Electric Wire* shareholders were informed by Mr W. J. Terry that export sales in 1938 increased by nearly 50 per cent.

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DON'T BE VAGUE -
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THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET ACCOUNT
MAY 9 MAY 11

THIS week the Stock Exchange has given welcome evidence of its inherent power of recovery. Although the tone of the market on Monday promised no improvement, the absence of any spectacular adverse news on Tuesday provided an occasion for a significant recovery, led by gilt-edged. It would be hard to analyse the reasons for which the market put stocks down on Monday and put them up on Tuesday, but the recovery had a snowball effect in mid-week, when home rails, in particular, made an excellent showing. The tone became somewhat unsettled on Thursday on M. Litvinov's resignation, although prices recovered most of their earlier losses.

Further weakness was evident in the gilt-edged market at the opening, concentrated upon the long-dated stocks. But lower bill rates and professional covering produced appreciable gains on Tuesday and Wednesday. Public support was not large, but professional covering produced a smart recovery in prices, both of "longs" and redeemable stocks. Dominion issues, particularly Australian stocks, responded to the better tone and professional dealers were being compelled to pay fairly dearly in order to cover their short positions.

The City of Prague default caused a sharp setback in Czech bonds, which were no higher than 30 in mid-week. German issues, after a heavy opening, rallied and maintained steadier prices, while Roumanian bonds failed to register any response to reports of British financial assistance. Japanese bonds improved, but movements in Brazilian issues were small and on balance downwards.

Home rail stocks showed substantial rallying powers this week. On Tuesday rail stocks improved in line with the rest of the market, but business remained very small. Wednesday's traffics, however, attracted greater support, and the market staged a useful technical recovery in which all the ordinary and marginal preference stocks showed sharp improvements. Argentine issues derived encouragement from the traffic returns.

Though there was no dramatic change in the industrial market, the tone, if not the turnover, improved perceptibly from Tuesday onwards. At the opening of business the tone was still hesitant, but though it became more cheerful as the week proceeded the volume of trading was not greatly increased compared with recent low levels. Iron and steel shares receded early in the week, and then recovered on moderate but persistent buying support. Tube Investments were especially popular. Coal shares became firmer, and Carlton Main rose sharply on the higher dividend. Both engineering and electrical equipment issues became steadier after early irregularity. Johnson and Phillips responded to the increase in profits. Motor shares also were considerably firmer after a disappointing start, and aircraft issues improved slightly in mid-week. Phillips and Powis displayed indifference to the recovery in profits. Textiles continued

dull and irregular, though there was some revival of interest in British Celanese in mid-week. Tobacco share prices again found difficulty in adjusting themselves to the increased tax. Monday's movements were varied and irregular, and though a moderately firmer tendency followed, uncertainty returned towards mid-week. Provision and catering issues made a mixed showing, while the stores group—helped by the Woolworth interim—became less hesitant as the week proceeded. Miscellaneous issues were dull to start with, but recovered smartly on Tuesday. The upward movement, however, lacked impetus, and further gains were usually of a modest size. Shipping shares were firm on the improved freight outlook.

Oil shares, after a dull start, responded on Tuesday to the more cheerful tone. Speculative buying of Mexican Eagles was in evidence. The improvement continued later in the week, as a result of support from the Continent. Political tension and uncertainty regarding the prospects of the automobile industry in the United States were jointly responsible for the featureless market in rubber shares, despite the sound position of rubber stocks and the improved sentiment in other markets. Tea shares were firm on Monday on public interest.

At the opening, mining shares drifted lower in a dull market, but on Tuesday the trend was reversed. Kaffirs were in demand following Cape and Paris support, while among diamond shares de Beers was a feature. Later in the week, movements were narrowly irregular. Tin shares lacked interest, and Rhodesian copper shares were featureless except on Tuesday.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains	Corres. Day 1938	Security Indices	
			30 ord. shares*	20 fixed int.†
Apr. 28	5,055	6,005	79.0	115.2
May 1	4,960	7,175	78.4	114.9
" 2	4,265	8,125	78.9	115.2
" 3	5,245	5,960	79.3	115.5
" 4	4,890	6,350	79.2	115.4
1939 High ...	...	...	88.0	123.5
Low ...	...	...	Mar. 10 73.7	Jan. 3 114.9
			Jan. 27 114.9	May 1 115.4

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

ACTUARIES' INVESTMENT INDEX

The Actuaries' Investment Index of 160 industrial ordinary share prices shows little change over the week to Tuesday, May 2nd, at 59.5, compared with 59.4 for the previous week and 61.7 a month ago. Despite this stability, however, certain component indices have moved to new "lows" for the year. The average yield is unchanged on the week at 6.03 per cent., having risen from 5.83 per cent. since April 4th. A selection of the component indices is given below:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Prices High 1939
	Apr. 4, 1939	Apr. 25, 1939	May 2, 1939	
Invest. Trusts (9)	44.1	42.8	42.6	46.4
Aircraft mfg. (5)	83.5	77.2	72.8	96.7
Bldg. mats. (6)	70.6	67.2	66.5	76.6
Motors (7)	35.9	34.0	33.3	39.3
Oil (4)	76.5	74.5	75.6	85.6
Stores, etc. (18)	55.4	52.5	53.2	60.9
Brw. & Dist. (20)	109.4	106.6	110.3	117.5

Group	Yields %			Prices Low 1939
	Apr. 4, 1939	Apr. 25, 1939	May 2, 1939	
Invest. Trusts	5.84	5.96	5.99	42.6
Aircraft mfg.	9.40	10.20	10.83	72.8
Bldg. mats.	7.31	7.62	7.71	64.9
Motors	5.88	6.20	6.35	31.9
Oil	7.84	7.81	7.70	72.9
Stores, etc.	5.91	6.19	6.10	50.6
Brw. and Dist.	6.02	6.21	6.00	106.2

† December 30, 1938 = 100.

New York

THERE were signs this week that Wall Street was devoting increased attention to domestic economic conditions, and was less preoccupied with Europe. The week opened dull and quiet, Monday's turnover of shares being the lowest since June 8, 1938. As the week progressed, rumours of Italian reservations regarding the Axis policy occasioned a firmer tendency. On Wednesday, dealers turned their attention to the domestic scene, and turnover recovered from Tuesday's abnormally low level. Rumours of a change of tax policy in Washington imparted an initial buoyancy and eastern public utility shares, in anticipation of increased revenue from the World's Fair, led the rally, supported by motor shares. Steel mill activity for the week is estimated by the Iron and Steel Institute at 47.8 per cent. of capacity, against 48.6 per cent. last week and is running at the lowest level since September 26, 1938. Later reports, however, of restocking orders and some European demand suggest the possibility of some improvement in the outlook.

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		Apr. 19, 1939	Apr. 26, 1939	May 3, 1939
	Low	High			
347 Ind's. ...	92.8	114.5	93.6	94.6	97.2
32 Rals.	23.6	32.5	23.7	24.1	24.9
40 Utilities ...	77.8	88.3†	78.9	80.5	81.6
419 Stocks ...	79.3	95.6	80.0	81.0	83.1
Av. yield *	4.05% High	3.31% Low	4.01%	3.97%	3.91%

* 50 Common Stocks. † March 8th.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)					
	Apr. 27	Apr. 28	Apr. 29	May 1	May 2
	107.0	106.0	105.9	105.3	106.7
1939 High: 130.3 January 4th.					
Low: 98.8 April 8th.					

TOTAL DEALINGS IN NEW YORK			
1939	Stock Exchange		Curb Shares
	Shares 000's	Bonds 000's	
Apr. 27	540	3,990	107
" 28	730	4,650	119
" 29	170	1,690	42
May 1	280	3,240	59
" 2	450	4,650	81
" 3	740	6,100	109

* Two-Hour Session.

New York Prices

	Close Latest April 27, 1939	Close Latest May 4, 1939		Close Latest April 27, 1939	Close Latest May 3, 1939
1. Rails and Transport			4. Manufacturing		
Atchison	26 1/2	28 1/4	Briggs	19 1/2	20 1/2
Balt. & Ohio	5 1/2	5 1/4	Chrysler	64 1/2	68 1/2
B.M.T.	11 1/2	11 1/4	Elec. Autolite	27 1/2	29 1/4
Can. Pacific	37 1/2	37 1/4	Gen. Motors	42 1/2	44 1/4
Ches. & Ohio	31 1/4	32 1/2	Hudson Mtr.	5 1/2	5 1/4
G.N. Ry. P.	19 1/2	20 1/2	Nash Keltner	6 1/2	6 1/4
Illinois Cent.	11 1/2	11 1/4	Packard Mtr.	3 1/2	3 1/4
N.Y. Central.	14 1/2	14 1/4	Bendix Avtn.	20 1/2	22 1/2
Northern Pac.	18 1/2	18 1/4	Boeing Airplan	21 1/2	23 1/2
Pennsylv. R.	17 1/2	18	Douglas Airplan	59 1/2	63 1/4
Southern Pac.	12 1/2	12 1/4	United Aircraft	35 1/2	37 1/2
Southern Ry.	14 1/2	14 1/4	Air Reduction	50 1/2	50 1/2
Union Pac.	88 1/2	94 1/2	Allied Chem.	154 1/2	162 1/2
Greyhound	16 1/2	18 1/2	Col. Carbon	79	80 1/2
2. Utilities and Communications			Dupont	141	143
Am.W. works.	9 1/2	9 1/4	Un. Carbide.	72 1/2	77 1/2
C. & D. S.	11 1/2	11 1/4	U.S. Ind. Alc.	14 1/2	15 1/4
Con. Edison	30 1/4	31 1/2	Allis Chalmers	33	34 1/2
Ed. Gas & El.	6 1/2	6 1/4	Gen. Electric	35 1/2	35 1/2
El. Bond & Sh.	8 1/2	8 1/4	West. Elec.	91 1/2	93 1/2
Nat Pwr & Lt. N. American.	21 1/2	21 1/4	American Can.	87 1/2	87 1/2
Pac. Gas & El.	30	30 1/2	Addressograph	20 1/2	20 1/2
Pac. Lighting.	45	45 1/2	Caterpillar	43 1/4	45 1/2
Pub Serv N.Y.	34 1/4	36	Cent. Can.	37	37
Stan Gas & E.	25 1/2	25 1/4	Int. Harvester	55 1/2	59 1/2
United Corp.	25 1/2	25 1/4	Johns Manville	73	72 1/2
Un. Gas Imp.	11 1/2	12 1/4	Am. Radiator	117 1/2	124 1/2
Amer. Tel. For.	159 1/2	159 1/4	Corn Prods.	57 1/2	58 1/2
Inter. Tel. For.	6 1/2	6 1/4	J. I. Case & Co.	70 1/2	76 1/2
Westn. Union	19 1/2	19 1/4	Glidden	15 1/2	16 1/2
Radio	6 1/2	6 1/4	G. Am. Trans.	43 1/4	45
" B. Pref.	59 1/2	59 1/4	Alfred Stores	7 1/2	7 1/2
3. Extractive and Metal			Celanese of A.	16 1/2	18 1/2
Am. Rol. Mill	13 1/2	14 1/2	Ind. Rayon	19 1/2	20 1/2
Beth. Steel	56 1/2	56 1/4	Colgate Palm.	14	13 1/2
Beth. Steel P.	115 1/2	118 1/2	Eastm'n Kdk.	136 1/2	149 1/2
Republic Steel	15 1/2	16 1/2	Gillette	6 1/2	6 1/2
U.S. Steel	47 1/2	47 1/4	Loews	39 1/2	42 1/2
U.S. Steel P.	110 1/2	109 1/2	20th Cen. Fox	19 1/2	20
Alaska I'nc'au	8 1/2	8 1/4	5. Retail Trade, etc.		
Am. Metal	27 1/2	28 1/2	Mont. Ward.	45 1/2	47 1/2
Am. Smelting	41 1/2	42 1/2	J. C. Penney.	80	81
Anaconda	23 1/2	24 1/2	Sears Roebck.	67 1/2	68 1/2
Bohn Alum	20	19 1/2	Walgreen	17 1/2	17 1/2
Cerro de Pas.	37 1/2	38	Woolworth	43 1/2	44 1/2
Int. Nickel	46 1/2	47 1/2	Borden	18 1/2	19 1/2
Kennecott	32 1/2	32 1/4	Gen. Foods.	42 1/2	42 1/2
Pattino Mines.	10 1/2	9 1/2	Kroger Grey.	22 1/2	24 1/2
Tex. Glt. Sul.	28 1/2	28	Nat. Biscuit.	25	25 1/2
U.S. Smelt.	49 1/2	50	Nat. Dairy	14 1/2	15 1/2
Vanadium	19 1/2	19 1/4	Am. Tob. B.	81	82
Atlantic Refg.	19 1/2	19 1/4	Lorillard	22 1/2	23 1/2
Phillips Petr.	34 1/2	36 1/2	Reyn. Tob. B.	36 1/2	36 1/2
Shell Union.	11 1/2	11 1/4	Nat. Distillers	24 1/2	25 1/2
Shell Un. P.	103 1/2	103 1/4	Schenley Dis.	13 1/2	14
Socony Vac.	12	11 1/2	6. Finance		
Stan. Oil Cal.	26 1/2	26 1/4	Comcl. Credit	43	42 1/2
Stan. Oil N.J.	45 1/2	46 1/4	Atlas Corp.	7 1/2	7 1/2
Texas	37 1/2	38 1/2	Com. Inv. Tr.	46 1/2	46 1/2

Paris

THROUGHOUT April the amount of business remained at a low level, and was confined mainly to professional operations. Despite its preoccupation with international affairs, the Bourse displayed a satisfactory undertone, and apart from weakness on re-opening after Easter, prices were mainly steady. The relatively good resistance shown by Paris recently is due chiefly to solid progress at home, both industrially and politically, and the behaviour of domestic and international stocks has contrasted. The healthy technical position, however, also played its part. The first week of April was dull, and after the Albanian crisis, satisfaction with the new French and British guarantees was counteracted by reports of military movements. In the second half of the month, the tone was more cheerful, but news of the French defence laws and British conscription were well received without producing any marked effect on prices.

	Mar. 29, 1939		Mar. 29, 1939	
	1939	1939	1939	1939
3% Rentes	81.70	81.10	Chargours	572
4% Rts. 17	84.25	84.20	Reunis	2,245
Banque de	7,655	7,675	Rio Tinto	2,245
France	1,563	1,613	R. Dutch	59,500
Credit	14,400	14,485	Mex. Eagle	61.75
Lyonnais	65.50	61.50	Chartered	207
Suez Canal	65.50	61.50	Ford	55.50
Wag. Lits.	65.50	61.50	De Beers	1,220
			Johnnies	357

Berlin

ANOTHER month of featureless and quiet trading has been reported by the Berlin Bourse, where the tendency has followed that of other centres. April began well, until business became still more dull on the approach of Easter. Then for about ten days there was considerable irregularity, and no pronounced trend one way or the other. During the last ten days, the Bourse was more cheerful and prices firmer, though there was renewed hesitancy just before the May Day holiday.

	Mar. 29, 1939		Mar. 29, 1939	
	1939	1939	1939	1939
Reichsbank	178.00	178.50	A.E.G.	111.75
D.D.	117.50	112.00	Siemens	181.00
Bank	111.00	105.50	& H.	192.00
Dresdner	147.50	149.25	Stahl	102.75
I.G. Far-			werke	102.75
benind.			Hamburg	55.75
			Amer.	56.75

Amsterdam

BUSINESS here during the month may be divided into three periods. Before the Albanian crisis, there were signs of increased activity due to cautious local optimism and London demand. Following the Italian coup, sentiment was reversed; buyers were anxious to avoid further commitments and the earlier gains were more than lost. Prices were depressed in the middle of the month, owing to lack of support rather than large selling orders. Following Mr Roosevelt's note of April 22nd, a rally occurred in local and Dutch East Indies shares. In the "armistice" before Herr Hitler's reply the higher prices were more than maintained, owing to reduced selling pressure. On April 1st, the *Telegraaf* combined share index stood at 198.26 and on the 29th, the day after the Fuehrer's speech, at 196.79. Thus the balance of the month's irregular movements is slightly towards lower levels.

	Mar. 29, 1939		Mar. 29, 1939	
	1939	1939	1939	1939
2 1/2% Dutch	78 1/2	74 1/2	A. K. U.	34
5 1/2% Ger.	18	16 1/2	Ford Motor	364
Philips Lp.	192 1/2	184 1/2	Del. B. To.	173
Neth. Ship.	103 1/2	108 1/2	Ryl. Dutch	298
Lever Bros.	127	128 1/2	Hand. Am.	401
& Unilever				406

* Without transfer certificate.

Canada

THE Canadian stock markets until the middle of April had an unhappy record and their fortunes went steadily from bad to worse. The German invasion of Czecho-Slovakia produced a disastrous slump which carried stocks to their lowest levels for the year in a few days and the descent continued almost uninterruptedly until mid-April. Confidence began to return, however, on the new turn of British and French foreign policy and on Mr Roosevelt's message, and in the latter part of the month prices were much firmer. But business is on a small scale, and the public still prefers to keep its resources liquid or in first-class bonds. The less hopeful business outlook in the United States also has reacted adversely upon Canadian stocks. The Bureau of Statistics' "Investors" Index for common stocks which stood at 108.9 on March 10th, had fallen to 97.1 for March 31st and to 96.5 for April 6th, and thus fell more than 12 points in less than a month. The bond market, however, has remained relatively firm.

	Mar. 29, 1939		Mar. 29, 1939	
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SHORTER COMMENTS

Company Results of the Week.—

satisfactory rise in trading profits, from £148,562 to £168,180, is shown by IDEAL BUILDING AND LAND DEVELOPMENT, but owing to increased taxation its profits are only about £7,500 higher. Progress is shown by UNITED KINGDOM AS CORPORATION, whose net earnings amount to £128,937 against £110,188. Subsidiaries have spent large sums on newals, which should effect some cost reductions in future. Manufacturing profits: BABCOCK AND WILCOX are no less than £829,431 against £607,293. There is, however, a large additional tax provision; and as the board wish to be conservative in distribution policy, the dividend is raised only 2½ per cent. to 12½ per cent. The position of PHILLIPS AND POWIS AIRCRAFT has been transformed, and a trading profit after depreciation of £58,278 contrasts with a trading loss of £15,533 a year ago. The report of CLAN LINE TEAMERS is satisfactory; profits have risen moderately from £712,098 to £723,566, and the 20 per cent. dividend is maintained. Tea companies make a mixed showing. Thanks to a higher crop and a reduction in costs (which offset lower selling prices) UNUVA (CEYLON) TEA net profits are maintained at £104,866, though the dividend is reduced by 2 per cent. to 10 per cent. The drop in tea prices was more severe in the case of NUWARA ELIYA TEA STATES, whose net profits are £38,328 against £50,762. Most investment trusts continue to record a lower revenue. A somewhat sharp decline in income is shown by FOREIGN AMERICAN AND GENERAL and by SCOTTISH MORTGAGE AND TRUST, but ANGLO-AMERICAN DEBENTURE CORPORATION, on the other hand, has fully maintained its revenue at £96,448. Although total profits have fallen fairly sharply from £228,632 to £174,393, BARRY AND STAINES LINOLEUM are able to repeat the 12½ per cent. dividend. Satisfactory progress is shown by J. COMPTON, SONS AND WEBB, the uniform manufacturers, whose net earnings are £90,828 against £81,275. Good results are also reported by JOHNSON AND PHILLIPS, whose 12½ per cent. dividend is repeated from rather higher net profits. The full report of ENGLISH SEWING COTTON shows that total profits have fallen from £251,980 to £184,126, a fall which is moderated by the absence of any charge for debenture interest, since the 4 per cent. debenture stock was repaid in 1937. Despite decreased activity in the building industry, the profits of GEORGE WIMPEY show an increase to £194,313, against £158,189 for 1937. The dividend is maintained at 20 per cent., while the capital bonus costs £75,000 against £50,000. Trading profits and receipts from subsidiaries of GOODLASS, WALL AND LEAD INDUSTRIES improved from £266,569 to £275,416 in 1938, due rather to smaller variations in raw material prices than to increased turnover. The dividend of 6 per cent., plus 1 per cent. bonus, is maintained. JOHN WALKER AND SONS show a sharp increase of profits, after depreciation, from £194,313 to £875,077. The taxation provision, however, is much increased, and the 42½ per cent. distribution is repeated.

J. Lyons & Co.—Profits £1,011,980 against £1,011,000. Final dividend, Ordinary and "A" ordinary, 2s. 10d. per Share making total distribution 22½ per cent.

Boots Pure Drug.—Profits £776,292 against £762,625.

Bethlehem Steel Corporation.—Net profit for first quarter 1939, \$2,409,000, or 17 c. per common share, against \$3,658,000 or 56 c. for fourth quarter 1938, and \$994,000 or 13 c. per 5 per cent. preferred share in first quarter of 1938. Unfilled orders: March 31, 1939, \$192,040,000; December 31, 1938, \$162,774,000; March 31, 1938, \$99,934,000.

George Wimpey and Company.—Profits for 1938, £194,313 (£158,189).

Taxation, £40,000 (£30,000). Preference dividend, £11,500 (£9,000). Ordinary dividend maintained at 20 per cent. Capital bonus, £75,000 (£55,000). To reserve, £15,000 (£15,000). Carry forward, £20,456 (£26,808).

Celanese Corporation of America.—Net profit first quarter 1939, \$1,336,714, against \$114,274 for first quarter 1938. Consolidated statement shows profits for year to March 31, 1939, of \$6,294,292 (\$4,712,281). Depreciation \$1,470,582 (\$1,309,499). Interest on prior charge debt \$478,205 (\$207,229). Amortisation expenses \$15,911 (nil). Federal income tax \$627,378 (\$368,904). Net income \$3,702,215 (\$2,826,648).

Barry and Staines Linoleum Company.—Gross income for year to January 31, 1939, £174,393 (£228,632), including £169,887, against £212,154, from subsidiaries. Net profit £159,740 (£213,339). Ordinary dividend maintained at 12½ per cent. Carry forward £95,566 (£80,285, after £25,000 to special reserve).

Radio Corporation of America.—Net profit, March quarter 1939, \$1,448,000 (\$1,438,000), or 4 c. a share, as before.

Pennsylvania Water and Power.—Common stock earnings, quarter to March 31, 1939, \$531,790 (\$574,429); common dividends \$429,848 (as before). Surplus \$101,942, against \$144,581.

Malacca Rubber.—Profit for 1938, £41,723 (£88,069). Ordinary dividend passed (7½ per cent. in 1937). To estate reserve £20,000 (£10,000). Carry forward raised from £35,665 (after £3,000 for N.D.C.) to £42,076.

Consolidated Gas, Electric Light and Power of Baltimore.—Common stock earnings for year to March 31, 1939, \$4,865,441 (\$5,203,185). Common dividends \$4,202,629, as before. Surplus \$662,812 (\$1,000,556). Amount earned per common share \$4.17 (\$4.46).

Smith's Potato Crisps (1929).—Net profit for year to March 31, 1939, £182,435 (£164,032). Final dividend 20 per cent., and cash bonus 5 per cent., making 32½ per cent. for year (same).

Phillips and Powis Aircraft.—Trading profit, after depreciation and tax, 1938, £38,278 (1937, Dr. £15,533). Net profit £52,628 (Dr. £19,296). Debit balance forward £18,491 (£71,119). Stocks £228,505 (£133,694). Debtors £76,690 (£59,386). Bank overdraft £86,873 (£108,104). Creditors £81,210 (£55,524).

Macleans, Ltd.—Net profits in nine months to March 31, 1939, £190,526, against £212,931 in previous year. Ordinary dividend 25 per cent. for nine months (equal to 33½ per cent. per annum), against 30 per cent. for previous year. To reserves: general, £10,947 (nil); capital redemption, £9,205. Carry forward £3,731.

Cerebos, Ltd.—Trading profit for 1938, £455,619 (£446,505). Net profit £322,395 (£320,201). Ordinary dividend maintained at 40 per cent. To general reserve £50,000, as before. To Income Tax adjustment £7,500 (£3,750). Carry forward reduced from £106,553 to £96,448.

Nitrate Railways Company.—Dividend on ordinary and preferred converted ordinary shares for 1938, 1½ against 1 per cent. Net balance £35,066 (£15,532). Carry forward reduced from £186,493 to £185,334.

John Walker and Sons.—Profit for year to March 31, 1939, £875,077 (£855,342). Tax and N.D.C. £262,000 (£268,500). To warehouse rents reserve, £100,000; property reserve, £30,000 (£16,453); pensions, £20,000 (£10,000). Ordinary dividend and bonus, 42½ per cent., as before. Carry forward reduced from £134,198 to £132,913.

Egyptian Markets.—The company's concession having terminated, it is proposed to write off dead assets, and later to make a return of capital. Capitalisation of £78,615 reserve is proposed by issuing 262,050 6s.

"A" ordinary shares, in proportion of one "A" for each of 174,700 £1 ordinary now held and remaining £26,205 in "A" shares to holders of deferred shares in full satisfaction of their rights (except as to return of capital). It will then be proposed to reduce the capital by returning 23s. 6d. per ordinary share. The deferred shareholders would receive £26,205, plus £300 on cancellation of the deferred shares. Capital would ultimately be £21,837 10s. all in 2s. 6d. ordinary shares.

Chrysler Corporation.—Net income first quarter 1939 \$11,638,000, or \$2.67 per share, against \$12,126,000, equal to \$2.81 per share, for fourth quarter of 1938, and \$2,110,000, or 48 c. per share, for first quarter of 1938.

English Sewing Cotton Company.—Profit for 1938 £184,126 (£251,980). To depreciation £41,862 (£40,570). Directors' fees £7,200 (£7,707). Debenture interest nil (£10,738). Net profit £135,064 (£192,968), plus £50,000 transfer from dividend equalisation reserve, as before. Preference dividend £50,000. Ordinary dividend reduced from 10 to 7½ per cent. Carry-forward reduced from £130,469 to £115,533.

Goodlass Wall and Lead Industries.—Net trading profit and dividends received, 1938, £275,416 (£266,569) after depreciation and N.D.C. Income tax £89,876 (£74,490). Net profit £185,040 (£191,511). Preference dividend £68,312 (£70,668). To reserve £25,000, as before. To staff pensions £10,000 (£7,500). Ordinary dividend and bonus maintained at 7 per cent. Carry-forward £80,599, against £82,938.

Mufulira Copper Mines.—Profits March quarter 1939, £260,500 before taxation, compared with £345,500 for December quarter. For nine months to March 31, 1939, profits £807,500 (£770,500). Gross revenue for the quarter £640,000, against £769,000 for previous quarter. Costs £347,000 (£391,000).

Johnson and Phillips, Ltd.—Net profit for 1938, £133,487 (£126,024). Ordinary dividend maintained at 12½ per cent. To various accounts and reserves £32,000 (£35,000). Carry-forward £104,134 (£102,647). Bank overdraft has been reduced from £49,209 to £6,284.

Platt Brothers (Holdings).—Profit for year to March 31, 1939, £114,389 (£80,685). From debt reserve £3,714 (£39,404). Ordinary dividend maintained at 5 per cent.

British Controlled Oilfields.—Gross profit for 1938, £65,145 (£60,488). Depreciation £95,750 (£144,842). Net loss £30,605 (£84,355). Credit balance forward £1,309 (£31,914). Venezuela output 674,889 barrels (749,838). Market value of investment in Trinidad Petroleum Development Company increased by £404,687.

Ever Ready Company (Great Britain).—Net profit for year to March 31, 1939, £456,958 (£531,575). Ordinary dividend 30 per cent. (35 per cent.). Home market sales increased by 5 per cent.; receipts from overseas and subsidiaries fell.

Clan Line Steamers.—Trading profit for 1938 £692,234 (£712,099). Depreciation £344,797 (£269,935). Ordinary dividend 20 per cent. (same). To reserve, £200,000, as before. To pensions £25,000 (£90,000). Carry-forward £96,271 (£94,820), after crediting £31,332 profit on sale of vessels.

Babcock and Wilcox.—Profits, 1938, £829,431 (£607,293). Dividends received £114,318 (£108,597). Taxation and N.D.C. £67,830 (£52,872). To pensions £29,038 (£26,143). Additional provision for tax £193,000 (nil). A.R.P. £25,000 (nil). Ordinary dividend 10 per cent., plus bonus of 2½ per cent. (10 per cent., but no bonus, 1937). Carry forward £107,102 (£96,648).

General Motors Corporation.—Net earnings first quarter 1939, \$53,177,928, or \$1.18 per share (\$8,234,017 first quarter 1938, or 14 c. per share). Dividend 75 c. on common stock, against 25 c. this time last year.

Industry and Trade

Rush of Shipbuilding Orders.—Between March 28th (when Mr Oliver Stanley outlined the Government's plans for assisting the shipping and shipbuilding industries) and April 27th, the Board of Trade has been inundated with preliminary notifications from shipowners anxious to take advantage of the Government's scheme of grants for new ships to a maximum of £500,000 per annum for a period of five years. The notifications received by the Board of Trade during this period comprise some 190 vessels (150 tramp ships and 40 cargo liners) equivalent to a tonnage of 850,000 gross. Moreover, some 650,000 gross tons of merchant vessels are understood to have already been ordered. Never in its long history has the shipbuilding industry received so many orders during one single month. During the whole of 1938, for example, the tonnage of merchant ships ordered was only 300,000 gross. But as the industry's capacity is still about 2,000,000 gross tons, and since the tonnage under construction at the end of last March was only 597,000 gross, shipbuilders should have no difficulty, despite the heavy volume of naval work on hand, in meeting the expansion in demand, provided they can obtain the necessary labour, steel and other materials. But as the proposed grant is limited to £500,000 per annum, the Board of Trade decided last week not to accept any further preliminary notifications from shipowners and those which have already been sent in will now be examined for the purpose of ascertaining the number and tonnage likely to form the subject of formal applications for a grant when the scheme comes into operation. The grants proposed are 11s. per gross ton for tramps and 16s. 6d. per ton for cargo liners in the case of coal-burning (including dual-fired) vessels, and 10s. per ton for tramps and 15s. per ton for cargo liners constructed to use oil fuel only. The differentiation in favour of coal-burning vessels has already aroused criticism from shipowners. Moreover, the proposed rate of grants is subject to the proviso that the maximum sum of £500,000 is not exceeded.

From Grass to Crops.—The announcement made on Wednesday in the House of Commons by Sir Reginald Dorman-Smith is, on his own admission, to be regarded not as a war measure but as part of a long-term plan to increase the fertility of the soil. Farmers will be able to obtain a grant of £2 for each acre of permanent pasture (defined as fields which have been under grass for not less than seven years) ploughed up between now and September 30th. There is no doubt that a very large acreage of neglected and second-rate pasture can be made infinitely more productive by being brought under a regular crop rotation, providing both crops for sale and valuable fodder for livestock. The Government's grant, which will not cover the high costs of ploughing and sowing, would no doubt be a valuable inducement in this direction if it were available for a longer time, but it seems unlikely that in the five months between now and the end of September grass-land farmers will have time to acquire tractors, ploughs and seed drills, the trained men to operate these machines, and to get their fields ploughed and sown. The Government's policy is commendable, but the subsidy should be made available for at least another year. Meanwhile, plans for increased food production in time of war have made further progress with the appointment of the chairman of the county agricultural executive committees which would be responsible for the detailed administration of war regulations. The Minister also announced on Wednesday that reserves of fertilisers had been accumulated and that plans had been made to deal with the distribution of seeds, tractors and other agricultural requirements on the outbreak of war.

Opposition to Film Duties.—As usual on the imposition of new taxes, the new film duties have been vehemently denounced in the House of Commons this week, and members have gloomily forecast their destructive effect on the industry. Although the onslaught was not accompanied by alternative proposals for a more equitable basis of taxation, it elicited a sympathetic reply from the Chancellor, who declared himself disposed to consider revision in favour of those sections of the industry which might be severely hurt. The occasion for this revision would arise, of course, on the Committee stage of the new Finance Bill; and in the meantime discussions are proceeding between officials of the Customs and Excise Department, the Treasury, and the representatives of the film trade. There is some ground for believing that the news-reel companies can put forward a claim for relief. They are said to consume about 1,000,000 ft. of film stock weekly, on which the new excise duty would amount to £2,150. The news-reel revenue is believed to be £15,000-£20,000 weekly, but the gross profit on this is probably appreciably less than the new tax. If the claim can be substantiated that owing to the contracts with exhibitors charges cannot be increased—at least during the currency of the existing contracts—the news-reel companies are confronted with serious difficulties. There would be universal regret if this valuable item in the cinema programme had to be eliminated or curtailed or made less effective. A case is also being made on behalf of the British film industry. In considering the merits of this case a distinction must be drawn between increased costs of production and distribution. The length of all British films registered in the last quota year averaged 568,000 ft. for "long" films and 335,000 ft. for "shorts." The excise duty payable, after allowing for drawback on waste film, might amount to £7,600, or about £70 per "long" subject. The increased distribution cost would naturally be much greater; at 60 prints of 7,500 ft. each the amount of tax payable would be £965. The new imposts would therefore amount to about £1,040 on each subject. Whether the duty will be burdensome to the point of destruction depends on whether the whole or a substantial part of it can be passed back to the producer or paid by the distributor. But apparently the American companies will be chiefly affected. In the year ended March 31st last about 3,200,000 ft. of "long" films and about 800,000 ft. of "short" films were registered. It is estimated that the Customs duties on these will exceed £120,000 and the new excise duties £800,000. Moreover, it is claimed that there is no possibility of passing the tax on to the exhibitor or the public. Against this it has to be remembered that the

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remittances to American film companies are believed to exceed £7 millions, and that at least £2 millions of this represent profits from the British market, on which a negligibly small customs duty has been paid hitherto. It is difficult to see what relief can be expected or granted to these companies without abandoning the new source of revenue altogether.

Volume and Value of Trade.—Owing to the instability of prices, the official returns of the value of our overseas trade may disguise significant changes in its volume. The Board of Trade's quarterly indices of the average price and volume of trade, shown below, therefore throw additional light on the course of imports and exports:—

	INDICES OF AVERAGE PRICES AND VOLUME OF TRADE (1935 = 100)			
	Retained Imports Average		Domestic Exports Average	
	Price	Volume	Price	Volume
1938—First quarter	117.6	111.4	113.9	99.7
Second quarter	113.4	104.4	111.9	94.3
Third quarter	111.3	106.7	111.7	95.5
Fourth quarter	108.8	112.4	111.1	105.0
1939—First quarter	107.9	108.0	109.1	102.5

The declared values of retained imports and domestic exports in the first quarter of this year were 11 per cent. and 1.4 per cent. respectively smaller than in the corresponding quarter of last year. But as the average price of retained imports fell by 8.2 per cent. during this period, their volume showed a decline of only 3.1 per cent. Again, a decline of 4.2 per cent. in the average price of domestic exports between the first quarters of 1938 and 1939 concealed an increase of 2.8 per cent. in the volume of our shipments. In terms of volume, the increase in exports has been most marked in the non-ferrous metals, woollen and worsted, apparel, leather, rubber manufactures and vehicles (mainly because of the delivery of warships) groups. The average prices of imports have now been falling since the last quarter of 1937, and those of domestic exports since the second quarter of 1938. But in view of the recent improvement in the prices of primary products and the expansion of business activity in this country, an early reversal of the trend of import and export prices would not be surprising.

Higher Freight Rates.—The decline in tramp shipping freight rates was arrested last month, when *The Economist's* index, given below, showed a slight rise:

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

	Average, 1913	Mar., 1938	Apr., 1938	Jan., 1939	Feb., 1939	Mar., 1939	Apr., 1939
European waters...	110.0	109.3	108.2	107.4	105.8	106.4	113.8
North America ...	113.1	110.6	114.0	111.6	110.7	111.3	111.3
South America ...	123.4	129.6	131.7	110.4	117.1	104.7	97.2
India	106.3	120.0	106.0	108.6	108.2	109.6	114.8
Far East and Pacific	117.4	111.8	109.2	97.8	98.7	94.6	97.0
Australia	127.9	111.6	113.0	111.3	110.0	108.3	107.7
Total	116.3	115.5	113.7	107.9	108.4	105.8	106.9
1913=100	100.0	99.2	97.7	92.8	93.1	91.0	91.8

The improvement, however, was far from uniform; advances on some routes were accompanied by declines on others.

	Index No.	Inc. or Dec. Points		Index No.	Inc. or Dec. Points
Home trade	105.3	+ 5.9	South America:—		
Bay—outwards ...	115.6	...	Outwards	65.0	— 11.3
Bay—homewards ...	130.6	+ 4.7	Homewards	129.3	— 3.7
Mediterranean:—			India—outwards ...	101.0	+ 11.8
Outwards	97.2	+ 19.8	India—homewards ..	128.5	— 1.5
Homewards	129.1	+ 8.3	Far East, etc.	97.0	+ 2.4
North America ...	111.3	...	Australia	107.7	— 0.6

Towards the end of April, however, the upward trend in freight rates became more general, and during the past week rates, especially from the River Plate, showed a marked rise, owing to the heavy movement of grain from Argentina. The demand for shipping space has tended to expand, and it is widely expected that the improvement will continue.

Fewer Pigs.—The latest figures published by the Ministry of Agriculture show that the decline in the number of pigs continues. The census taken in March is based on returns from only a sample of farms, but the figures thus obtained give a fairly reliable indication of the general trend:—

	No. OF PIGS IN ENGLAND AND WALES (000)				
	Breeding Sows	Boars	Other Pigs		Total
			Over 2 Months	Under 2 Months	
1936 December ...	480	34	2,580	962	4,056
1937 June	455	32	2,109	1,039	3,635
December ...	448	32	2,604	830	3,914
1938 March	453	31	2,147	1,104	3,735
June	433	30	2,216	885	3,564
September ...	449	33	2,546	1,168	4,196
December ...	447	32	2,533	1,842	3,854
1939 March	436	30	1,932	1,030	3,428

The decline in the number of breeding stock is the most serious feature of these returns, and is partly an expression of the dissatisfaction of many farmers with the existing marketing scheme. The allocation of bacon pigs between factories has given rise to many complaints, and the brisk trade in pork pigs over the winter months has diminished the supply and raised the price of bacon pigs on the open market to a level dangerously near that obtained by the contracting farmers. The decline in the number of pigs in the last eighteen months is exceptional, since it has coincided with a period of falling prices for feeding stuffs; the fact that the price of bacon pigs is now linked to that of a standard feeding ration has discouraged the speculative pig feeder. In so far as the production of bacon pigs is now concentrated on regular suppliers, who can contract for level deliveries of their pigs throughout the year, the trade is obviously on a sounder footing, even if it is not expanding in accordance with the intentions of the framers of the present Act.

Rise in Wholesale Prices.—The last fortnight has seen a sharp rise in the wholesale prices of many commodities. Sugar, tin, wheat and other cereals have all been marked up, and it is to these commodities that the rise in *The Economist's* complete index, shown in the table below, is largely due:—

SEPTEMBER 18, 1931 = 100									
Date	The Economist's 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 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	147.8	145.2	97.0	
Oct. 26	116.1	134.9	127.0	171.6	116.6	146.0	144.2	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	
Feb. 1	113.8	132.5	125.9	175.1	115.7	152.7	144.9	97.9	
Feb. 15	113.6	132.4	125.1	174.6	115.3	153.5	145.1	98.0	
Mar. 1	114.0	134.5	125.0	174.9	116.4	152.8	145.1	98.0	
Mar. 15	114.4	135.3	125.0	174.9	116.4	153.1	145.1	97.8	
Mar. 29	114.4	133.9	123.5	174.9	115.4	153.5	144.9	97.8	
Apr. 19	114.5	134.4	129.0	174.9	116.4	152.3	145.4	97.8	
May 3	116.2	134.4	123.4	174.8	117.4*	154.0*	145.4	97.9*	

* These figures refer to April 29th.

† Monthly average.

Details of the constituent series of *The Economist's* complete index are given below:—

(1927=100)	Sept. 18, 1931	Apr. 26, 1938	Apr. 19, 1939	May 3, 1939
Cereals and meat...	64.5	85.5	71.2	71.1
Other foods	62.2	60.2	59.6	62.9
Textiles	43.7	54.0	53.3	54.0
Minerals	67.4	92.0	90.8	91.4
Miscellaneous	65.8	76.5	73.7	74.2
Complete index	60.4	73.3	69.2	70.2
1913 = 100	83.1	100.8	95.3	96.6
1924 = 100	52.2	63.3	59.8	60.7

In the index for cereals and meat, a fall in bacon prices offset the rise in wheat prices. Sugar, coffee and coconut oil were marked up among the groups of other foods, and among textiles, jute prices continued their advance. Tin and lead were dearer, while the price of copper showed a small decline compared with the previous fortnight. Among miscellaneous commodities, leather and linseed oil were dearer.

Copper Prices.—Since the middle of last month the price of copper (standard cash) has fluctuated around

£41 10s. per ton, which compares with the average of £45 per ton aimed at by the co-operating producers. The chief reasons for the comparatively unsatisfactory prices have been the political tension and concern over the copper position in the United States. Although copper is one of the most important war metals, the adverse effect on commercial consumption of the deterioration in political relations has outweighed increased armament purchases. The American market has been disturbed by a number of price reductions, which have reduced the United States domestic quotation from 11.25 cents to 10.25 cents per lb. (electrolytic) in the course of the past month. These reductions followed the consumers' strike, which lasted from the middle of October, 1938, until the end of March, 1939, and kept United States domestic sales during that twelve weeks' period at very low levels. The cuts, however, have stimulated buying, and in April, sales to United States consumers reached 60,223 short tons, against an average of 18,430 short tons in the preceding five months and 22,790 tons in April, 1938. As stocks in the hands of United States consumers are low, the improvement in demand may continue for some time, which would relieve fears that the European market might be weakened further by heavy American exports. Production and consumption outside the United States are virtually in equilibrium, while stocks, at under 190,000 short tons, cover consumption at the present rate for only seven weeks.

INDUSTRIAL REPORTS

THE demand for coal is well maintained; the seasonal decline in purchases for heating purposes is offset by increased industrial requirements and by the accumulation of stocks against an emergency. Total output is actually higher than a year ago. Most branches of the iron and steel industry are very active and some sections are already operating at capacity. Delivery dates, consequently, are lengthening. Preliminary notifications sent to the Board of Trade by shipowners anxious to take advantage of the proposed Government grant for the construction of vessels have been so numerous that the acceptance of further notices was suspended last week. The notifications received by the Board of Trade by April 27th comprise about 190 vessels of a tonnage of 850,000 gross; the majority of these are reported to have been ordered. The cotton and wool textile trades remain fairly busy; activity is sustained by Government orders.

There are no changes of note in either inland or export quotations.

Newcastle-on-Tyne.—With the exception of Northumberland steam smelters all classes of coal in this area are difficult to obtain, collieries having sold their output for several weeks ahead. There is no ease in the demand for Durham industrial coal, and producers of the popular grades of coking coal have sold their output well into the autumn. Gas works in the south of England continue to take their winter quantities, which are being stocked against an emergency. Whilst prices have so far shown no material change, there is now a tendency among collieries to increase them. Patent oven coke is a steady market; home demand is expanding and there are regular shipments abroad.

Glasgow.—Activity in the shipping market continues to be one of the outstanding features in the Scottish trade. The tonnages shipped last week advanced to 253,000 tons, compared with 237,000 tons in the previous week and only 189,000 tons in the corresponding week of last year. This increase is largely due, of course, to the international unsettlement, which has given a considerable fillip to buying from most of the nearer markets. Taken all round, the trade continues to enjoy busy conditions and output in all districts is well absorbed, with prices showing a strengthening trend. Industrial demands are keeping well up as a result of the growing re-armament activity. Irish trade is moving steadily.

Cardiff.—The recent improvement on the coal market is fully maintained. Last week shipments at the South Wales docks of the G.W.R. Company

totalled 453,500 tons, compared with 453,800 tons in the previous week and 400,526 tons in the corresponding week last year.

Business with France is a little more active and it is expected that by new arrangements under the coal-pitwood barter agreement exports will be increased. By these arrangements the validity of licences granted in the March quarter will extend to the end of the year instead of to June 30th, and that of licences granted for the June quarter up to the end of September; while the authorised quota of shipments in respect of arrcars amounts to 120,000 tons for the June quarter. The price of French pitwood under this agreement has been reduced from 22s. to 21s. 9d. per ton c.i.f. Inquiries from other foreign destinations are unusually active and there is practically no short-time working in the coalfield. Prices are firmer but nominally unchanged.

Iron and Steel

Sheffield.—The iron and steel market remains active, and in some sections it is not easy to secure acceptance of all the business offered. There are more inquiries for forge pig iron, and consumers are showing greater readiness to buy forward in foundry pig, while for basic there is an insistent demand. Transactions in hematite are heavier, and makers of special qualities are well booked. Business in finished iron is more active, and crown bars, which have been depressed for a long period, are beginning to show some improvement.

The demand for basic and acid steel billets is heavy, and users do not find it easy to place all their orders for early delivery. Business in small bars, strip and wire rods shows further expansion, and there is a heavy inquiry for structural steel.

Scrap merchants are unable to meet inquiries in full, and in some classes of

material there is a pronounced shortage. Some revision of fixed prices is expected shortly. Where the market is free prices show a rising tendency.

Crude steel production in the Sheffield district in March was 157,700 tons, compared with the peak output in November, 1937, of 160,400 tons. Production is being further increased.

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Middlesbrough.—Shipments of pig iron, manufactured iron and manufactured steel during April amounted to 35,762 tons, a drop of about 3,000 tons compared with the previous month; but in view of the heavy domestic demand for steel shipments have been well maintained. A parcel of 3,087 tons of steel was shipped to Italy last month. Imports of ore last month amounted to 121,500 tons, compared with 104,000 tons in March.

At the end of December there were 21 blast furnaces in operation in this area; there are now 25 in operation, of which eight are producing hematite iron, 15 basic iron, one foundry pig iron and one ferro-manganese. The increased production of basic pig iron is all for use in the adjoining steelworks, and none of it comes on to the market. Foundry pig iron is in only moderate demand, for foundries have not yet benefited from the improvement in the iron and steel trade generally. East Coast hematite is in rather better request and makers' stocks are being slightly reduced.

The output of semi-finished and finished steel is being increased at a faster rate than that of pig iron. Owing to the scarcity of heavy steel melting scrap, shipments are arriving in the Tees from coastwise ports. Good Durham blast furnace coke is available at 24s. 2d. per ton at the ovens, whilst only odd cargoes of foreign ore are changing hands; most of the deliveries now coming forward are under old contracts. Freight rates from the Mediterranean and North Spanish Bay ports are firm.

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Glasgow.—Throughout the West of Scotland intense activity is maintained, with production at the highest possible rate. Steel material of every description is in great demand, including ship-plates, bars for re-rollers and sections of every kind. In the sheet trade all mills are now in operation and bookings for both home and export users are again heavy, although makers are unable to accept business for prompt delivery and in almost every case require several weeks. Tube makers, too, remain busy and look forward to continued regular employment. Marine engineers in this district are particularly busy and in fact practically every engineering concern in Glasgow and neighbourhood has a great deal of work on hand and full time working is general and likely to continue.

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Cardiff.—On Tuesday the authorised output quota under the tinplate pooling scheme was raised from 60 per cent. to 75 per cent. of capacity for the next two months, but as the steelworks are operating at over 90 per cent. of capacity it is regarded as rather doubtful whether the tinplate manufacturers will be able to obtain a sufficient supply of steel bars to enable them to increase

their present production to any appreciable extent. There are eight blast furnaces in operation, and steel furnaces are being worked up to the limit of the available supply of scrap. In view of these conditions there are possibilities of changes in prices at the end of next month.

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News from Abroad.—Although the improvement of demand on international steel markets is making slow progress, business has on the whole remained satisfactory compared with the first few months of the year. In several cases the quantities for which quotations are demanded have increased, particularly where the port of destination is far from the exporting country, and where the danger of an interruption of supplies in case of an emergency is greatest. Thus, apart from Scandinavia, the Far East and South America have shown interest in increasing quantities. The exhaustion of stocks of many consumers has caused a number of urgent inquiries for smaller tonnages for prompt delivery. It is, however, often difficult to satisfy this demand because the delivery times of producers have materially increased during recent months.

It can be said that, up to now, the revival of the international steel trade has followed healthy lines and that the speculative demand, so conspicuous during the September crisis, has remained negligible, although prices are firmer and costs of raw materials are rising. Rebates on official prices have in some cases vanished altogether, and only in specific markets, where the American or Australian competition is effective, have concessions been made.

The problem of the agreement between the European Steel Cartel and the American exporters was again discussed at a recent meeting of the Joint Co-ordinating Committee in London. Although it was not possible to remove the differences completely, the agreement has been prolonged, and the hope was expressed that it will work more satisfactorily in future. Furthermore, general price questions were discussed in the light of the improved trade situation, but no alterations were made. The price problem will, however, again come on the agenda at the next meeting. Lastly, a number of questions concerning the internal organisation were discussed and certain alterations agreed upon.

Textiles

Cotton (Manchester).—World affairs have continued to have an adverse effect upon trade. There has been a further recovery in raw cotton prices, for the opinion is gaining ground that the export subsidy plan in the United States will be abandoned. Preparations for the new crop in the United States are now making better progress.

Sales of American yarns have been about equal to production. Varied reports, however, have been received as to delivery instructions and the position remains irregular. Rather more activity has shown itself in Egyptian yarns for home use. Many spinners are hampered by the scarcity of permits to export to Germany.

Inquiry in piece goods has broadened. Freer buying has taken place for India, and some makers in Blackburn and Preston have appreciably extended

their order lists. Fair buying has taken place for South America and the Northern countries of Europe. Home trade buyers have displayed more interest in prices. Further Government contracts have been placed and more looms are now engaged on this class of work. The opinion is gaining ground that lower prices are improbable.

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Jute (Dundee).—Raw jute prices have shown considerable strength during the past fortnight, being about £4 per ton dearer owing to lack of rain in the jute-growing areas, while old crop supplies are now becoming extremely scarce, with imports into Calcutta small. The total imports into that centre for the ten months of the season ending April 30th were 8,700,000 bales, compared with 9,575,000 bales in the corresponding period of the last season. The Indian jute mills have bought in the ten months 5,400,000 bales, against 5,775,000 bales last season. The lack of rain for new crop sowings and growth of the plants already sown is a serious factor and may lead to another short crop in the coming season. Scattered showers have fallen at times, which have made sellers more ready to offer, but the market quickly recovered its strength. The advance has led to a corresponding increase in the prices of jute goods; in Calcutta the advance in the prices of jute goods was assisted by reports of negotiations between the British Government and the Indian jute mills for the placing of a contract for another 200 million sandbags for delivery after the end of June, when the present contract expires.

The full group of Daisee-2/3 has risen to £33 10s. per ton and good marks sold at £33 15s. and £34, April-May, with new crop quoted at £29 to £29 10s. October-November. Tossa-2/3 was advanced to £34 15s. for good marks and fours are quoted at £32 2s. 6d. for full group, May-June. Hessian yarns are named at 2s. 10d. for cops and 2s. 11d. for spools, while the price of Hessians is 3½d. for 10-oz. and 2½d. for 8-oz., with many sellers quoting ¼d. to ½d. more.

THE COMMODITY MARKETS

THE upward trend of the prices of primary products, which began in the middle of last month, continued during the past week. The improvement, moreover, was not confined to this country, for Moody's index of the prices of staple commodities in the United States (December 31, 1931 = 100) rose from 139.3 to 141.7 during the week ended last Wednesday.

Not all the sensitive commodities, however, participated in the advance. Rubber, for example, remained unchanged in price, and copper, lead and spelter were slightly cheaper than a week ago. On the other hand, raw sugar was again marked up sharply in price owing to the shortage of supplies, while wheat and cocoa were also dearer. Cotton rose in price on the growing belief that the proposal for an export subsidy in the United States would not find sufficient support. Crossbred wool, linseed oil and tin were also marked up slightly.

(Continued on page 345)

COMPANY MEETINGS

CALEDONIAN INSURANCE COMPANY

SATISFACTORY RESULTS DESPITE YEAR'S DIFFICULTIES

MR CHARLES H. SCOTT PLUMMER'S ADDRESS

The one hundred and thirty-fourth annual general meeting of the Caledonian Insurance Company was held within the company's office, Edinburgh, on the 4th instant.

The Chairman, Mr Charles H. Scott Plummer, in moving the adoption of the report, said:—

Ladies and Gentlemen,—As you have had the annual report and accounts for the year 1938 before you for some time, I assume I may take them as read.

LIFE DEPARTMENT

The net new life assurances granted during 1938 amounted to £2,102,749, the premiums thereon being £72,707, including £20,596 by single payments. The net new sums assured compare with £2,166,349 for the previous year, but are not exceeded by figures for any other year.

The death claims for the year 1938 were £239,171 compared with £228,895 in the previous year, but are still within the amount expected under the mortality table used in the valuation. Surrenders amounted to £67,350, against £94,147 in 1937, when, as explained by my predecessor a year ago, there was a special reason for the comparatively large amount involved.

The expenses for the year 1938, excluding those applicable to annuities, showed a ratio of 16.4 per cent., compared with 16.7 per cent. in 1937.

The average rate of interest on the combined life assurance and annuity fund (excluding reversions purchased) was £3 16s. 9d. per cent. after deduction of income tax, against £3 19s. per cent. for the previous year, the reduction being mainly accounted for by the increase in the rate of income tax from 5s. to 5s. 6d. in the £.

The valuation of our Stock Exchange securities as at December 31st last showed an appreciation over the values at which the securities stand in the life balance sheet. In accordance with our usual practice, in arriving at the market value in the case of all securities quoted in currencies other than sterling, the rates of exchange on London as at December 31st last have been used.

The directors have resolved that the rates of interim bonus to be paid in the case of policies becoming claims during the year 1939 should be £2 per cent. on whole life assurance and £1 18s. per cent. on endowment assurances and double endowments, in respect of each year's premium due and paid since the last triennial valuation at December 31, 1936. The rates of interim bonus paid during the year 1938 were £2 2s. per cent. and £2 per cent., respectively, but, owing to the reduction in the net rate of interest and to the uncertainty of the international outlook, the directors felt it desirable to make the small reduction referred to above in the interim bonus for the current year.

FIRE DEPARTMENT

The premium income for the year 1938 was £711,621, against £697,490 in 1937, and the profit was £51,782, compared with £65,472. The total fire fund at December 31, 1938, amounted to 110 per cent. of the premium income for the year.

ACCIDENT DEPARTMENT

The combined account shows that the total premium income for 1938 was £558,839, against £514,201 for 1937. The profit was £29,501, compared with £10,963 for the previous year. The total accident fund at December 31, 1938, amounted to 83 per cent. of the premium income for the year, after including the transfer of £30,000 from profit and loss account for additional reserve.

MARINE DEPARTMENT

The premium income for 1938 was £111,187, against £96,985

for 1937. The first year's claims in 1938 were £23,293, being 21 per cent. of the premium income.

After a transfer of £5,000 to the profit and loss account, the marine fund at December 31st last amounted to £190,907, representing 172 per cent. of the premium income for the year.

GENERAL RESERVE FUND

This fund, which is additional to the departmental funds previously mentioned, remains unchanged at £600,000.

STAFF PENSION FUND

The balance of this fund as at December 31st last, after crediting interest received and charging pensions paid during the year, was £130,218.

PROFIT AND LOSS ACCOUNT

The balance at credit of profit and loss account at December 31, 1938, including the sum brought forward from the previous year, amounted to £283,158. Out of this sum, the directors recommend that £20,000 be carried to the staff pension fund as at January 1, 1939, and that a dividend be declared at the rate of 15s. per share, subject to deduction of income tax, to be paid by equal half-yearly instalments on May 15th and November 11th next.

The dividend now recommended, after deduction of income tax, will cost £85,008, and, together with the allocation of £20,000 to the pension fund, will absorb £105,008, leaving a balance of £178,150 to be carried forward, as against £174,906 brought in from the previous year.

GENERAL BALANCE SHEET

From the directors' certificate appended to the general balance sheet you will observe that the Stock Exchange securities stand in the aggregate at less than the value at middle market prices at December 31, 1938. As in the case of the life department, in arriving at the market value of all securities quoted in currencies other than sterling, the rates of exchange on London as at December 31st last have been used.

NEW HEAD OFFICE BUILDING

My predecessor last year referred to the new head office building which was then in course of erection. I should like to add that the building is now nearing completion and that our removal will be effected before the end of this month. The official opening, however, will not take place until the end of June.

OFFICIALS, STAFF AND AGENTS

During the year Mr Neil M. Law, F.F.A., who was formerly chief actuarial assistant at head office, was appointed assistant actuary, and Mr Donald H. Young, who was formerly chief assistant in the foreign fire department in London, was appointed foreign fire superintendent.

Before concluding, I take this opportunity of expressing on behalf of the directors and the shareholders, our appreciation of the loyal and efficient work during the past year of the general manager, officials and staff at head office and branches, and the company's agents and representatives at home and abroad, including the marine managers and the underwriter.

I now beg to move, ladies and gentlemen, that the report be adopted, that the allocation of £20,000 to the staff pension fund be approved and that a dividend of 15s. per share, subject to deduction of income tax, be declared for the year 1938, payable in equal half-yearly instalments on May 15th and November 11th next.

The report was adopted.

ATLAS ASSURANCE COMPANY, LIMITED

SUBSTANTIAL PROFITS IN EVERY DEPARTMENT

MR G. F. HOTBLACK'S REVIEW

The annual general court of the Atlas Assurance Company, Limited, was held, on the 28th ultimo, in London.

Mr G. F. Hotblack (chairman of the company), after expressing regret at the retirement from the chair of Mr F. A. Johnston and paying a tribute to his services to the company over the past 44 years, and referring to the election of Sir Charles Arthur to the board, said: So far as the underwriting side of our business is concerned, nothing sensational occurred during 1938. There was only one really serious fire in this country, namely, the General Electric Company's store in Birmingham—which cost £565,000, and of which we had our share. Overseas the only costly disaster was the very severe hurricane in the New England States of America, which involved losses running into several millions sterling; we ourselves were reasonably fortunate, however, in having escaped with a relatively light loss.

INSURANCE COMPANIES' PROBLEMS

I do not think it is always appreciated how great are the difficulties with which insurance companies, with their world-wide interests, have to contend under present-day conditions. I expect many of you have first-hand knowledge of the problems which currency and financial restrictions in one part of the world or another involve, and I think I may fairly say that if our particular difficulties ended there we should consider ourselves reasonably fortunate. Unfortunately, however, this is not so in that a still bigger problem arises out of legislation. There are no fewer than 20 overseas countries or States in which legislation affecting the interests of British insurance companies is pending or in course of discussion in various legislatures.

FIRE ACCOUNT

In the fire department our premium income has declined by some £53,000, as against an increase the previous year of £42,000. The greater part of this falling off was in respect of our business in the United States of America and was in accordance with the general experience in that country owing to trade recession. The losses incurred were practically identical with the previous year. The profit emerging of £168,000 is some £5,000 less than that of 1937, but shows the satisfactory ratio of 9.6 per cent., as compared with 9.7 per cent. last year.

ACCIDENT DEPARTMENT

The accident department has an increase in premium income of £24,185, and shows a profit of £53,327, representing 8.1 per cent. on the premium income, as against 8 per cent. last year, a result which in these difficult times we regard as very gratifying.

In recent years we have been quietly and conservatively developing this department, and now it is a constant and substantial contributor to our annual profits. Twenty years ago our premium income was £125,000, whereas to-day it is over £660,000. Twenty years ago we transacted business in the United Kingdom, South Africa, and Australia only, but to-day our net is much more widely spread, and our income is drawn from many parts of the world, including countries as far distant as China, the Philippines, the Fijis, and Brazil.

Accident business, which includes motor and workmen's compensation business, is by no means easy to transact. New legislation both at home and abroad is constantly being introduced, and to estimate the effect of this in advance is always a matter of extreme difficulty.

As regards motor business in this country, the large awards now made by the Courts and the circumstances under which it has been decided that compensation is payable must inevitably place a strain on existing rates and result in an adjustment to a higher scale. One hesitates, therefore, to forecast what the future holds in store, but we shall continue to follow our conservative policy and to develop along sound lines in the belief that it is the only way to ensure a steady and constant profit on our turnover.

MARINE ACCOUNT

In the marine account the premium income was £157,061, or approximately the same as last year. Our experience as regards claims paid on the 1938 account and also on 1937 and previous years' accounts has been satisfactory.

The account is on a very sound basis and is producing regular

profits. In lieu, therefore, of our practice hitherto of making an occasional substantial transfer of profits to profit and loss we have decided to establish a substantial marine fund of a sufficient size in our opinion to take care of all contingencies and in future to make an annual transfer to profit and loss if and when profits are earned. The revenue account under review has been treated on those lines, and you will observe that the sum of £40,000 has been transferred to profit and loss. This particular figure of £40,000 does not apply only to the year 1938, but is substantially made up of the accumulated profits of previous years.

LIFE BUSINESS

The new life business during 1938 was £4,042,720, being £493,696 less than the previous year, due mainly to a reduction in the benefits formerly granted under a type of policy which, owing to altered conditions, had become comparatively unattractive to the company. Apart from the type of policy referred to, the new business was well maintained. A more serious feature was the fall in the net rate of interest earned on the life assurance and annuity fund from £4 7s. 10d. in 1937 to £4 3s. 2d. in 1938.

Under existing conditions the fall in the rate of interest, which has been going on for several years, is fully explained by the difficulty of obtaining satisfactory investments for a fund which has been growing at the rate of about £1,000,000 a year.

INVESTMENT POLICY

I find that during the last five years the life fund grew from £10,147,000 to £15,258,000, an increase of £5,100,000; also that during those five years our life investments in ground rents, properties, mortgages and other loans of various descriptions, including loans to local authorities, increased by £4,400,000. Most of our new money has therefore gone into investments of these types, and we think we have acted wisely because, although we have lent large sums of money at very low rates of interest, and although our average rate of interest has suffered as a result of our doing so, we have to a considerable extent escaped the fall in values which would have resulted had the money been invested in high-class Stock Exchange securities.

Moreover, much of this money has been lent for comparatively short terms, and we shall have the opportunity during the next few years of reinvesting it, probably on more favourable terms.

GROWTH OF PREMIUM INCOME

In other respects the life business developed on the lines with which we have become familiar. The premium income increased by £143,365 to £1,310,064, and consideration for annuities increased by £212,807 to £667,300. The fund increased by £1,212,021, and amounted to £15,258,639 18s. at the end of the year. The expense ratio reflecting the effect of the smaller new business was £12 5s. 10d. per cent., as compared with £13 10s. 6d. per cent. in 1937. The mortality experienced during 1938 was very light amongst lives assured and also (less profitably) light amongst annuitants.

The fall in the rate of interest and the increased hazards and uncertainties of life indicate the necessity of reviewing the bases upon which our scales of premiums are calculated. Such a review is in progress, and in the near future it will probably be found necessary to increase the premiums now being charged for some classes of policies, notably those for policies which do not participate in profits.

PROFIT AND LOSS ACCOUNT

Turning now to the profit and loss account, you will notice that the interest, less tax, is £120,246, which is £7,496 less than the previous year. After crediting interest receipts and fire, life, accident and marine profits, and debiting the various tax charges and expenses not charged to other accounts, we are left with £333,751 with which to deal. Out of this we have paid the usual tax-free dividend, costing £176,000, written £100,000 off securities, and transferred £25,000 to the staff pension fund, leaving the carry-forward at £359,572, or £32,752 more than the previous year.

The year 1938 has been a satisfactory year for us, with substantial profits in every department of our business. It is impossible for me to prophesy what 1939 holds for us in view of the menacing political position, and all I can say is that 1939 has started well so far as losses are concerned.

The report and accounts were unanimously adopted.

LONDON AND LANCASHIRE INSURANCE COMPANY, LIMITED

RESULTS OF A DIFFICULT YEAR

SIR FREDERICK PASCOE RUTTER'S REVIEW

The seventy-seventh annual meeting of the London and Lancashire Insurance Company, Limited, was held, on the 3rd instant, in London, Sir Frederick Pascoe Rutter, governor, presiding.

The secretary, Mr G. Albert Rutter, read the notice convening the meeting.

Sir Frederick, in his address, said:

You have not often heard from me the phrase "an anxious year, full of difficulties," partly because it is our constant duty to deal with difficulties and partly because I try to reserve the remark for the really crucial occasion; 1938 was such a year. It was really like old times when, in the 'seventies and 'eighties, we were struggling to lay the foundations of this company, which have proved themselves so solid, so impregnable. With the exception of 1906 and its catastrophe of San Francisco, I do not remember a more exacting year since I became your general manager, now over forty years ago. And, speaking for our company and ignoring for the moment the international anxiety, I am not discouraged nor even disturbed.

YEAR'S RESULTS

Our total premium income was slightly increased to £6,752,538, following a substantial advance in the previous year. The fire income of £2,755,527 showed a small decrease due to the United States, but this was more than made up in the accident department, where an increase of £36,422 brought our premium income up to £2,558,620. The marine income remained almost stationary at £1,438,392.

Summarising our underwriting profit, the fire department contributed £324,194, against £366,720; the accident department, £43,827, against £100,629; and the marine department, £66,236, against £35,853 in 1937. Therefore our total profit amounted to £434,257, or 6.43 per cent., compared with £503,202, or 7.47 per cent., in 1937.

Our fire business continues on the same high level which you have been accustomed to in the past. The United States has again become a difficult field consequent upon the important reductions in rates, and I do not anticipate much profit from that country until the necessary reaction comes about. In Canada our loss experience was good, but the twofold problem of competition and increasing costs is proving difficult of solution. In Australasia, South Africa and India we pursued the even and lucrative tenor of our way.

Our casualty departments produced a result which I confess was not up to my expectations. In America particularly we have had occasion to make revisions, and when this happens the particular year has to bear the brunt in the hope and anticipation that the fruits will be reaped subsequently. Accident business in this country has become still more exacting, the two anxious departments being still workmen's compensation and motor vehicle. In this connection there is one important matter which I must emphasise with all sincerity, and that is the growing inequity to which those liable to third-party damages are now being subjected.

LEGAL EXAMPLES

Permit me to remind you of a few of these remarkable cases. The House of Lords has enunciated the novel and revolutionary dictum that the legal representatives of a dead person can recover damages on account of the potentiality of that dead person's life. Last year £2,500 damages were awarded to a market woman who was shocked through seeing a collision between two motor vehicles, one of which she thought was going to hit her. There was the case of a child of three, undoubtedly badly injured, thrown out of a car after a collision. The father and mother got moderate damages; the child was awarded £6,500.

Finally there came the case of the corpse. It was in its coffin, proceeding to its last home in a Liverpool cemetery. It was followed by a coach containing four relatives. A tramcar jolted the hearse, the coffin slipped from its bearings, but still remained on the damaged vehicle. The mother, the uncle and the two cousins were all shocked, naturally. They claimed damages. The Liverpool Court turned them down. But the mourners importuned the Court of Appeal, and there every one of the four got damages. Nothing was said or done about the corpse, but the natural question has already been propounded by *The Economist*: "Why, in view of the House of Lords decision as to the value of the potentiality of a

person's life, were the rights of the innocent and insulted corpse so callously ignored?"

If this trend continues an increase in rates will become inevitable, because no business can continue at a loss. Higher rates must react on the motor trade, with consequent reduction of employment, and this must ultimately bear upon the dividends which insurance shareholders receive. These three factors must in turn affect the Government by the reduced yield from taxation, at a time when the country is financially hard driven.

As regards marine business, 1937 was the worst year for total losses since 1929, and that condition continued throughout 1938. Whilst the number of total losses was slightly less, the amount of tonnage lost was somewhat higher. There was a sensible diminution in the number of minor casualties, but any relief which might have been expected from this factor was more than offset by the increased cost of repairs.

INTEREST ON INVESTMENTS

The interest on our investments amounted to £481,363, compared with £485,110. May I emphasise what is welcome, that in such a year we have been able not only to continue the dividend to which you have become accustomed but, after making the fullest provision for every conceivable liability, the balance carried forward has been increased by £199,702, thus making our total reserve funds £12,416,831.

Concern regarding the question of finance has probably exercised the minds of your directors more during the past twelve months than in any other year. The paramount duty of those controlling the destinies of the company is to conserve our funds and try to avoid depreciation. For more than two years I have been apprehensive. "Safety first" in anxious times should be dominant; safety first therefore is what we have aimed at for some time past and what should be our motto to-day.

POSITION IN EUROPE

I am no pessimist, but I have been apprehensive because of two things. First, because of the deliberate declarations from Central Europe, not necessarily that might is right, but that might is the ace of trumps and therefore must win. And so it will often, but history has told us that in the long run it must fail. Secondly, what has obsessed me is the parallel between what has been happening and the Napoleonic epoch, when over and over again treaties, contracts, bonds, assurances were made not to be kept, but broken. And yet Napoleon in his exile did his best to make the world believe that after all he was a man of peace. But he did not say, as he really meant, peace on his own terms. Yes, "peace on his own terms." You heard that from Berlin on Friday.

What has been happening has afforded another glaring example of what has occurred before in history, but what is surprising is the past ignoring of portents which were so plain and ominous. Even so, I am in doubt whether there will in the near future be a world war after all.

Reverting to our own affairs, the feature which has pleased me is that the amount of our interest has been so well maintained, being scarcely less than it was in 1937. A further important consideration is the value of our investments, which stand at a figure a little more than a million pounds in excess of the book values.

STRONG POSITION

The future lies in the lap of the gods. We ought by this time to be well inoculated against crises, but we cannot control the way of aggressors, nor with our world-wide Empire can we shut our eyes to what may take place at any moment. But, speaking for our company, we were never more sound than we are now.

Whilst our dividend has necessarily been static for some years past, it is still a very handsome dividend. Our reserves are abundant, and if we could only be assured of the peace which our Prime Minister has been so assiduous in trying to bring about we might look forward with confidence to the future, in the belief that the quality of our underwriting and the fibre of our investment policy should bring their own just reward. (Applause.)

The report and accounts were adopted.

THE GRESHAM LIFE ASSURANCE SOCIETY, LIMITED

CONTINUED PROGRESS

The ninetieth ordinary general meeting of the Gresham Life Assurance Society, Limited, was held, on the 4th instant, at the head office of the Society, 188-190 Fleet Street, London, E.C.

The Hon. W. B. L. Barrington, the Chairman, presided, and, in the course of his speech, said: We are indeed fortunate to be able to submit a report which records a considerable increase both in the number of new life policies issued and in new life sums assured. In 1938 the Society granted 8,891 life and endowment policies, assuring the sum of £3,815,391 in net new sums assured, i.e. after deducting reassurances. These figures represent an increase of nearly one thousand policies and £277,000 net new sums assured.

In common with the majority of offices we have suffered some contraction in our new business at home, although actually the number of new policies was slightly greater, and it is perhaps remarkable that—in circumstances which closely paralleled those prevailing here—our business on the Continent and overseas should have more than made up for the deficiency at home.

For this we are indebted mainly to our organisations in France and in the Argentine. Our branches in Cairo and Athens also contributed to the increase in our overseas business. It is a significant tribute to the standing of British life assurance that in times of international disturbance so great a demand exists for the security and protection of a British life policy.

The net new premiums for the year, after deducting reassurances, amounted to £178,530, including single premiums of £13,409. The increase in net new annual premiums exceeded £10,000. The total net premium income in the life assurance fund amounted to £1,164,108, and the total income of the Society from premiums, interest, dividends and rents to £1,612,473. Death claims amounted to £236,793, a total well within the actuarial expectation.

THE ASSETS

The total assets, as appearing in the balance sheet, amount to £10,187,840 as compared with £10,430,134. At the end of 1937 we reduced the sterling book value of our Spanish assets consequent upon an adjustment in the rate of exchange for Spanish currency. During 1938 the margin between the rates of exchange which we employed for the conversion not only of Spanish but also of French and other currencies into sterling, and the rates actually ruling, widened so much that the directors have felt it desirable to make a further and more general adjustment to the approximate rates in force on December 31st last. This operation, by which the amount of the Life Assurance Fund is reduced by £763,227, accounts for the reduction in the amount of the total assets. Had we maintained the old rates of exchange the Life Fund would have shown an increase of over half a million pounds.

It will be appreciated that these adjustments do not represent a shrinkage in the general volume of business, but rather a contraction in its sterling equivalent. The average rate of interest earned on the Society's funds was £4 3s. 6d. per cent. net.

We have now begun the fifth year of a quinquennium, at the end of which the usual quinquennial valuation will be made. I do not propose, nor will you expect me, to attempt to forecast the result of that investigation, but I think we can look back with satisfaction on the steady progress which the Society has made during the last four years. This can be measured not only by the very considerable increase in new business but also by the efficiency and enthusiasm of the branch and agency organisation throughout our service.

The value of life assurance as the mainstay of the financial security of the individual and the family has been much emphasised by the uncertainties and anxieties which have clouded our national life during the past months. The September days of crisis brought home to us all, I think, the need not only for national preparedness but also for individual preparedness against risks which may be remote one day and imminent the next.

We have recently realised, as never before, the value of a life assurance policy free from any condition or restriction which might nullify its effectiveness just when protection was most necessary.

A new policy, introduced by the Society in the autumn of last year—the "Plus" policy—has proved particularly appropriate to present-day needs and in consequence it has found a ready market. It provides large cover at low cost—just what is wanted to-day—with the valuable option of conversion to endowment form at a later date. The society's Family Income plans, the Defender policies, continue also to make it easier for the family man to assure income as well as capital provision for his dependants.

The report and accounts were unanimously adopted.

GRESHAM FIRE AND ACCIDENT INSURANCE SOCIETY, LIMITED

PROGRESS OF THE DEPARTMENTS

The annual general meeting of the Gresham Fire and Accident Insurance Society, Limited, was held, on the 4th instant, at the head office, 188-190 Fleet Street, London.

The Hon. W. B. L. Barrington (the chairman), who presided, referred first to the loss sustained in the death of the late deputy-chairman, Mr Courtney Fooks, and continued: In the fire department the premium income amounted to £124,876, an increase of £2,192 over the previous year. It is pleasing to record this advance after the recession of the last few years. Following the elimination of certain unprofitable contracts to which I referred when addressing you in 1936, it has been our policy to develop this account patiently and to seek quality rather than quantity. The fire loss ratio in 1938 was 46 per cent., the lowest for more than ten years. Expenses at 44.7 per cent. were also lower, compared with 45 per cent. in the previous year. Contributions to fire brigades increased from £1,648 to £2,318, but this was mainly due to special payments made under the Fire Brigades Act, 1938. After providing the usual 40 per cent. reserve for unexpired risks, and for all outstanding claims, the fire account yielded a net trading profit of £8,451, which sum has been carried to the profit and loss account.

The premium income in the accident department amounted to £228,346, and also shows a small increase on the previous year. The claims experience over this account as a whole has proved more satisfactory than in 1937, the ratio of 49.9 per cent. being 2½ points lower, but the commission and expenses have increased to 46.4 per cent., compared with 44.9 per cent. After providing for all outstanding claims and the customary reserve of 40 per cent. of the premiums for unexpired risks, a profit of £8,905 is transferred to the profit and loss account.

I referred last year to two sections of our accident business which were adversely affecting this account, namely employers' liability and motor insurance, and whilst it is gratifying this year to record a substantial improvement in the former, the difficulties of successfully underwriting motor insurance have become even more pronounced. Despite the most careful selection, this class of business has proved more unsatisfactory than in 1937 and calls for serious consideration.

The continually increasing scale of compensation awarded to third parties, including claims for loss of expectation of life and compensation for shock, must inevitably lead to a readjustment of premiums, as such heavy liability was not contemplated when the existing premiums were calculated. We must hope that combined action by the offices and underwriters will be taken at an early date, in order that this section of our business may be placed on a better footing.

As might be expected, the Society has not escaped the consequences of the further general fall in the market value of securities during the year 1938. I am glad, however, to be able to say that the investment reserve not only provides ample cover for the depreciation shown at the end of the year, but leaves a substantial margin to meet any further eventualities.

INVESTMENT REVENUE

The net income received from interest and dividends once again reflects the increased burden of taxation, which continues to become a heavier charge on our profits. While our gross interest and dividend earnings are larger than in 1937 the net figure is less by £195. The underwriting profits transferred to profit and loss account are larger by £7,447 than in the previous year. On the other side of this account the sum provided for National Defence Contribution is £1,410, as compared with £1,000 for nine months of last year. After debiting the other items of taxation and directors' fees, the balance available was £36,093, and as stated in the report the directors have allocated from this amount the sum of £10,000 to further augment the general reserve, and £5,000 has been added to the staff pension reserve.

As you will recall, it was a matter for regret last year that it was not then possible to make a further addition to the general reserve, and I am therefore the more gratified on this occasion that the results are sufficiently satisfactory to enable us to continue the policy of the Board in building up strong reserves which in our view are inseparable from any sound insurance undertaking.

There is left a balance of £21,093 in the profit and loss account, and out of this amount the directors once again recommend payment of a dividend at the rate of 6 per cent., less income tax, to be paid on the 1st June next. This will absorb the net sum of £13,200, leaving a balance of £7,893 to be carried forward to next year's account.

The report and accounts were unanimously adopted.

FRIENDS' PROVIDENT AND CENTURY LIFE OFFICE

STRONG POSITION MAINTAINED

MR HAROLD MORLAND'S ADDRESS

The annual general meeting of the Friends' Provident and Century Life Office was held, on the 3rd instant, in London.

Mr Harold J. Morland, M.A., J.P., F.C.A. (the chairman), said: The new life assurances of the Friends' Provident and the Century together amounted to £2,654,749. The annuity premiums received were £1,020,056, and the sinking fund new business of the two offices together advanced substantially, the total being £1,301,985. The annual life premium income advanced by £21,915. The ratio of life expenses to premiums fell by 0.30 per cent. to 16.49 per cent. This ratio is very moderate, especially bearing in mind the large proportion of our business which is at the low rates of premium attributable to whole-life and without-profit policies. The mortality experience under life assurances was even more favourable than usual.

RATE OF INTEREST ON FUNDS

The gross rate of interest earned on our funds was £4 15s. 2d. The rate, after deduction of income tax, was £3 16s. 9d. per cent. As I have pointed out before, if we were to adopt the alternative method of improving the net rate of interest by the amount of income tax deducted from annuity payments our net rate of interest would be much higher, in fact, this year as much as £4 6s. 9d. per cent. It is this latter rate which should accordingly be borne in mind in comparison with the net rates of interest quoted by a number of other offices which adopt this method.

As at the close of 1938, the actuary conducted a valuation of the continuous disability account for the five years 1934-38. During that period the business has developed satisfactorily, and the fund at £351,648 is over seven times the premium income. After making ample reserves for all contingencies, the actuary was able to recommend the transfer of £20,000 to profit and loss account—that is, an average of £4,000 per annum for the five years.

After provision for all liabilities and contingencies there were available £40,993 underwriting profits with, in addition, £53,562 of net interest—that is, together £94,555, to which must be added the amount carried forward from last year. A dividend of 20 per cent. on the paid-up capital was declared, absorbing £65,250. Transfers were made to additional reserve in the general section of the accident account, £5,000; to the investment reserve, £25,000; and £20,000 to group contingency fund, after which there remained £111,785 to be carried forward on profit and loss account.

INVESTMENT POLICY

Further depreciation arose during 1938 in consequence of which it was decided to strengthen the investment reserve of the Friends' Provident by transfers of £400,000 from the life and annuity and £50,000 from the sinking fund revenue accounts respectively. It has been advisable during the year, on account of the uncertain international and trade conditions, to pursue an especially restrained policy in regard to new investments. The funds of the Friends' Provident exceeded 16 millions at the close of 1938, and those of the Century exceeded 5 millions.

Our actuary tells me that during the past year he has again had it impressed upon his mind that many people are reluctant to take out the life assurance cover which their dependants are in need of, because of the fear that through prolonged illness they may not be able to keep up their premium payments.

I would call the attention of our members and the many others interested in the office to the benefit which we offer, under which, in the event of the life assured breaking down in health for a prolonged period, his life assurances will be entirely freed from premiums during the whole period of the incapacity up to age 65.

Another phase of our activities which has been of much value to large numbers of professional men is the scheme originated by the Century in 1926 for loans to enable medical and other professional practices to be purchased. The amount outstanding on such loans now exceeds £1,000,000.

There is a further direction perhaps not often referred to in which life offices can be of assistance—namely, in the accumulation and investment of the reserves of public companies.

It is suggested that a modest part of the profits transferred to reserve each year might well be invested in sinking fund and/or endowment assurances which will accumulate outside the business without danger of depreciation, which is inseparable from investments in even gilt-edged Stock Exchange securities.

The report was unanimously adopted.

LEGAL & GENERAL ASSURANCE SOCIETY LTD

Established 1836

Life and Sinking Fund Policies for sums assured of over

£18,000,000

were effected during 1938

ASSETS NOW EXCEED

£47,000,000

At the Annual General Meeting, held on May 2, the chairman Mr. Ernest E. Bird, said that during the year 1938

21,513 New Life Policies were issued

The Total Net New Sums Assured amounted to £17,789,030

The Net New Life Sums Assured amounted to £16,565,154

The amount received by way of consideration for Immediate Annuities was £1,159,349

New Deferred Annuities effected amounted to £1,896,130 per annum

The Net New Life Premium Income was £953,354

The Net Fire and Accident Premium Income was £571,717

Total Income from all sources amounted to £8,480,650

A copy of the Annual Report and Accounts for the year ending 31st December, 1938, will be sent on request.

Head Office:

10 FLEET STREET, LONDON, E.C.4

Branches and Agencies throughout the World

General Manager: Vernon E. Boys

NORTH BRITISH AND MERCANTILE INSURANCE COMPANY, LIMITED

NEW RECORDS ESTABLISHED

The 129th annual general meeting of the North British and Mercantile Insurance Company, Limited, was held, on the 4th instant, at Edinburgh.

The Viscount Wakefield, G.C.V.O., C.B.E., LL.D. (the chairman), said that in spite of recurring international crises, trade in 1938 was surprisingly well maintained. While, indeed, general business activity continued to fall even more rapidly during the early months of 1938 than in the later months of 1937, the fall was arrested in June. He ventured to suggest last year that the extent of the setback which was then apparent would not prove to be very serious, and he believed that there were now signs of a slow return to a higher level of trade activity.

In 1938 there was an all-round drop in security values, and they had reason to be thankful that they had always followed a conservative investment policy. The excess of market value of their investments over the values at which they stood in the balance sheet, while necessarily smaller than in 1937, was still substantial.

In the life department they had again had a satisfactory year, and the new business figures were remarkably consistent with those of previous years. For the past four years the net new sums assured had exceeded five millions, the average being £5,522,000 and last year's £5,327,000. In the middle of the year there appeared to be a fair prospect of achieving another record, but the crisis in the autumn had an adverse effect upon new business. On the annuity side a steady business continued to be transacted, and they were, he thought, unique in publishing a separate annuity account showing funds of well over £8,000,000 in respect of that particular class of contract.

With regard to the fire department, everyone concerned was to be congratulated on achieving a fire underwriting profit of £354,352 after providing the usual reserve of 40 per cent. for unexpired risks. That profit represented 10½ per cent. of the premium income and was only very slightly less in amount than the 1937 figure.

RAILWAY PASSENGERS ASSURANCE COMPANY

The accounts of the Railway Passengers Assurance Company, the subsidiary company through whom they transacted their casualty insurance business, again reflected excellent results both as regarded premium income and underwriting profit, each of which showed a new peak record in the history of the company. The premiums totalled £1,402,595, being £56,139 in excess of those for the preceding year. The profit amounted to £171,117, equal to 12.2 per cent. of the premiums, as compared with 10.62 per cent. in the preceding year's account. The net interest on investments at £105,692 was almost the same as for the previous twelve months, and the profit and interest together amounted to £276,809, thus showing an advance of over £28,000.

In the marine department the premium income for the year 1938 amounted to £298,045, which was almost identical with the corresponding income for the previous year. For several years past conditions in the marine market had been such that it had been extremely difficult for underwriters to make any profit at all. The board were satisfied that the reserve for 1937 and previous years was sufficient to cover outstanding claims. This year they had transferred £30,000 to profit and loss account from the profit of past years which were now closed.

Their subsidiary company, "The Fine Art and General," had again produced most satisfactory figures. Premium income exceeded £360,000, only fractionally less than last year, this consolidating the increase of over £13,000 shown in that year. The "Fine Art and General" showed a profit of £59,184, representing 16.44 per cent. of premium income and exceeding last year's result by nearly £5,000. This was the highest figure of profit ever achieved by the "Fine Art" company.

After making the customary allocations, including a further contribution of £15,000 to the Widows' Pension Fund and £42,750 for N.D.C., the aggregate balance carried forward was increased from £6,520,979 to £6,979,067 subject to dividends for 1938. The directors again recommended a dividend of 6s. 3d. per share, less income tax, one-half payable on May 15th and the other one-half on November 11th. This dividend, together with the preference dividend, would absorb approximately £557,078, in comparison with a combined total of net interest of £558,847.

The report was unanimously adopted.

EQUITABLE LIFE ASSURANCE SOCIETY

RECORD NEW BUSINESS

The one hundred and seventy-seventh annual general meeting of the Equitable Life Assurance Society was held, on the 3rd instant, in London.

Mr H. L. M. Tritton (the president), in moving the adoption of the report and accounts for 1938, said that the new business, amounting to £2,028,917, exceeded that of 1937 and was again a record for the society.

The average sum assured, a figure in excess of £1,000, was higher than in the previous year. The society had a special staff dealing with pension schemes for employees, and new business was obtained in large blocks from time to time. In 1938 the amount was substantial owing to new pension schemes and exceptional augmentation of old ones. That accounted for the great increase in deferred annuities, and the demand for that class of business was evidence of the public's appreciation of that type of Equitable policy.

The claims again showed how attractive whole-life policies in the Equitable were. During 1938 each £1,000 whole-life with-profit policy which had become a claim had produced on the average £2,201. The total amount of claims by death during 1938 had been less than the average of the previous five years, although the total sum assured at risk had increased. The examples of endowment assurances which had matured in 1938 showed an attractive return. It appeared that that class of business was increasing, while the whole-life business remained stationary.

The net rate of interest earned had decreased by a little over 3s. per cent. to £4 0s. 6d. per cent., partly owing to the difficulty of finding new investments with a remunerative rate of interest and partly to the increase in income tax.

The funds of the society now exceeded £12,000,000, and on December 31st last there was a margin in the value of Stock Exchange securities of 5 per cent. over book value, and there was a margin over the value of the assets as a whole, as compared with the book values, of about 8 per cent.—or about £1,000,000.

The expenses were under 7 per cent. of the premium income, practically the same as for 1937. Not one shilling was paid by way of commission for new business.

The report and accounts were unanimously adopted.

OLYMPIC PORTLAND CEMENT COMPANY, LIMITED

IMPROVED RESULTS

The twenty-eighth annual general meeting of the Olympic Portland Cement Company, Limited, was held, on the 28th ultimo, in London.

Mr John Lawson (the chairman) said that the net profits for the year, after providing for depreciation, amounted to £15,367 on deliveries of 428,958 barrels, compared with £13,000 in 1937 on 728,450 barrels.

Last year, when referring to the United States 10 per cent. withholding tax, he had warned the shareholders that the company would probably have to distribute future dividends under deduction of this tax, and this was now being done, with the result that, while the basic rate of 7½ per cent. was the same as last year, the net dividend received by shareholders outside the United States was 6½ per cent., save in Canada, where shareholders only responded for 5 per cent. withholding tax. He could not but regret the heavy burden of double taxation in the United States and in this country. With a view to the company being relieved of the obligation to deduct and withhold the 10 per cent. United States tax on dividends, the directors had continued their endeavours to obtain a permanent investment in this country for part of the surplus funds of the company. Negotiations were still in progress, but at the moment he could not put anything definite before the shareholders.

With regard to the Coulee Dam contract, as shareholders were advised in July, a contract was placed with the company for 600,000 barrels of cement for delivery over the twelve months to July 31, 1939. At the end of the year about 419,000 barrels had still to be delivered and from April till July, inclusive, shipments were expected to average 85,000 barrels per month. It had now been definitely decided to complete the High Dam, and when the present contract was delivered a further heavy call would be made on the plants in Washington. Their factory was therefore likely to be kept running full time for the remainder of this year.

Prospects for other business were satisfactory. All sales, apart from Coulee, for the first three months of this year totalled 213,000 barrels, which was an improvement on the preceding seasons.

The report and accounts were unanimously adopted.

THE UNION BANK OF SCOTLAND, LIMITED

SATISFACTORY RESULTS—STRONG POSITION

SIR A. STEVEN BILSLAND'S ADDRESS

The annual meeting of shareholders of The Union Bank of Scotland, Limited, was held, on the 3rd instant, Sir A. Steven Bilsland, Bart., M.C., chairman of the bank, presiding.

The Chairman, in the course of his speech, said that the total resources of the bank aggregated just over £40 millions, an amount which showed little change from last year. The steadiness of their figures for some time past had been an interesting feature. This year deposit and other balances, at fully £33 millions, showed a very moderate decrease of £218,000. Acceptances showed an increase of £93,000, while the total of notes in circulation was little changed. Their position continued to be one of great liquidity and strength. Cash and money at call and short notice amounted to £7,468,000, representing 22½ per cent. of deposits.

THE INVESTMENTS

The total of investments was just over £20 millions, an increase of £400,000 over last year. These investments, of course, consisted chiefly of British Government securities, with varying dates of maturity, and, to a large extent with definite dates of redemption. In cases where securities were purchased at a premium, it was the practice of the bank to provide a sinking fund in order that the individual stocks might be written down steadily to par value by the date of repayment. Their investments in the aggregate were worth more than the figure at which they stood in the balance-sheet, and, in view of the existing uncertain conditions and of the fact that on the date of the balance markets were greatly depressed, he was sure they would agree that this position was a highly satisfactory one.

Bills discounted showed a decrease of £616,000, partly on account of a reduction in our holding of Treasury Bills, which at the close of our financial year amounted to £605,000, as compared with £765,000 the previous year. In 1937 and 1938 they were very glad to be able to report increases in loans and advances amounting in all to two and a half millions and, although the addition of £283,000 now shown under this heading might appear small by comparison, this further increase in the facilities afforded was very welcome. The advances were numerous and well spread.

The profit for the year of £310,407 represented a decrease of approximately £2,000. Taking into account the fact that during the period under review increased taxation and rising salary and other costs had to be faced, he felt sure they would agree that the results were entirely satisfactory.

PROGRESS OF NEW INDUSTRIES

As regards the development of new industries, it was very gratifying to record that remarkable progress had been made in the past twelve months. The success achieved had shown that Scotland was as capable of developing new industries as other areas if facilities were provided for them. There was great need, however, for further progress in this direction and for recognition on the part of the Government that the special circumstances of Scotland required a wider application of the undoubted benefits of Government policy so far applied only in one area. Equally, it was essential that steps should be taken by the Government to deal with the urgent problems of the Highlands and Western Islands whenever the international situation made such action possible.

INTERNATIONAL SITUATION

Since the shareholders met a year ago, Great Britain and many other countries had passed through a most anxious time. Against their desires and from sheer necessity they had been forced to embark on a most extensive programme of armament, with resultant increase in taxation and further drain on the country's resources. They all deplored the folly which had made such action necessary and trusted that Europe and, in fact, the world, would be saved from a war which, while proving nothing, might, with the destructive power of modern weapons, very well threaten civilisation and would at best leave many of the existing problems that disturb international relations still to be solved. Under these circumstances, any prediction regarding the trade outlook was of no value, but he emphasised the necessity for doing the utmost to foster export trade, which formed such an important part of our national economy.

The report was unanimously adopted and a dividend at the rate of 18 per cent. per annum declared.

INSTITUTE OF CHARTERED ACCOUNTANTS

MR C. J. G. PALMOUR'S ADDRESS

Mr C. J. G. Palmour, president of the Institute of Chartered Accountants in England and Wales, delivering an address to the members at the annual general meeting of the Institute, held in London, on the 3rd instant, referred to the accounts for the year 1938. He then proceeded as follows:—

My predecessor referred last year to the subject of university training for the articled pupil. While I am convinced that pupils who live in a university town do obtain an advantage if they avail themselves of the educational facilities afforded, I cannot subscribe to the view that pupils who attend university lectures during the course of their articles should be given an advantage over those less fortunately placed to the extent of exemption from examinations or a shortened period of articles. Nor do I think it would be practicable to insist that all articled pupils, wherever they reside, should take a university course. Attention has from time to time been called to the fact that the Scottish societies require their pupils to attend a university course, but as fully three-quarters of the Scottish chartered accountants are in university cities no analogy can properly be drawn from those societies.

CO-OPERATION WITH STOCK EXCHANGE

The council were asked by the Committee of the Stock Exchange to consider a circular letter to be addressed to the secretaries of all companies regarding the method of announcing the declaration of dividends. The council deputed the vice-president, Sir Arthur Cutforth, and myself to attend these meetings and, after considerable discussion, we were able to agree the form the circular should take. The Committee of the Stock Exchange expressed their appreciation of our assistance in the matter. Further meetings were attended, the results of which have since appeared in the Press, in connection with the committee's consideration of the voting rights of Preference shareholders and the publication of consolidated statements of assets and liabilities of companies desiring permission to have their shares dealt in on the Stock Exchange. The Institute representatives, though in sympathy with the objects of the Stock Exchange, considered that matters of this kind should be dealt with by way of general legislation and not by way of rules applicable only to companies which in future apply to have their shares listed on the Stock Exchange.

I regret that the committees of the London and the Provincial Stock Exchanges do not appear to welcome the attendance of the accountant concerned when the elucidation of points arising on figures appearing in a prospectus becomes necessary.

LEGISLATION DURING THE YEAR

There has not been a great deal of new legislation during the past year affecting the profession.

Most members are no doubt familiar with the further provisions which were introduced with a view to tightening up the loopholes in the Income Tax Acts and, as a result of these provisions, opportunities for the legal avoidance of taxation are rightly becoming fewer.

It will be observed from the report that the provisions of the Prevention of Frauds (Investment) Bill have been under the consideration of the council. The Bill has not yet reached the Statute Book, but I have no doubt its provisions have been carefully studied by practising accountants and, from my consideration of it, I have formed the opinion that while not hampering legitimate financial business it will have a deterrent effect on the less reputable members of the financial community.

There has been a demand on the part of managers of unit trusts for the auditors to furnish certificates of yield for incorporation in advertisements and sales literature with the natural object of selling further units. In effect these certificates correlate present market prices of Stock Exchange securities to past dividends, and it is my considered opinion that where given they should be qualified in such terms as to leave the reader under no misapprehension, either as to the basis upon which they have been prepared or as to their inherent limitations.

The president also referred to the following matters:—
National Register and National Service;
The increased use made of the lending library scheme;
Proceedings at meetings of provincial societies; and
The Chartered Accountants' Benevolent Association.

HUDSON'S BAY COMPANY

INFLUENCE OF UNITED STATES CONDITIONS ON YEAR'S RESULT

The 270th annual general court of the Governor and Company of Adventurers of England trading into Hudson's Bay was held, on the 2nd instant, in London.

Mr P. Ashley Cooper (the Governor), in the course of his speech, said: Ladies and Gentlemen,—To-day is May 2nd, the 269th anniversary of the granting of our Charter. In these times of such unrest and anxiety, we should derive some reassurance from the fact that the old company has often before faced war and rumours of war, and yet has survived with life and vigour.

In my speech last year, I told you that our results during 1938 seemed likely to be dependent on the course of business in the United States; and, as this was unpredictable at that time, I felt compelled to refrain from making any definite forecast. In fact, American business conditions got steadily worse, until the closing months of 1938. It was impossible for Canada to remain unaffected by this, and almost every industrial activity declined during the year. That general results were not even worse was due very largely to the contribution which is now made to Canada's income by the various forms of mining; but even here, although production of the principal minerals increased, a fall in the prices of base metals resulted in a small decrease in total value.

LOWER TREND OF PRICES

The level of agricultural income in the West has, of course, a predominant influence on our operations. As you will have seen by the report, the wheat crop in the Prairie Provinces was very much larger than the year before, but, as crops in other producing countries showed similar increases, the world price of wheat declined sharply. As a result of this and of lower prices for other field crops, the general income of the Prairie Provinces was no greater than in 1937.

There is, of course, a third factor which is of the greatest importance to our company—the trend of fur prices in the world's markets. Here again, 1938 was generally a poor year. For the first six months prices declined and demand was, at the best, intermittent. Some improvement was shown over the second half of the year, but it was not very pronounced, or, at any rate, not sufficiently to counteract the previous decline.

You will see, therefore, that almost all the main influences on our trade have been against us and will not be surprised to hear that our profits have suffered.

Our profit on trading is £237,794, against £309,224. The net profit for the year is £110,503. This has enabled us to pay our preference dividend and 2½ per cent., less tax, on the ordinary shares.

The smaller profits of the retail stores department were a disappointment to us. In spite of the less favourable results, I am satisfied that the internal organisation of the retail stores department and the efficiency of its executives is constantly improving.

CURRENT YEAR'S OUTLOOK

I was reluctant to give a forecast last year, and I find myself no better placed to-day. A predominant influence on our operations must be the extent and the speed of recovery in the United States. If the present slight improvement in that country continues, and even becomes more marked, Canada will benefit considerably. This, combined with another good wheat crop and the continuance of mining development (both of which seem likely), would promise a good year; but there would still remain to be solved the important problems of marketing the wheat and of effecting a real improvement in the financial position of the provinces. In view of these continuing difficulties, I am afraid that we must anticipate some decline in revenue at least during the first six months of this year. Similarly, we cannot feel too certain about the future trend of fur prices. If world conditions were peaceful, I think we could justifiably expect the market to go ahead; but every fresh crisis in Europe is a further handicap to our trade.

Nevertheless, the more that I see and know of Canada, the more confidence I feel in her latent powers and potentialities. The short-term view may, indeed, seem dark and discouraging, but I know that we, particularly in this old company, can take the long view and have faith in Canada's inevitable growth and expansion, which must prove stronger than the present uncertainties and difficulties. In this advance I know that the company will take a leading part as it has always done throughout its history.

The report and accounts were unanimously adopted.

H. E. PROPRIETARY, LIMITED

DESCRIPTION OF THE COMPANY'S HOLDINGS

The ordinary general meeting of H.E. Proprietary, Limited, was held, on the 28th ultimo, at Winchester House, London.

Sir Frederic Hamilton (the chairman of the company) said that the accounts must be regarded as satisfactory in view of the conditions which had prevailed over the whole period they covered. Profits, it was true, showed a substantial reduction from £107,000 to £64,000, but, as he had pointed out more than once in recent years, their revenue had in the past been largely derived from profits on realisations and only in a secondary degree from dividends. Last year, for the first time, the position was reversed. The value of the investments at December 31st last, taking the market prices of the quoted securities and the directors' valuation of the unquoted securities, was substantially in excess of the figures appearing in the balance sheet, and, despite the further depression which had occurred since the end of last year, that statement could be accurately repeated to-day.

They were proposing to pay a final dividend of 15 per cent., less tax, making 20 per cent., less tax, for the year, and there would then remain a balance of £78,305 at the credit of profit and loss account, which it was proposed to carry forward.

ASSETS

Referring to the company's main assets, he said that the South African H.E. Company had a capital of £150,000 in 600,000 shares of 5s. each, all of which were owned by H.E. Proprietary. It had a strong financial position, holding between £70,000 and £80,000 cash. The Nigel Reef on the West Spaarwater Company's property was struck some three weeks ago in the shaft at a vertical depth of 5,000 ft., showing an average value of ¼ dwt. over 15 in. A little earlier a pilot borehole which had been put out at a depth of 4,769 ft. below the collar of the shaft had intersected the reef at a depth of 4,964 ft., giving the very satisfactory value of 23 dwt. over a corrected channel width of 13½ in., equivalent to 310 inch-dwt. In view of the exhaustion of the company's funds and the impossibility of finding a large amount of further working capital under existing conditions, it was decided to close down all operations.

Consistent and satisfactory progress was being made by the Luipaards Vlei Estate and Gold Mining Company, Limited. The preliminary additions to the treatment plant were now being reflected in increased throughput and working profit, while the expansion of development operations had met with highly encouraging results. For the year to June 30, 1938, 593,000 tons of ore were milled for a working profit of £228,299, and during the nine months since that date the throughput had been 483,100 tons, for a working surplus, including sundry revenue, of £222,575. At June 30, 1938, the ore reserve was estimated at 2,542,000 tons of an average value of 4.9 dwt. over a stoping width of 43.1 in. The expansion programme of the company to provide an ultimate throughput of 100,000 tons monthly was now well in hand. The new vertical shaft, the Turk Shaft, had at the end of March reached a depth of 1,747 ft. The ultimate objective of this shaft was 4,500 ft., and was intended to provide haulage for the major portion of the mill tonnage.

Australasian interests included holdings in the Gold Fields Australian Development Company, the Wiluna Gold Corporation, Lake George and Blackwater companies. Of these by far the most important was the Gold Fields Australian Development. Here progress had been unspectacular, but in the main fairly satisfactory. The Moonlight mine had continued to treat rather over 100,000 tons annually at a profitable rate.

The interest held in the Anglo-Huronian Company remained unchanged. The cash and liquid investment position of this company was strong, but here again the general conditions had not encouraged fresh business or important commitments.

MOUSSEC

Moussec had again had a good year, and since the close of its financial year at the end of October last sales had shown a further steady increase. It could, he thought, confidently be stated that Moussec had now established its reputation as to what it was—a genuine refined and palatable wine possessing the stimulating qualities without the acid reactions which often characterised foreign sparkling wines. It was satisfactory to learn that it was now widely recommended by the medical profession in cases of convalescence, in which the reaction, of course, was of supreme importance.

The report and accounts were unanimously adopted and the dividend as recommended was approved.

ENGLISH AND CALEDONIAN INVESTMENT COMPANY, LIMITED

MR HENRY S. LOEBL'S SPEECH

The 12th Annual General Meeting of the English and Caledonian Investment Co., Ltd., was held, on the 4th instant, in London.

Mr Henry S. Loebel (chairman) in the course of his speech, said:

The Company's investments stand this year at a book figure less contingency fund of £1,006,927, some £26,000 less than the previous year. The value of the investments at 31st March last was £813,639. There is, therefore, a depreciation on the book figure of 19.20 per cent. This shows a slight improvement compared with the position at 31st March, 1938, when the depreciation was 19.23 per cent.

As an indication of the effect on the value of our investments of the disturbing events which took place in Europe in March last, I may tell you that the market value of our investments fell by approximately £38,000 between 10th and 31st March, the day on which our valuation was made.

At the date of the Balance Sheet, the Company's portfolio consisted of 256 holdings with an average book value of £3,930, compared with 254 in the previous year with an average book value of £4,060. Classified, according to security, the Company's investments were distributed as follows:—

Within the Empire.		
Corporation Loans, Bonds and Debentures ...	2.48	per cent.
Preference Shares ...	17.16	"
Ordinary Shares ...	54.59	"
Total within the Empire ...	74.23	"
Outside the Empire		
Loans, Bonds and Debentures ...	7.42	per cent.
Preference Shares ...	8.60	"
Ordinary Shares ...	9.75	"
Total outside the Empire ...	25.77	"
Grand Total ...	100.00	"

In continuance of the policy outlined by me last year, we have transferred a further sum of £5,000 from revenue to general reserve, increasing this item to £25,000.

The net revenue for the year amounted to £32,390, approximately £500 more than for the previous year. After allowing for income tax and a full year's dividend on the preference stock, there remains available a sum of £13,352 against the sum of £12,772 for the previous year. Expressed as a percentage, the earnings on the ordinary stock were 9.03 per cent. against 8.64 per cent.

Including the amount brought forward from the previous year, the amount available is £16,641. An interim dividend of 1½ per cent., less income tax, has already been paid on the ordinary stock and your directors now recommend the payment of a final dividend of 3½ per cent., less income tax, making a total distribution of 5 per cent. for the year.

WORLD CONDITIONS

Since our last annual general meeting, world conditions have gone from bad to worse. Germany has again been the main source of the world's troubles. Having achieved strength largely with money filched from the pockets of the investing public in England, America and other countries, Germany is wielding her power to the detriment of the rest of Europe, and has now made it abundantly clear that she feels herself free to dishonour her political as well as her financial obligations. Other countries, direct victims of Fascist aggression, are being forced to default on their bonds also, and all the European countries are forced to arm themselves on a scale which is straining their financial resources very severely.

In view of all these circumstances, it is not surprising that the trend of trade and stock markets throughout the world reflects profound uneasiness and lack of confidence. It is the present intention of your Board to adhere to their declared policy of keeping a very large proportion of the company's funds invested within the British Empire. As I have already stated, the proportion of our funds so invested was 74 per cent. on March 31st; this compares with 73 per cent. on March 31, 1938.

Bearing in mind the conditions ruling during the period under review, you will doubtless consider the company's results for the past year far from unsatisfactory.

At this time of acute international tension it is more than ever difficult to assess prospects, but, although the possibility of some reduction in our income during the current year should not be ignored, your Board see, so far, no reason to anticipate a reduction.

The report was unanimously adopted.

SOUTH-EASTERN GAS CORPORATION, LIMITED

INCREASED SALE OF GAS

The seventh ordinary general meeting of the South-Eastern Gas Corporation, Limited, was held at their offices, 84 Horseferry Road, London, S.W.1, on the 3rd instant.

Sir David Milne-Watson, Bart., LL.D., D.L. (the chairman), said that sales of gas had been adversely affected by the mild weather. It was most satisfactory, therefore, to record that, taking all the companies associated with the Corporation as a whole, there was a small increase in the sale of gas. The net result of the year's operations was that £162,399 remained to be carried to the net revenue account, compared with £156,607 in the previous year. An interim dividend of 3 per cent., less tax, was paid in September, and the directors recommended a final dividend of 3 per cent. The net revenue for the year would again have been sufficient to pay a dividend of more than 7 per cent. on the ordinary shares.

There were now only 3,703 ordinary shares of £1 each available for issue. In order to meet possible requirements in the future a resolution would be proposed to increase the authorised share capital to £5 millions by the creation of 1,000,000 additional ordinary shares of £1 each.

A report on the gas industry had just been issued by the Political and Economic Planning Group. That independent report stressed the great importance of the gas industry in the national economy, both in peace and war. It drew special attention to the large number of small units which still existed in the industry. The suggested scheme of reorganisation contemplated the formation of local gas undertakings into regional groups.

In spite of the uncertainties of the international situation, the sales of appliances last year had been maintained at a very satisfactory level and no less than six companies had record sales. Several public lighting contracts had been obtained, among which he might mention a seven-year contract with the Chatham Corporation and five-year contracts with the Boroughs of Slough and Windsor and the Urban District of Uxbridge.

The report was unanimously adopted and the increase of capital approved.

SOUTHERN AREAS ELECTRIC CORPORATION, LIMITED

INVESTMENT POLICY BROADENED

The Rt. Hon. Viscount Elibank, presiding at the sixth annual general meeting of the Southern Areas Electric Corporation, Limited, held in London on April 28th, said that, in common with many others responsible for operating electricity supply undertakings, 1938 was, in some respects, a difficult year for the company. As the result of new legislation affecting the coal industry, there had been an increase in the cost of coal. There had also been a rise in the maximum demands in all areas during the excessively cold weather in December last, adversely affecting profits. It was estimated that increased coal cost and maximum demand charges—under their bulk supply tariff—would have been £2,700 less had conditions in 1938 been more normal. Coincident with these increased costs were certain tariff reductions which operated during the year in some areas. Taking their undertakings as a whole, the lower average price per unit received during the year represented a reduction of £4,600 in the total revenue received from the sale of current, compared with what would have been collected had the 1938 charges been the same as those ruling in 1937. These two factors, which together cost the company £7,300, were mainly responsible for the profits for 1938 being £31,985, as compared with £37,953.

During 1938 the units sold increased by approximately 14 per cent.; the net receipts from the sale of current by less than 10 per cent. There was an 8 per cent. increase in the number of new consumers connected to the mains.

The issued share capital remained the same as last year, for they had financed further investments in the subsidiary and other companies by bank loans on favourable terms. They had taken an interest in another small electrical manufacturing company and had acquired a substantial interest in an electric cable manufacturing company. The directors were satisfied that in the general interest of shareholders their policy of broadening the basis of investments had proved, and would continue to prove, a sound policy.

The profits available for distribution amounted to £48,015, and a final dividend of 3 per cent., making 5 per cent. for the year, the same as last year, was now recommended.

The report was unanimously adopted.

APOLLINARIS AND PRESTA, LIMITED

INCREASE IN PROFITS

The forty-second ordinary general meeting of this company was held, on the 2nd instant, in London.

The Chairman, Mr John Douglas Broad, F.C.A., said that the moderate increase in profits for the year ended December 31, 1938, viz. £1,379, indicated progress, and the cash position was stronger by £5,233; there was no liability to the company's bankers here, and the directors' fees had been voluntarily reduced by 20 per cent. Had they been able to include sums due from Germany, the rise in profits would have been greater. The moratorium with the debenture stockholders and the debenture deferred interest certificate holders had been extended as the political tension, so damaging to their business, had persisted and in fact been accentuated during the past year.

Export business was so subordinated to restrictions and regulations that he sometimes wondered they were able to carry on business at all.

In present circumstances it was more than ever necessary to develop their sales of other articles. Their Presta waters, including grape fruit, orangina, tonic water, ginger ale, lemonade, etc., continued to progress, and the Presta sales during 1938 showed a large increase. Two further articles had been added—Presta Tomato Cocktail and Presta Passion Fruit Juice.

With regard to the future, the board was still optimistic, as was indicated by the fact that they had increased the payment to the debenture holders from 2½ per cent. to 3 per cent. per annum.

The managing director, Mr Francis J. Schilling, announced that the company have recently extended the scope of their already satisfactory business in natural mineral waters by their appointment as sole distributing and selling agents in the United Kingdom and Ireland for the leading French table water, Perrier. Major Percy C. Burton, O.B.E., on behalf of Perrier, had joined the board, and the directors believed that the agreement with Perrier would be to the benefit of the shareholders.

The report and accounts were adopted.

RIO TINTO COMPANY, LIMITED

A DIFFICULT YEAR

The sixty-sixth ordinary general meeting of the Rio Tinto Company, Limited, was held, on the 28th ultimo, in London.

The Rt. Hon. Sir Auckland Geddes, G.C.M.G. (the chairman), said that the year 1938 had been, as so many recent years had been, an extremely difficult one for the company in so far as its interests were in Spain. Fortunately, within the last few weeks the war had come to an end, and it was possible to review its effect upon their financial position. The accumulation of pesetas, received or due at December 31, 1938, was Ptas. 36,275,071. The total value of goods and sterling delivered to the Spanish authorities had passed £2,850,000. Certain difficulties in the way of export continued, notably the prohibition of export to France, which was particularly damaging to the company's competitive position.

Mining operations had proceeded regularly and without interruption, apart from a few difficulties and delays in obtaining supplies, which, in the circumstances, had not been excessive. Shipment of ores had been subject to some restrictions and had amounted to 1,282,972 tons as compared with 1,424,998 tons in the previous year. A new feature of their operations had been the recovery of gold in the form of a concentrate.

Their labour force in Spain had rendered excellent service throughout the year, and, apart from one or two departments in which the absence of young men had been felt, its efficiency had been fully maintained.

In spite of all problems, the results shown on the revenue account were, he thought, not unsatisfactory. It would be noted, however, that the net profit was well below the income received from Rhodesian investments. That indicated the drain upon their Rhodesian income necessary to meet the exchange requirements of the Spanish authorities.

With regard to their Rhodesian interests, since he last addressed them he had re-visited Nkana and Nchanga and was more than satisfied with the progress made by the Rhokana Corporation and the Nchanga Consolidated Copper Mines. He had also visited Mufulira, in which indirectly through the Rhokana Corporation they were interested, and that mine also was doing well.

The report was adopted.

LONDON ELECTRIC WIRE COMPANY AND SMITHS, LIMITED

POSITION FULLY MAINTAINED

The thirtieth annual general meeting of the company was held, on the 4th instant, in London.

Mr W. J. Terry (chairman and managing director) said that the company's cash was only £12,858 short of the total liabilities, quite apart from marketable securities, and the strong liquid position showed a favourable balance of £845,505, after deducting current liabilities from current assets.

Throughout 1938 trading conditions were difficult because of the uncertain international situation. The downward trend which started towards the end of 1937 continued throughout the first half of 1938, but during the latter part the demands of the trade remained fairly constant.

The sales of the company during 1938 were appreciably less than in 1937, which was a record year. Unspecified contracts carried forward into 1939 were lower than those brought forward at the commencement of 1938. Outstanding orders, however, bore a fair relation to current trade demands.

The export sales of the company during the year increased by nearly 50 per cent., although mostly at unsatisfactory price levels, due to inequitable competition through subsidised exports from foreign countries. The question of our exports was all the more vital because of the desire amongst nations to become self-sufficient.

It was well-nigh impossible to forecast the future. Their trading results for 1939 should parallel closely with those of last year if no world catastrophe occurred. With the present international situation, however—overshadowing everything—it was quite impossible to foretell what might happen in the near future. In the conditions which prevailed to-day there was naturally a general reluctance to embark upon entirely new enterprises for the employment of surplus funds, owing to a lack of confidence in the future.

It was proposed to recommend the same final ordinary dividend of 5½ per cent. as in the two previous years, making a total of 7½ per cent., less tax, for the year. Their company's financial position was intrinsically sound, and he could assure them that every effort would be continued by all to advance the company's interests.

The report was unanimously adopted.

PATALING RUBBER ESTATES, LIMITED

STANDARD PRODUCTION INCREASED

The 19th ordinary general meeting of The Pataling Rubber Estates, Limited, was held, on the 3rd instant, in London.

Mr H. Eric Miller (the chairman), in moving the adoption of the report and accounts, said that a year ago, when they were considering the satisfactory results of the 1937 operations, he said it was a matter for regret that prospects were much less favourable. The market price of rubber at that time was, in fact, less than 6d. per lb. Bearing that figure in mind, the average net sale price recorded for the 1938 crop, equivalent to 8½d. per lb., London landed terms, had worked out much better than at that time seemed probable. The strong financial position of the company enabled them to suspend sales while the market was unduly depressed, and this policy was gradually rewarded as a result of the drastic contraction in the permissible rate of export. Only a much smaller crop could be accounted for; the 1938 figure of 2,851,116 lbs. compared with 4,138,577 lbs. for 1937. Special cultivation measures were being continued in both the old and younger areas, and having the labour available to speed up this work they carried through a larger programme in 1938, the cost of which had been charged to revenue account.

The directors recommended a final dividend of 4½ per cent., subject to income tax, making 7½ per cent. for the year. The dividend was just half that distributed on account of 1937, and bearing in mind the fact that the present issued capital of the company was substantially less than the amount of money actually sunk in the estates, it could not be called a handsome return. Nevertheless, the earning of it redounded to the credit of the estates staff, who were competent and conscientious.

The Pataling Company had always enjoyed high repute and would give as good an account of itself as circumstances, beyond their control, permitted. In conclusion, he would add that, as a result of representations to the proper authority, the company's standard production for 1939 had been raised by nearly 100,000 lbs. to 5,281,301 lbs.

Mr D. S. Gardner, in seconding the motion, gave an account of his visit to the company's estates, and said it was a great pleasure to express the opinion that all the estates were in first-class order. The resolution was unanimously adopted.

THE LONDON ASIATIC RUBBER AND PRODUCE COMPANY, LIMITED

LOW CAPITALISATION PER ACRE

At the annual general meeting of the above company, on the 1st instant, the chairman, Mr H. J. Weich, said:—

In 1938 the rubber-growing industry experienced more difficult conditions than in the previous year.

Price.—Fortunately this company had forward sales of 756 tons of rubber at prices equivalent on the average to 11.3d. per lb. gross for rubber landed in London. The probability of an improvement in prices appeared strong enough to justify the board in keeping a considerable part of the company's output of sheet off the market. This policy was amply justified by events, and our average London equivalent price received for all grades during the year was nearly 2d. per lb. above the average London price for No. 1 sheet.

Crop and Cost of Production.—The crop showed a decrease of no less than 1,707,756 lb., and it was produced at about ½d. per lb. more, which is about the extra amount spent on cultivation.

The dividend recommended for the year, including the interim dividend paid in October last, amounts to 10 per cent. Our recommendations include a further allocation of £10,000 to the dividend equalisation reserve. The dividend is paid on a very low net capitalisation per planted acre.

Condition of Properties.—According to our visiting agent's reports, the estates are in first-class condition, and our colleague, Mr J. C. Henderson, has emphatically confirmed these advices.

Net Cost per Planted Acre.—Our total issued capital amounts only to about £31 12s. per planted acre. When allowance is made for surplus liquid assets, equal to £9 7s. per planted acre, the net cost of our planted areas is only £22 5s., without any allowance being made for the value of the reserve lands of over 16,000 acres.

Development of New Plantings.—The decision to allow rubber estates to plant during 1939 and 1940 new areas up to 5 per cent. of their previously planted areas, gives the company an opportunity

(Continued from page 334)

Metals

Copper.—The London market was quiet and demand below normal this week. Prices fluctuated within narrow limits and standard cash closed at £41 13s. 9d. per ton on Wednesday, 1s. 3d. lower on the week. Greater activity was reported from the United States. Domestic sales advanced from 28,678 short tons in March to 60,223 short tons in April, the highest total since October. As a result, the American Smelting and Refining Company raised its price to the official level of 10.25 cents per lb., while Phelps-Dodge quoted 10.50 cents per lb.

★

Tin.—Tin prices continued to advance and closed £1 15s. higher on the week at £225 5s. per ton, the highest official price since October, 1937. Owing to the shortage of spot supplies the buffer pool lent a considerable tonnage to the market. The total visible supply at the end of last month, at 32,585 tons, was 287 tons lower than at the end of March. Deliveries during April, at 9,420 tons, were 1,233 tons higher than in March, while supplies advanced to 9,635 tons against 9,063 tons in March. The outlook on the market is still dependent on the maintenance of United States purchases.

★

Lead and Spelter.—Although demand showed some improvement this week it was not reflected in prices. Lead declined by 1s. 3d. to close at £14 7s. 6d. per ton, while spelter was reduced by 3s. 9d. to £13 10s. per ton. Lead stocks in home warehouses fell from 13,536 tons on March 31st to 13,296 tons on April 30th. Spelter stocks fell simultaneously from 24,321

tons to 23,842 tons. In both cases the present level of stocks is below rather than above normal.

Grains

HIGHER freights, unfavourable crop reports in the United States and improved Continental buying led to a steady advance in wheat prices during last week; London May futures rose by 1s. 2d. per quarter to 23s. 6d. per quarter. Shipments from the Argentine are increasing in volume, with a corresponding fall in shipping tonnage available there, and more interest has also been shown in Australian wheat by European purchasers. It is reported from France that the Wheat Office will for 1939 guarantee the growers a minimum price only on that part of the crop sold for domestic consumption—a policy which should limit French exports of wheat in the coming season. The maize and barley markets have been firm in sympathy with wheat prices.

Other Foods

Provisions.—Bacon prices were reduced by 4s. to 5s. per cwt. at the end of last week, since when the market has been steady at the lower level. Veal and pork have sold well, with correspondingly firm markets for calves and small pigs, but other fresh meat has found a slow market.

★

Colonial Produce.—Sugar prices have risen very sharply during the past week. Centrifugals (96 degrees) for prompt shipment were on Wednesday quoted in London at 8s. 4½d. per cwt., a rise of 9d. on the week, and prices for refined have been marked up accordingly. There was also a firmer market for cocoa and for mild coffees.

of extending its planting by some 1,470 acres, and this we propose to do.

The 1939 crop will be reduced and will probably cost slightly more. No part of it has been sold forward.

The report and accounts were adopted unanimously.

BEKOH CONSOLIDATED RUBBER ESTATES, LIMITED

The nineteenth ordinary general meeting of Bekoh Consolidated Rubber Estates, Limited, was held, on the 28th ultimo, in London. Mr E. F. Slade, J.P. (the chairman) said: At our last general meeting we dealt with accounts covering a period of 18 months. To-day we are considering figures relating to the period of 12 months. In comparing the figures this factor must be remembered.

Our standard production allowance suffered at the hands of the Committee in a way that seemed to us unreasonable. In response to appeals for reconsideration, we happily received some redress. Our standard allowance for 1938 was 2,491,148 lb., for 1939 it is 2,487,048 lb., and the result of a further appeal is awaited with interest.

In spite of the fact that we were only allowed to export an average of 55 per cent. of our standard production during 1938, our cost per lb. only increased by less than ½d. per lb. This was brought about by constant care and attention, both in the East and in London.

The gross price secured for the whole exportable crop, including that sold locally, in 1938 was 7½d., as against 8½d. in the previous financial period. Here again credit must be given to our secretaries and agents in London for their management and the selling of our crop.

When we last met just over a year ago I told you that we must look forward to reduced profits. Unfortunately, this proved correct. I am aware of the dangers of prophecy, but I feel strongly that 1939 should show rather better results than 1938, provided, of course, that the even tenor of our way is not upset by international absurdities.

The report and accounts were adopted.

Fruit and Vegetables.—The supply of old potatoes is running out and although good samples maintain their value, the bulk of the inferior produce can only be sold at lower prices. New potatoes are also cheaper, with larger supplies from the Channel Islands.

Miscellaneous Commodities

Vegetable Oils and Oilseeds.—The markets generally have a steadier tone and prices in many instances were influenced by rising freight rates. The prospects for the new Indian linseed crop are promising and private estimates indicate an out-turn of 420,000 to 430,000 tons, against the final figure of 457,000 tons last season.

★

Rubber.—Business on the market has again been very limited and prices have fluctuated within narrow limits; standard sheet closed unchanged on the week at 7½d. per lb. The next meeting of the International Rubber Regulation Committee which is to be held on May 16th is at present a less important influence on the market than world politics, but America seems to be hoping for an increase in the exportable percentage.

★

Furs.—The London general spring sales continued in a slow manner. France showed very little interest and United States buying also declined as the sale progressed. Withdrawals, therefore, are on the increase, though prices have maintained the levels quoted during the first days of the sale. South-West African Persian lambs showed an advance of 5 per cent. on January and lynx furs were very firm. Business on the free market is practically at a standstill owing to the political uncertainty.

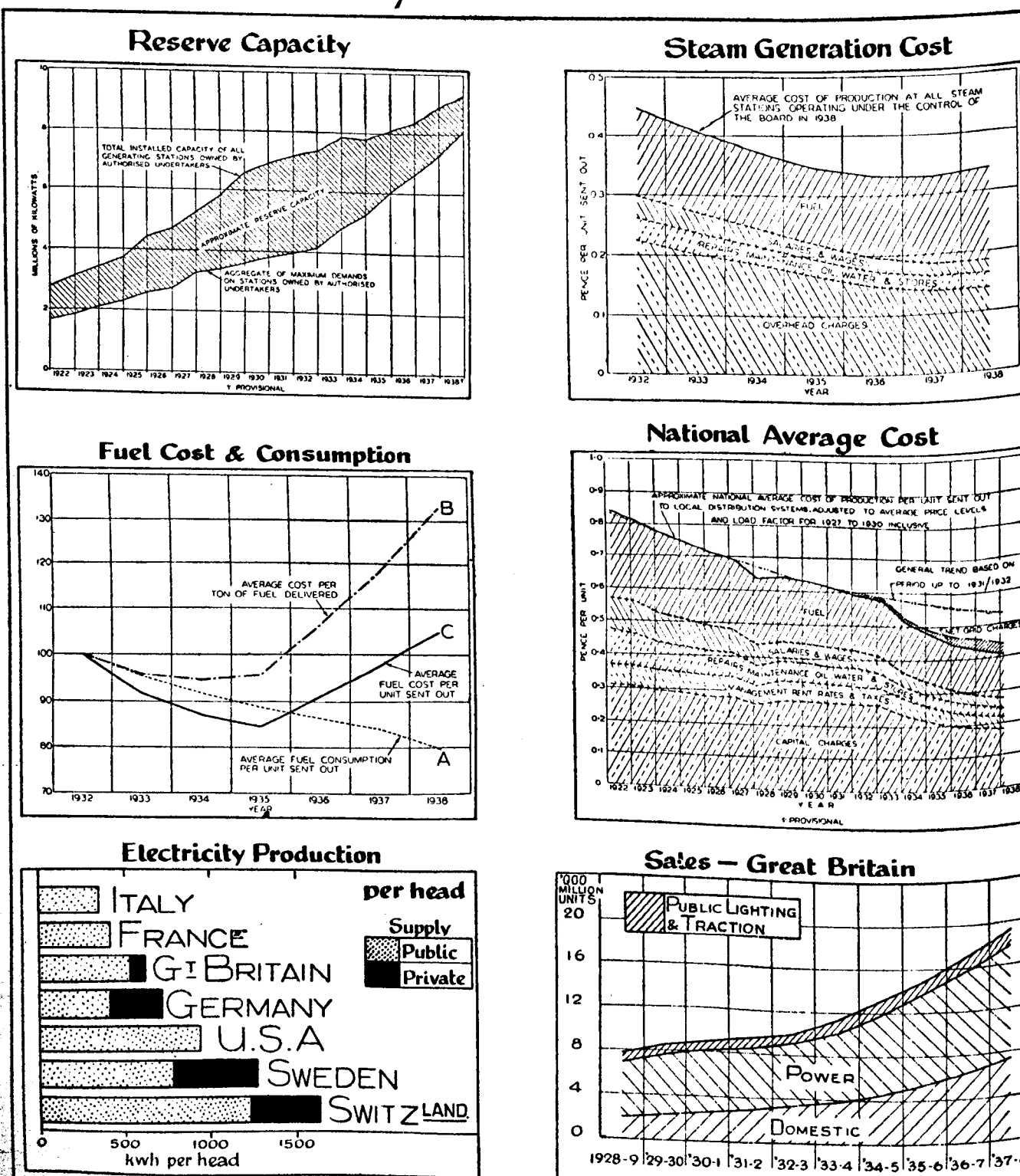
CURRENT STATISTICS

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Electricity and the "Grid"



The first four diagrams are reproduced from the Central Electricity Board's report for 1938. Electricity production statistics for Italy, France and the United States refer only to public undertakings, and the amount of privately generated electricity is not recorded.

Finance

GOVERNMENT RETURNS

For the week ended April 29, 1939, total ordinary revenue was £10,009,000, against ordinary expenditure of £28,875,000. Thus, including sinking fund allocations, the deficit accrued since April 1, 1939, is £34,965,000, against £24,196,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	Apr. 1, 1938, to Apr. 30, 1938	Apr. 1, 1939, to Apr. 29, 1939	Week ended Apr. 30, 1938	Week ended Apr. 29, 1939
ORDINARY REVENUE	7,410	8,062	119	11
Income Tax	3,230	3,580	360	600
Sur-tax	5,330	5,180	920	900
Estate, etc., Duties	1,190	1,200	710	510
Stamps	540	1,520	120	360
Nat. Defence Cont.	40	100	...	...
Other Inland Rev.	40	100	...	...
Total Inland Rev.	17,740	19,642	2,229	2,381
Customs	17,151	19,593	4,207	5,176
Excise	9,300	9,678	1,200	978
Total Customs and Excise	26,451	29,271	5,407	6,154
Motor duties	3,060	3,010	501	493
P.O. (Net Receipt)	2,500	2,140	400	480
Crown Lands	150	200	...	200
Receipts from Sundry Loans	61	58	...	3
Misc. receipts	733	668	57	298
Total Ordinary Rev.	50,695	55,029	8,594	10,009
SELF-BAL. REVENUE				
P.O. and Broadcasting	5,300	4,920	2,100	2,020
Total	55,995	59,949	10,694	12,029

Expenditure	Issues out of the Exchequer (£ thousands)			
	Apr. 1, 1938, to Apr. 30, 1938	Apr. 1, 1939, to Apr. 29, 1939	Week ended Apr. 30, 1938	Week ended Apr. 29, 1939
ORDINARY EXPENDITURE	23,588	23,883	375	498
Interest & Management of National Debt	257	278	256	277
Payts. to N. Ireland	288	303	11	24
Other Consol. Fund Services	24,133	24,464	642	799
Supply Services	50,454	65,216	22,754	28,076
Total	74,587	89,680	23,996	28,875
SELF-BALANCING EXPENDITURE				
P.O. and Broadcasting	5,300	4,920	2,100	2,020
Total	79,887	94,600	25,496	30,895

After reducing Exchequer balances by £20,281 to £2,602,540, the other operations for the week (as shown below) raised the gross National Debt by £18,846,000 to about £8,323 millions.

WEEK'S CHANGES IN DEBT

NET INCREASES		NET REPAYMENTS, ETC.	
Public Debt Adv.	Treasury Bills	Nat. Savings Certs.	P.O. and Telegr.
11,710	7,661	150	350
		N. At. Shipping	25
			525

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to April 29, 1939, are shown below:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	89,680	Ordinary Rev.	55,029
Inc. in balances...	103	Gross borr.	35,069
		Less Sinking Funds	315
		Net borrowing	34,754
	89,783		89,783

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1938					870.2	325.2
Apr. 30 1939	545.0	288.6	36.6	...	1,040.2	565.5
Jan. 7	474.0	524.5	41.0	0.7	1,011.5	626.6
" 14	449.0	525.5	37.1	...	987.5	551.7
" 21	426.0	524.1	37.6	...	968.1	557.1
" 28	411.0	517.8	39.3	...	952.8	556.8
Feb. 4	396.0	520.1	36.7	...	922.2	541.2
" 11	391.0	502.4	38.8	...	891.2	537.5
" 18	366.0	498.6	38.9	...	860.5	537.5
" 25	351.0	500.0	40.2	...	830.2	540.2
Mar. 4	346.0	509.8	40.2	6.0	802.0	450.0
" 11	351.0	503.2	45.9	...	800.2	549.1
" 18	356.0	505.7	41.8	...	803.5	547.5
" 25	366.0	502.2	43.4	...	811.6	545.6
Apr. 1	387.0	510.8	34.4	...	832.2	545.2
" 8	394.0	511.7	35.4	...	841.2	547.2
" 15	402.0	498.0	39.1	...	839.1	537.1
" 22	409.0	498.7	50.8	...	858.5	549.5

* 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					
Apr. 29	45.0	80.3	45.0	10	1.99
1939					
Jan. 6	25.0	60.3	25.0	11	0.08
" 13	25.0	65.1	25.0	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	83.3	40.0	10	1.01
" 17	40.0	73.8	40.0	10	1.32
" 24	45.0	57.9	45.0	14	7.44
" 31	45.0	55.8	42.0	25	6.72
Apr. 6	35.0	58.0	32.0	26	2.83
" 14	30.0	51.3	30.0	31	2.37
" 21	30.0	66.0	30.0	26	10.35
" 28	30.0	63.5	30.0	24	3.67

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 April 28th applications at £99 13s. 10d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted at about 31 per cent. and applications at higher prices in full. Applications at £99 13s. 11d. for bills to be paid for on Saturday were accepted in full. £30.0 millions of Treasury bills are being offered on May 5th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
Fifteen weeks to—		
April 16, 1938	10,364,065	7,773,048
April 15, 1939	9,498,302	7,123,691
Week to—		
April 16, 1938†	573,619	430,214
April 8, 1939†	589,412	442,059
April 15, 1939†	443,553	332,665

† 5 days only.

BANK OF ENGLAND RETURNS

MAY 3, 1939

ISSUE DEPARTMENT

(£ thousands)		(£ thousands)	
Notes Issued:		Govt. Debt	11,015,100
In Circulation	495,456,184	Other Govt. Securities	287,650,111
In Banking Dept.	30,703,821	Other Secs.	471,265
		Silver Coin	863,524
		Amt. of Fid. Issue	300,000,000
		Gold Coin & Bullion†	226,160,005
			526,160,005

BANKING DEPARTMENT

(£ thousands)		(£ thousands)	
Props.' capital	14,553,000	Govt. Secs.	111,906,164
Res.	3,179,966	Other Secs.:	
Public Depts.*	10,488,707	Discs., etc.	8,175,241
		Securities...	21,941,950
Other Depts.:			
Bankers	108,214,120		30,117,191
Other	37,041,081		30,703,821
	145,255,201	Notes & Silver Coin	749,698
			173,476,874

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

THE WEEK'S CHANGES

Both Departments	Compared with	
	Amt. May 3, 1939	Last Week
COMBINED LIABILITIES		
Note circulation	495,456 +	6,376 +
Deposits: Public	10,488 -	16,468 -
Bankers	108,214 +	16,789 -
Others	37,041 -	548 +
Total outside liabilities	651,200 +	6,149 -
Capital and res.	17,733 +	24 +
COMBINED ASSETS		
Govt. debt and securities	410,571 +	4,931 +
Discounts and advances	8,175 +	2,004 -
Other securities	22,413 -	607 +
Silver coin in issue dept.	864 +	24 +
Gold coin and bullion†	226,910 -	179 -
RESERVES		
Res. of notes & coin in banking department...	31,453 -	6,555 -
Proportion of reserve to outside liabilities—		
(a) Bank, dept. only ("proportion")	20.1%	4.2%
(b) Gold stocks to deposits and notes ("reserve ratio")	34.9%	0.3%

† Revalued from Mar. 1, 1939, in accordance with the Currency and Bank Notes Act, 1939.

COMPARATIVE ANALYSIS*

	(£ millions)				
	1938	1939	1938	1939	1939
Issue Dept.:					
Notes in circ.	490.5	489.7	485.0	489.1	495.5
Notes in bank-	35.9	36.5	41.2	37.1	30.7
Govt. debt and securities	199.8	298.9	298.5	298.5	298.7
Other sec.	0.2	0.3	0.7	0.7	0.5
Silver coin	0.0	0.8	0.8	0.8	0.9
Gold, valued at s. per f. oz.	326.4	226.2	226.2	226.2	226.2
Deposits:					
Public	10.7	17.7	22.1	27.0	10.5
Bankers	117.4	97.7	96.5	91.4	108.2
Others	36.0	40.9	38.8	37.6	37.0
Total	164.1	156.3	157.4	156.0	155.7
Bkg. Dept. Secs.					
Government...	117.8	108.7	102.0	107.2	111.9
Discounts, etc.	8.2	6.3	6.7	6.2	8.2
Other	19.2	21.5	24.2	22.3	21.9
Total	145.3	136.5	132.9	135.7	142.0
Banking dept. reserve	36.7	37.5	42.2	38.0	31.4
"Proportion"	22.3	24.0	26.7	24.3	20.1
Reserve ratio†	50.0	35.2	35.4	35.2	34.9

* 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 23, 1938. The latest returns of the Bank of Portugal appeared in our issue of February 4th; Denmark of April 15th; International Settlements and South Africa, of April 22nd; Argentine, Canada, Egypt, Hungary, India, Iran, Java, Yugoslavia, Lithuania, Norway, and Poland, of April 29th.

U.S. FEDERAL RESERVE BANKS

Million \$'s	May 5, 1938	Apr. 27, 1939	Apr. 27, 1939	May 4, 1939
12 U.S.F.R. BANKS				
Gold certifi. on hand and due from Treas.	10,641	12,573	13,031	13,120
Total reserves	11,085	12,943	13,429	13,491
Total cash reserves	435	361	382	364
Total bills discounted	8	3	3	3
Bills bt. in open mkt.	1	1	1	1
Total bills on hand	9	3	4	4
Industrial advances	17	14	13	13
Total U.S. Govt. secs.	2,564	2,564	2,564	2,564
Total bills and secs.	2,590	2,581	2,581	2,581
Total resources	14,338	16,211	16,697	16,795
LIABILITIES				
F.R. notes in circ.	4,148	4,398	4,433	4,465
Aggregate of excess mtr. bank res. over reqts.	2,440	3,710	4,120	4,080
Deposits — Member-bank reserve account	7,504	9,318	9,903	9,872
Govt. deposits	1,429	1,103	913	936
Govt. deposits	9,286	10,891	11,332	11,362
Cap. paid in and surplus	309	311	311	311
Total liabilities	14,338	16,211	16,697	16,795
Reserve to depts. and F.R. notes	82.5%	84.7%	85.1%	85.2%
U.S.F.R. BANKS AND TREASURY COMBINED				
Monetary gold stock	12,870	15,292	15,714	15,801
Treasury and Nat. Bk. currency	2,693	2,838	2,849	2,851
Money in circulation	6,407	6,855	6,860	6,915
Treasury cash and deposits with F.R. Bks.	3,625	3,815	3,606	3,627

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

May 5, 1938	Apr. 27, 1939	Apr. 27, 1939	May 4, 1939
Total gold reserves	4644.8	5979.7	6355.1
Total bills discounted	2.2	0.5	0.6
Bills bt. in open mkt.	0.2	0.2	0.2
Total U.S. Govt. secs.	745.8	722.0	721.9
Total bills and secs.	752.8	726.5	726.4
Deposits — Member-bank reserve account	3478.0	5073.9	5390.7
Reserve to depts. and F.R. notes	87.5%	90.4%	90.9%

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

Apr. 20, 1938	Mar. 22, 1939	Apr. 12, 1939	Apr. 19, 1939
Assets			
Loans, total	8,585	8,209	8,120
Investments	20,809	13,533	13,571
Reserve with Federal Reserve banks	5,980	7,379	7,866
Due from domestic bks.	2,188	2,572	2,585
LIABILITIES			
Deposits: demand	14,451	15,976	16,388
Time	5,221	5,212	5,213
U.S. Government	605	630	629
Inter-bank	5,874	6,501	6,577

REICHSBANK
Million Reichsmarks

Apr. 30, 1938	Mar. 31, 1939	Apr. 22, 1939	Apr. 29, 1939
Assets			
Gold	1938	1939	1939
Of which depts. abroad	70.8	70.8	70.8
Res. in foreign currencies	20.3	10.6	10.6
Bills and cheques	585.2	918.0	694.8
Silver and other coins	152.3	149.3	201.1
Advances	59.0	57.6	35.9
Secs.: for note cover	417.9	677.2	668.1
Other assets	1461.5	1339.8	1507.1
LIABILITIES			
Notes in circulation	6086.2	8310.9	7649.4
Other daily maturing obligations	1030.8	1249.4	1046.2
Other liabilities	238.2	547.6	553.8
Cover of note circulation	1.25%	0.92%	1.00%

BANK OF FRANCE.—Million francs

Apr. 28, 1938	Mar. 30, 1939	Apr. 20, 1939	Apr. 27, 1939
Assets			
Gold	1938	1939	1939
Bills: Commercial	11,517	10,966	10,583
Bought abroad	790	726	726
Advances on securities	3,700	3,332	3,362
Thirty-day advances	879	172	302
Loans to State without interest: (a) general	3,200	10,000	10,000
(b) provisional	40,134	20,577	20,577
Negotiable bonds	5,575	5,470	5,470
Sinking Fund Dept.	4,109	4,685	4,235
Other assets	98,519	120,303	120,304
LIABILITIES			
Deposits: Public	2,802	3,771	3,773
Private	21,101	14,907	17,819
Other liabilities	3,290	3,107	2,848
Gold to sight liabilities	45.5%	62.7%	63.7%

* Revalued Nov. 17, 1938, at 27½ milligrams.

AUSTRALIAN COMMONWEALTH BANK.—Million £'s

Apr. 25, 1938	Mar. 27, 1939	Apr. 17, 1939	Apr. 24, 1939
Assets			
Gold and English stg.	16.01	16.03	16.03
Other coin, bullion, &c.	4.98	5.33	5.91
Call money, London	27.19	19.07	17.54
Secs. and Treas. bills	91.49	54.95	52.92
Discounts and advances	12.86	16.02	16.80
LIABILITIES			
Notes issued	51.03	47.53	49.53
Res. pm. on gold sold	7.75	7.75	7.75
Deposits, etc.	85.89	85.49	83.81

NATIONAL BANK OF BELGIUM
Million belgas

Apr. 28, 1938	Mar. 30, 1939	Apr. 20, 1939	Apr. 27, 1939
Assets			
Gold	3,123	3,059	3,065
Silver and other coins	1,132	678	534
Foreign exchange, etc.	575	716	937
Bills and securities	32	149	132
Advances	4,390	4,324	4,464
LIABILITIES			
Notes in circulation	4,390	4,324	4,464
Deposits: Govt.	40	23	10
Other	399	223	158

NATIONAL BANK OF BULGARIA
Million levass

Apr. 15, 1938	Mar. 15, 1939	Apr. 7, 1939	Apr. 15, 1939
Assets			
Gold holdings	1,994	2,006	2,006
Balance abroad and foreign currency	900	1,051	959
Discounts and advances	985	753	981
Advances to Treasury	3,493	3,441	3,441
LIABILITIES			
Notes in circulation	2,455	2,601	3,114
Sight liab. and deposits	3,908	3,839	3,230
Ratio, gold to sight liab. and notes	31.8%	31.5%	31.4%

BANK OF DANZIG
Million Danzig gulder

Apr. 14, 1938	Mar. 15, 1939	Mar. 31, 1939	Apr. 15, 1939
Assets			
Gold coin and bullion	28.38	25.62	25.26
Danzig subd. coin	3.51	3.47	2.91
Balances abroad and foreign bills	3.14	2.24	2.60
Discounts	13.49	22.80	24.73
LIABILITIES			
Notes in circulation	32.16	36.09	41.42
Deposits on demand	14.87	18.89	15.36

BANK OF ESTONIA
Million Estonian kronas

Apr. 15, 1938	Mar. 15, 1939	Apr. 7, 1939	Apr. 15, 1939
Assets			
Gold coin & gold bullion	34.22	40.94	40.84
Net foreign exchange	17.39	22.49	21.64
Home bills discounted	11.41	10.25	11.70
Loans and advances	10.52	13.10	12.97
LIABILITIES			
Notes in circulation	53.49	50.20	53.97
Sight depts. and current accounts of which:			
(a) Government	28.86	36.95	37.32
(b) Bankers	9.13	11.25	12.38
Reserve to current liabilities	61.1%	66.5%	65.7%

BANK OF FINLAND
Million F. marks

Apr. 23, 1938	Mar. 23, 1939	Apr. 15, 1939	Apr. 22, 1939
Assets			
Gold reserve	620.5	1128.3	1128.2
Foreign correspondents	2328.3	2202.9	2138.6
Foreign bills, etc.	48.6	98.6	101.5
Inl. bills and home loans	1532.0	1213.3	1246.3
Finnish & foreign bonds	736.0	518.9	629.6
LIABILITIES			
Notes in circulation	2212.2	2189.5	2265.6
Sight deposits: Govt.	393.0	177.9	157.7
Other	1123.0	787.5	817.9
Cover to sight liab.	75.1%	93.2%	89.6%

BANK OF GREECE.—Million drachmae

Apr. 7, 1938	Mar. 7, 1939	Mar. 31, 1939	Apr. 7, 1939
Assets			
Gold and gold exchange	3,646	3,857	3,883
State sec. in for. curr.	519	115	115
Foreign bills, etc.	627	762	798
Bills discounted	5,714	7,667	8,230
Advances	3,823	4,182	4,114
State debt	6,620	6,591	6,846
LIABILITIES			
Notes in circulation	7,168	9,817	10,121
Dep. and current accs.	218	257	277
Foreign exch. liabilities	10,121	10,177	10,177

BANK OF JAPAN.—Million yen

Apr. 9, 1938	Mar. 11, 1939	Apr. 1, 1939	Apr. 8, 1939
Assets			
Coin & bullion: Gold	801.0	501.3	501.3
Other	35.2	35.0	24.8
Spec. for exch. fund	515.3	451.6	300.0
Discounts and advances	1042.9	1413.1	1455.0
Government bonds	115.9	204.0	261.9
Agencies' accounts	1761.8	2070.1	2316.7
LIABILITIES			
Notes issued	378.5	517.2	402.7
Deposits: Government	107.6	97.3	198.7
Other	107.6	97.3	198.7

Return of March 25 should read ¥219.9 ¥1,573.3 million yen.

BANK OF LATVIA

Apr. 25, 1938	Mar. 27, 1939	Apr. 17, 1939	Apr. 24, 1939
Assets			
Gold coin and bullion	77.58	92.79	92.78
Silver coin	13.44	12.42	12.06
Foreign currency	46.55	44.33	46.98
Treas. notes and change	8.03	8.68	8.11
Short-term bills	49.22	47.82	49.74
Loans against securities	81.43	108.76	110.59
LIABILITIES			
Notes in circulation	66.00	84.60	87.63
Deposits & curr. accs.	126.21	148.34	139.81
Government accounts	70.74	71.75	81.47

NETHERLANDS BANK

May 2, 1938	Apr. 3, 1939	Apr. 24, 1939	May 1, 1939
Assets			
Gold	1480.3	1309.9	1209.5
Silver	19.3	23.5	19.8
Home bills, etc.	5.4	9.7	12.6
Foreign bills	9.2	2.7	2.7
Loans and advances in current account	345.5	202.9	212.7
LIABILITIES			
Notes in circulation	975.2	1014.1	1036.8
Deposits: (a) Govt.	98.3	13.5	8.4
(b) Other	804.5	540.0	448.0

RESERVE BANK OF NEW ZEALAND
Million £ N.Z.'s

Apr. 25, 1938	Mar. 27, 1939	Apr. 17, 1939	Apr. 24, 1939
Assets			
Gold	2.80	2.80	2.80
Sterling to State	18.33	4.66	4.87
Investments	2.42	3.66	3.77
LIABILITIES			
Bank notes	14.08	15.33	15.44
Demands liab.: State	5.00	3.82	3.70
Banks and others	6.79	10.07	9.94
Reserves to sight liab.	81.7%	25.4%	26.3%

NATIONAL BANK, PRAGUE
Million Cz. kr.†

Apr. 23, 1938	Mar. 23, 1939	Apr. 15, 1939	Apr. 23, 1939
Assets			
Gold stock	2,658	1,896	1,894
Balances abroad and foreign currencies	443	992	948
Discounts and advances	2,620	3,635	2,656
LIABILITIES			
Notes in circulation	6,418	5,935	6,040
Cash vouchers in circ.	919	1,043	761

† Statements of March 15, 1939, and onwards exclude bank notes, with their gold cover, withdrawn from the Sudeten area (Kz. 1,250 millions); statements of Apr. 15, 1939, and onwards exclude assets and liabilities of branches in Slovakia.

NATIONAL BANK OF ROUMANIA
Million lei

Feb. 1938	Mar. 1939	Mar. 1939	Apr. 1939
Assets			
Gold and gold exchange	18,270	18,309	18,351
Clearing and other for. exchange	1,247	1,172	1,114
Commercial bills	10,775	10,486	11,432
Agric. & urban advancs.	1,748	1,693	1,637
Treasury bills issued	4,702	4,732	4,737
State debt and adv. to Treasury	5,589	5,589	5,589
Secs. and participations	2,175	1,630	2,405
LIABILITIES			
Notes in circulation	34,285	34,266	38,270
Other sight liabilities	13,566	13,386	12,491
Long-term liabilities	3,715	3,797	4,010

BANK OF SWEDEN.—Million kronor

Apr. 23, 1938	Mar. 23, 1939	Apr. 16, 1939	Apr. 23, 1939
Assets			
Gold reserve	521.3	596.3	597.0
Govt. secs.: Swedish	31.1	32.0	132.0
Foreign	36.9	38.9	49.1
Gold abroad not in res.	54.4	135.2	137.7
Bills, with for. banks	251.7	390.8	428.2
Bills payable in Sweden	12.6	12.6	12.5
Bills payable abroad	564.1	230.5	173.2
Advances	20.3	47.4	49.0
LIABILITIES			
Notes in circulation	870.9	1053.6	979.5
Deposits: Government	272.2	324.9	334.9
Banks and others	522.0	527.2	578.6

EXCHANGE RATES—cont.

NEW YORK

New York on	Apr. 27, 1939	Apr. 28, 1939	Apr. 29, 1939	May 1, 1939	May 2, 1939	May 3, 1939
London:—						
60 days	467 ¹ / ₂	467 ¹ / ₂	467 ¹ / ₂	467 ¹ / ₂	467 ¹ / ₂	467 ¹ / ₂
Cables	468 ¹ / ₂	468 ¹ / ₂	468 ¹ / ₂	468 ¹ / ₂	468 ¹ / ₂	468 ¹ / ₂
Demand	468	468	468	468	468	468
Paris, Fr.	2 64 ¹ / ₂	2 65	2 64 ¹ / ₂	2 65	2 65	2 64 ¹ / ₂
Brussels, Bel.	16 93	17 00	17 02	17 02	17 02	17 02 ¹ / ₂
Switzerland, Fr.	22 46 ¹ / ₂	22 48 ¹ / ₂	22 47	22 48 ¹ / ₂	22 46	22 45 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
Berlin, Mark	40 12 ¹ / ₂	40 13	40 13	40 13	40 13	40 13
Amsterdam, Guilder	53 41	53 54	53 52	53 54	53 52	53 52
Copenhagen, Kr.	20 90 ¹ / ₂	20 90	20 90	20 90	20 90	20 90
Oslo, Kr.	23 52 ¹ / ₂	23 52	23 52 ¹ / ₂	23 52	23 52	23 52
Stockholm, Kr.	24 12	24 12	24 12	24 12	24 12	24 12
Athens, Dr.	0 85 ¹ / ₂	0 85 ¹ / ₂	0 85 ¹ / ₂	0 85 ¹ / ₂	0 85 ¹ / ₂	0 85 ¹ / ₂
Montreal, Can. \$	99 51 ¹ / ₂	99 560	99 560	99 54 ¹ / ₂	99 560	99 560
Yokohama, Yen	27 32	27 32	27 32	27 32	27 32	27 32
Shanghai, \$	16 18	16 18	16 15	16 15	16 15	16 15
B. Aires, Peso	29 04	29 04	29 04	29 04	29 04	29 04
Rio, Milreis†	5 50	5 50	5 50	5 50	5 50	5 50

Usance: T.T. † Official.

EXCHANGE RATES (Monthly Tables)

SOUTH AFRICA

(BUYING RATES PER £100 STERLING)

	T.T.	Sight	30 days' sight	60 days' sight	90 days' sight
London on:—					
Rhodesia	100 5 0	100 10 3	100 18 6	101 6 9	101 15 0
S. Africa	101 0 0	101 5 3	101 13 6	102 1 9	102 10 0

(SELLING RATES PER £100 STERLING)

	Sight	Telegraphic
London on:—		
Rhodesia	99 15 0	99 15 0
South Africa	100 5 0	100 5 0

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 ³ / ₈	125	124 ³ / ₈	125 ¹ / ₂
Sight	126 ¹ / ₂	127 ¹ / ₂	125 ¹ / ₂	124 ¹ / ₂	125 ¹ / ₂	124 ¹ / ₂	125 ¹ / ₂
30 days	126 ¹ / ₂	126 ¹ / ₂	...	124 ¹ / ₂	125 ¹ / ₂	124 ¹ / ₂	125 ¹ / ₂
60 days	127 ¹ / ₂	126 ¹ / ₂	...	124 ¹ / ₂	125 ¹ / ₂	124 ¹ / ₂	125 ¹ / ₂
90 days	127 ¹ / ₂	127 ¹ / ₂	...	124	123 ³ / ₈	123 ³ / ₈	124 ¹ / ₂

* 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.

OIL OUTPUTS

Trinidad Leaseholds, Ltd.—The figures for March, 1939, are as follows: Crude oil production (own fields only), 437,917 barrels. Crude oil purchases (including own share of oil from jointly operated fields), 519,538 barrels. Output, April, 1939: Crude oil production (own fields only), 415,762 barrels. Crude oil purchases (including own share of oil from jointly operated fields), 504,057 barrels.

Trinidad Consolidated Oilfields, Ltd.—Output for March, 1939: 63,447 barrels. Output April, 1939, 55,975 barrels.

The Venezuelan Oil Concessions, Ltd.—Total output for week ended April 29, 1939, 1,273,357 barrels. Total output

week ended April 22, 1939, was 1,245,588 barrels.

Trinidad Petroleum Development Company, Ltd.—Output for week ended April 22nd, 53,056 barrels. Output for week ended April 30, 1939, 56,027 barrels.

Lobitos Oilfields, Ltd.—Output of Peruvian company for April, 1939, 28,104 tons.

British Controlled Oilfields, Ltd.—Total output, week ended April 22, 1939, 16,962 barrels. Total output week ended April 30, 1939, 19,156 barrels.

Anglo-Ecuadorian Oilfields, Ltd.—Output for April, 1939, 21,407 tons.

SHORTER COMMENTS

Roan Antelope Copper Mines.—Profits before taxation, first quarter 1939, £346,000, against £461,500 for previous three months. Profits nine months to March 31, 1939, £1,058,000, against £1,329,500 for corresponding period of 1937-38. Gross revenue March quarter, 1939, £731,500, against £937,000 for December quarter. Expenditure £335,500 (£425,500). Obsolescence £50,000 (same).

British Match Corporation.—Net profit for 1938, £447,371, against £456,814. Final ordinary dividend 5 per cent., making 7½ per cent. for year, as before.

Carlton Main Colliery Company, Ltd.—Net profit for year to March 31, 1939, £165,658 (£113,680). Ordinary 10 per cent., against 6½ per cent.

IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended May 4, 1939

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
GOLD					
South Africa	1,565,928	£	Canada	9,647,617	£
S. Rhodesia	150,255	...	Sweden	263,480	14.76
British India	99,721	...	Netherlands	...	118.94
Poland	46,106	...	France	...	81.11
Netherlands	3,924,540	23,470	Syria	...	33.47
Switzerland	5,822,099	114,698	Switzerland	6,434	53.05
France	45,857	...	United States	18,151,879	21.00
Total*	11,811,211	139,118	Total*	28,086,155	378.52
SILVER					
Eire	...	3,000	Palestine	...	39.71
British W. Africa	...	5,165	British India	172,415	...
South Africa	...	94	Denmark	2,102	...
S. Rhodesia	349	...	Poland	1,783	...
Belgium	20,124	...	Switzerland	2,895	...
Switzerland	...	300	United States	44,890	...
Peru	63	...	France	1,760	...
Total*	21,221	8,814	Total*	230,980	40.35

* Including other countries.

Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended April 30 (£'000)					Aggregate Gross Receipts, 17 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Total Goods	Total Receipts	Passenger	Merchandise	Coal & Coke	Total Goods	Total Receipts
L.M. & S.—	477	482	240	722	1,199	7,274	8,150	4,767	12,917	20,191
1939	463	527	249	776	1,239	7,100	7,641	4,912	12,553	19,653
L. & N.E. (a)—	308	366	250	616	924	4,770	5,798	4,456	10,254	15,024
1939	298	381	296	677	975	4,672	5,325	4,456	9,781	14,453
Great Western—	194	200	108	308	502	3,043	3,301	2,010	5,311	8,354
1939	190	228	119	347	537	3,004	3,243	1,961	5,204	8,208
Southern—	290	72	32	104	394	4,746	1,039	582	1,621	6,367
1939	291	74	35	109	400	4,722	984	593	1,577	6,299
Total—	1,269	1,120	630	1,750	3,019	18,833	18,288	11,815	30,103	49,936
1939	1,242	1,210	699	1,909	3,151	19,498	17,193	11,922	29,115	48,613

(a) Week ended April 29.

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	— 538	— 571	— 146	— 68
17 weeks to April 30, 1939 ...				
Weekly Figures				
Av. weekly decrease, 1st half 1939	— 31.64	— 33.58	— 8.58	— 4.00
Latest week compared with 1938 ...	+ 40	+ 51	+ 35	+ 6
Latest week compared with average 1927-30	— 137	— 68	— 51	— 23

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended April 28, 1939 (£'000)			Aggregate Gross Receipts 17 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1938	1.8	0.4	2.2	30.8	7.4	38.2
1939	1.7	0.5	2.2	30.0	7.3	38.2
Great Northern—						
1938	8.7	9.1	17.8	145.7	148.2	293.9
1939	8.1	11.7	19.8	148.6	168.6	317.2
Great Southern—						
1938	34.6	40.1	74.7	507.7	684.9	1,192.6
1939	30.3	46.4	76.7	501.7	691.8	1,193.5

SUEZ CANAL RECEIPTS

(For headings, see Overseas Traffic table)

Transit Receipts	16	1939	Apr. 20	£277,200	£29,900	2,859,500	—	193,700
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† 10 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	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year
INSURANCE					Carlton Main Colliery	5	10	...	6½	Raleigh Cycle (Hlids.)	5	...	...	June 15
Sun Insurance	1/6 p.s.	2/9 p.s.	July 1	2/9 p.s.	Cerebos, Ltd.	30†	40	...	40	Ransomes and Rapier	5†	...	...	July 2
TEA & RUBBER					Cons. African Selec.	5†	...	May 22	7½*	Rio Improvements	...	...	...	July 4
Batu Caves Rubber	...	2½	...	7	Dalgery and Co.	...	...	May 20	3*	Round Oak Steel	2½*	...	...	July 2½*
Brit. Darjeeling Tea	6†	...	May 18	10	Dennis Brothers	33½*	...	May 20	33½*	Siemens Brothers	...	...	June 10	7½
Standard Tea (Ceylon)	10†	20	...	22½	EverReady Co. (G.B.)	15†	30	June 2	35	Smithfield & Arg. Mt.	...	...	...	4
United Tea Betong Rbr	6†	12	June 1	17½	First Convsn. Trust	2½†	5	June 1	5	Smith's Crisps	25†	32½	...	32½
MINING					Ford Motor	...	5	...	5	Spear and Jackson	...	12½	...	15
Indian Copper	...	4	June 21	15	General Motors	75 cts	...	June 13	25 cts	Stephany Furniture	7†	10	...	10
MISCELL.					Grand Junction Co.	2½†	4	...	12½	Stewart and Arden	5†	...	...	5
Anglo-American Deb.	8†	12	...	12	Greef-Chemicals	6†	9	...	12½	Telephone Manufg.	6½†	9	May 25	9
Associated Gas, etc.	(a) 2½†	(a) 5	...	5	Gt. Nthn. Telegraph	15†	20	...	20	Tetley (Joshua)	7½*	...	June 7	5*
Bankers' Inv. Trust	4†	6	...	7	India General Navgn.	50 cts	...	June 30	50 cts	Trinidad Leaseholds	4*	...	June 15	5*
Beecham Maclean Hds	13½*	...	...	7	International Nickel	6½†	9	June 9	9	Wall Paper Mfrs. Deftd	...	6	...	7
Benger's Food	5†	7½	...	6*	Lake View Investm.	...	4	...	12½	Wilsons, etc., Coal	...	...	...	5*
Benskin's Brewery	6*	...	May 16	5*	Mallinson (Wm.)	...	4	...	10†	Wright Saddle	5*	...	...	5*
Bird (Sydney S.)	5*	...	May 16	6*	Malta Gas	...	10†	...	10†	Woolworth (F. W.)	15*	...	...	15*
Bristol Brewery Georges	5*	...	May 17	7½	Meadows (Henry)	7½*	...	May 17	6*	Yorkshire Amal. Colls.	5†	7½	May 31	5½
British Match	5†	7½	May 17	7½	Platt Bros. (Hlids.)	...	5	...	5					

(a) Paid on a larger 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 not definitely redeemable the yield is calculated by reference to the latest dividends, account being taken of any increase or reduction of interim dividends. The return on ordinary stocks and shares is calculated by reference to the "cum div." shares. Allowance is made for accrued dividends in calculating the yield on "cum div." shares.

Prices, Year 1938				Prices, Year 1939 Jan. 1 to May 3, inclusive				Name of Security	Price, May 3, 1939	Change since Apr. 26, 1939	Yield May 3, 1939	Prices, Year 1939 Jan. 1 to May 3, inclusive				Last two Dividends	Name of Security	Price, May 3, 1939	Change since Apr. 26, 1939	Yield May 3, 1939	
High-est	Low-est	High-est	Low-est	High-est	Low-est	(a) %	(b) %					(c) %									
79 1/4	64	71 1/4	64 7/8	British Funds				66 1/2	+ 3 1/2	3 1/2	d.	32/6	15 1/2	6 c	Nil c	Brit. Overseas A. £5	17/6	-5/-	Nil	d.	
111 1/4	98	106 1/2	101	Consols 2 1/2% 1957				102 1/2	+ 1 1/2	3 1/2	15 1/2	15 1/2	15 1/2	6 c	5 b	Chd. of India £5	7 1/4	+ 1 1/4	6 1/2	6	
100 1/4	90	96 1/4	90 1/4	Conv. 2 1/2% 1944-49				95	+ 1 1/4	3 1/2	17 1/2	9 1/2	10 1/2	3 1/2	3 1/2	Com. Bk. of Aus. 10/-	11/6	+ 1/3d	4 1/2	6	
103 1/4	92	99 1/4	92 1/4	Do. 3% 1948-53				93	+ 1	3 1/2	11 1/2	9 1/2	10 1/2	3 1/2	3 1/2	District B. £1 fy pd.	50/-	...	4 0	0	
105 1/4	90 1/2	104 1/4	102	Do. 3 1/2% after 1961				92	+ 1	3 1/2	16 1/2	10 1/2	10 1/2	3 1/2	3 1/2	En. S. & Aust. £5 £3p.	67/6	...	6 4	3	
115 1/4	102	104 1/4	102	Do. 4 1/2% 1940-44				103 1/2	+ 1 1/2	4 1/2	17 1/2	10 1/2	10 1/2	3 1/2	3 1/2	Hambros £10, £2 1/2 p.	8 1/2	- 1 1/4	5 2	9	
91 1/4	81	87 1/4	81 3/4	Do. 5% 1944-64				106	+ 1 1/2	3 1/2	13 1/2	10 1/2	10 1/2	3 1/2	3 1/2	Hoar. £5, £1 1/2 p.	28 1/2	...	6 11	7	
97 1/4	88 1/2	93 1/4	88 1/4	Fund. 2 1/2% 1956-61				83	+ 1 1/2	3 1/2	13 1/2	10 1/2	10 1/2	3 1/2	3 1/2	Lloyds £5, £1 pd.	54/6	+ 6d	4 4	8	
99 1/4	90	95 1/4	89 1/4	Fund. 2 1/2% 1952-57				90	+ 1	3 1/2	11 1/2	8 1/4	7 1/2	7 1/2	7 1/2	Midland £20, £2 1/2 p.	8 1/2	+ 1 1/2	3 17	0	
114 1/4	98	109 1/2	102 1/2	Fund. 3% 1959-69				90 1/2	+ 1 1/2	3 1/2	10 1/2	8 1/2	7 1/2	7 1/2	7 1/2	Nat. Dis. £2 fy. pd.	5 1/4	...	4 5	0	
101 1/4	90	99 1/4	92 1/2	Fund. 4% 1960-90				104 1/4	+ 1	3 1/2	14 1/2	1	3 1/2	3 1/2	3 1/2	Nat. of Egypt £10	25	+ 2	6 0	0	
100 1/4	93	96 1/4	91 1/2	N. D. 2 1/2% 1944-48				95	+ 1	3 1/2	7 1/2	3 1/2	3 1/2	3 1/2	3 1/2	N. of Ind. £25, £1 1/2 p.	28 1/2	+ 1 1/2	4 13	9	
112 1/4	100	108	102 3/4	N. Zealand 5% 1946				93 1/2	+ 1	3 1/2	10 1/2	5 1/2	3 1/2	3 1/2	3 1/2	Roy. Bk. of Scotland	42 1/2	+ 5	4 1	6	
103 1/4	90 1/2	98 1/4	90 1/4	Queens. 5% 1940-60				104	+ 1 1/4	3 1/2	16 1/2	16 1/2	14 1/2	14 1/2	14 1/2	St. of S.A. £20, £5 pd.	14 1/2	...	5 3	0	
90 1/4	78	83 1/4	76 1/4	S. Africa 5% 1945-75				91 3/4	+ 1 1/8	3 1/2	16 1/2	11 1/2	9 1/2	9 1/2	9 1/2	Union Dis. £1	42/6	+ 6d	4 14	1	
103 1/4	90 1/2	99 1/4	95 1/2	Local Loans				95 1/2	+ 1 1/2	3 1/2	16 1/2	16 1/2	14 1/2	14 1/2	14 1/2	West. £4, £1 pd.	84/-	+ 6d	4 6	0	
68 1/4	58	64	55 1/2	Austria 3% 1933-53				95 1/2	+ 1 1/2	3 1/2	16 1/2	16 1/2	14 1/2	14 1/2	14 1/2						
82 1/4	68	76	66 1/4	India 2 1/2%				57	+ 1 1/2	3 1/2	4 1/2	8 1/2	9 1/2	9 1/2	9 1/2						
95 1/4	75	83 1/4	78 1/4	Do. 3%				67 1/2	+ 1 1/2	3 1/2	4 1/2	8 1/2	9 1/2	9 1/2	9 1/2						
117 1/4	110	115 1/4	105 3/4	Do. 3 1/2%				79 1/2	+ 1 1/2	3 1/2	4 1/2	8 1/2	9 1/2	9 1/2	9 1/2						
				Do. 4 1/2% 1958-68				106 1/2	+ 1 1/4	4 1/2	0 9										
				Dom. & Col. Govts.																	
108 1/4	97	104 1/2	99	Austr. 5% 1945-75				100 1/2	+ 1 1/2	5 2	7	26 1/2	23 1/2	40 a	50 b	Alliance £1, fully pd.	24	...	3 16	6	
104 1/4	97	103 1/4	97 3/4	Canada 4% 1940-60				100 1/2	+ 1 1/2	3 1/2	19 6	98 1/2	85 1/2	1/6 a	2 1/2 b	Atlas £5, £1 1/4 pd.	13 1/2	+ 1 1/4	3 0	0	
115 1/4	109 1/2	112 1/2	108 1/2	Nigeria 5% 1950-60				108 1/2	+ 1 1/2	4 2	6	29 1/2	25 a	25 b	25 c	Gen. Acc. £1, 5/- pd.	85/-xd	-2/6	4 2	0	
108 1/4	95 1/2	103	96 1/2	N. Zealand 5% 1946				98 1/2	+ 1 1/2	5 9	3	11 1/2	9 1/2	3 1/2	3 1/2	Lon. & Lanc. £5, £2 pd.	25 1/2xd	...	3 17	8	
107 1/4	95	102 1/4	98	Queens. 5% 1940-60				99 1/2	+ 1 1/2	5 1	2	15 1/2	12 1/2	3 1/2	3 1/2	N. Brit. & Mer. £1, 1/4 p.	9 1/2xd	...	3 4	0	
112 1/4	97	110	104 1/4	S. Africa 5% 1945-75				107 1/2	+ 1 1/2	3 1/2	16 1/2	13 1/2	12 1/2	12 1/2	12 1/2	Pearl (£1), fy. pd.	17 1/4	+ 1 1/4	3 1	0	
				Foreign Governments																	
96 1/4	78	85	79	Arg. 4 1/2% 1934-59				79	- 1	5 13	3	94 7/12	82 1/2	7 1/2	13 1/2	13 1/2	Prudential £1 A.....	14	...	2 18	0
102 1/4	23	40 1/2	25	Austria 1930-50				30 1/2	+ 1 1/2	13 13	40	8 1/2	8 1/2	11 1/2	11 1/2	Do. £1 with 4s. pd.	85/-	...	2 9	0	
89 1/4	38	60 1/2	48	Do. 4 1/2% 1934-59				57	+ 1	9 6	3	91 1/2	83 1/2	3 1/2	3 1/2	Royal Exchange £1...	8 1/2xd	+ 1 1/8	3 1	4	
99 1/4	80	95	85	Belgian 4% (36) 1970				85 1/2	+ 1 1/2	4 19	5	17 1/4	13 1/4	6 1/2	6 1/2	S. U. & N.L.A. £20, £1 pd.	8 1/2xd	+ 1 1/4	4 16	0	
36 1/4	31	31	15 1/4	Bulgarian 7 1/2%				18 1/2	+ 3	13 10	4m	88 1/3	77 1/2	1 1/2	1 1/2	Sun. Lf. Ass., £1 fy. pd.	7 1/4	...	2 12	0	
37 1/2	12 1/4	21 1/2	12 1/2	Chile 6% (1929)				10	...	20 0	0v			11 0	11 0						
60 1/4	14	16 1/2	9	China 5% (1912)				36 1/2	...	13 14	0	230	215	4 a	8 a						
73 1/4	37	38 1/2	28	Do. 5% (1913)				51 1/2	...	9 14	0	47 1/2	41 1/2	3 1/2	3 1/2	Anglo-Am. Deb. ...	215	- 2	5 15	11	
105 1/4	20	55 1/2	44	Czechoslovakia 8%				30 1/2	- 2	26 4	0	11 1/3	11 1/3	10 c	10 c	Anglo-Celtic Ord. ...	42 1/2	...	8 19	6	
99 1/4	94	100	94 1/2	Denmark 3%				95 1/2	+ 3 1/2	2 8	1	15 1 1/2	11 1/3	10 c	10 c	Brit. Assets Trust 5/-	8 1/2	...	5 6	8	
104 1/4	84 1/2	86 1/4	68 1/2	Egypt Unified 4%				75 1/2	+ 1 1/2	5 9	0e	214 1/2	195	4 a	4 a	Charterhouse Inv. £1	11 1/3	-1/3	5 6	8	
13 1/4	9 1/4	12 1/4	21 1/4	French 4% (British)				11 1/2	+ 1 1/2	14 19	3	60 1/2	40 1/4	11 1/2	11 1/2	Debenture Corp. Sck.	195 1/2	...	3 1	9	
60 1/4	15	33 1/4	20 1/4	Ger. Dawes Lns. 5%				23 1/2	+ 1	18 11	4	117 1/2	107 1/2	11 1/2	11 1/2	For. Amer. & Co. Def.	42 1/2xd	...	6 10	3	
34 1/2	25	29 1/2	23 1/4	Do. Young Lns. 4 1/2%				24 1/2	+ 1	18 15	0	225	211	8 b	8 b	Guar. Amer. investm.	107 1/2	- 5	5 17	1	
58 1/2	20	35 1/2	24	Greek 6% Stab. Lns.				25	- 1	9 11	0	240	205	8 1/2	8 1/2	Ind. and Gen. Govts.	205	...	5 19	10	
60 1/4	35	52	40 1/2	Hungary 7 1/2%				24	+ 2	12 15	0	15 1/2	12 1/2	3 1/2	3 1/2	Invest. Trust Def.	217	...	5 19	10	
64 1/2	38	53	39 1/4	Japan 5 1/2% 1936-65				42	+ 2	14 5	9	237 1/2	216	3 1/2	3 1/2	Lake View Inv. 10/-	13 1/2	...	6 19	0	
75 1/4	54	65	42 1/2	Do. 6% (24) 1959				44 1/2	+ 2	18 19	9	217 1/2	200	5 c	5 c	Mercantile Inv. ...	218	- 2	5 10	1	
75 1/4	54	65	42 1/2	Peru 7 1/2% 1922				50	...	18 19	9	217 1/2	200	5 c	5 c	Mercantile Trust Ord.	85	-24 1/2	8 16	6	
15 1/4	9 1/4	11 1/2	7	Poland 4%				8 1/2	...	23 10	0	4 1/2	3 1/2	4 c	4 c	Metropolitan Trust...	200 1/2	...	5 19	0	
92 1/4	75	83	74 1/4	Roum. 4% 1922				78 1/2	...	3 16	11	168 1/2	158	3 1/2	3 1/2	Scottish Inv. 5/-...	4/-	...	5 18	5	
115 1/4	101	111 1/2	106	U.K. & Arg. C. 3%				107	...	3 17	8	180	164	4 a	4 a	Scottish Mort. &...	160 1/2	...	5 17	10	
117 1/4	104 1/4	114	108	Corporation Stocks				108	+ 1 1/2	3 19	6					Trustees Corp. Ord.	185 1/2	...	5 7	0	
87 1/4	77	81 3/4	78	Birm'ham 5% 1946-56				74 1/2xd	+ 1 1/4	4 0	6					United States Deb...	165 1/2	-1	6 0	10	
97 1/4	90 1/2	93 1/4	84	Bristol 5% 1948-58				88	- 1	3 15	6										
105 1/4	94 3/4	102 1/4	97 1/2	L.C.C. 3 1/2% 1944-54				98	- 1	3 13	3										
				Middx. 3 1/2% 1957-62																	
				Public Bonds																	
112	106	21 1/2	21 1/2	C. Elec. 5% 1950-70				106	- 2 1/2	4 10	7	71/-	61/6	12 1/2 b	5 a	69/-	+ 2/-	5 0	0		
115	103 1/2	21 1/4	21 1/4	Lon. Pass. Transport				105	- 2	4 6	3	127/-	109/6	5 1/2 b	2 a	24/-	+ 1/-	6 5	0		
123	111 1/2	28 1/2	22 1/2	4 1/2% "A" 1985-2023				113 1/2	- 1	4 6	6	64	57/3	620 1/2	14 b	123/-	+ 1/-				

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation					Corresponding Period Last Year	
					Dividend			Carried to Reserve, Depreciation, etc.	Balance Forward	Net Profit	Dividend
					Prefer. Amount	Ordinary Amount	Rate				
Breweries											
Lowrie (W. P.) and Co.	Mar. 31	£ 91,201	£ 148,493	£ 239,694	£ 13,050	£ 101,500	20	£ 35,020	£ 90,124	£ 152,285	20
Walker (John) and Sons	Mar. 31	134,198	613,077	747,275	76,125	388,237	42½	150,000	132,913	586,843	42½
Financial Land, etc.											
Forestal Land, etc.	Dec. 31	130,760	326,971	457,731	111,951	188,223	7	25,000	132,557	510,555	9
Ideal Building and Land	Dec. 31	2,058	126,377	128,435	30,000	25,000	5	71,938	1,497	118,836	5
London and Natl. Property	Dec. 31	9,064	46,433	55,497	...	45,000	4½	...	10,497	42,055	4½
Mid-European Corporation	Mar. 31	100,053	51,452	151,505	21,805	24,106	3½	...	105,594	54,486	3½
Power Investment	Mar. 31	34,361	40,792	75,153	26,819	13,611	3½	...	34,723	40,224	4
Regional Properties	Mar. 31	34,228	18,256	52,484	4,350	5,800	8	...	42,334	15,430	4
Scottish Agricultural Sec. ...	Mar. 31	1,770	7,803	9,573	...	...	...	6,828	2,745	7,537	Nil
Gas											
Sewer Valley Gas	Mar. 31	10,603	49,602	60,205	19,280	28,443	5½ & 6	...	12,482	47,524	5½ & 6
United Kingdom Gas	Dec. 31	13,226	128,937	142,163	79,849	43,268	5	5,770	13,276	110,188	5(k)
Iron, Coal and Steel											
Babcock and Wilcox	Dec. 31	96,648	641,902	738,550	14,954	537,456	12½	79,038	107,102	626,058	10
Beyer, Peacock and Co.	Dec. 31	Dr. 49,149	61,724	12,575	...	...	...	10,650	1,925	32,267	Nil
Dixon (William)	Feb. 28	23,350	84,943	108,293	15,000	65,600	10½	...	27,693	85,222	10½
Motor Cycle and Aviation											
Ford Motor Company	Dec. 31	912,994	1,167,039	2,080,033	...	326,250	5	998,033	755,750	1,330,509	5
Morris Motors, Ltd.	Dec. 31	275,078	1,519,519	1,794,597	225,000	864,562	45	452,633	252,402	1,804,911	45
Motor Cycle and Aviation											
Phillips and Powis Aircraft	Dec. 31	Dr. 71,119	52,628	Dr. 18,491	...	...	...	...	Dr. 18,491	Dr. 19,297	Nil
Rubber											
Bukit Ijak (Selangor)	Dec. 31	3,344	298	3,642	...	...	...	...	3,642	7,503	10
Deviturai	Dec. 31	1,087	8,516	9,603	...	6,554	3½	2,000	1,049	16,500	8
East Java	Dec. 31	4,288	1,768	6,056	...	3,000	3	...	3,056	16,284	10
Hewagam	Dec. 31	598	3,318	3,916	...	2,400	1	...	1,076	15,638	4½
Junun	Dec. 31	667	5,302	5,969	...	2,672	4-16	440	1,297	9,839	4-16
Kapar Para	Dec. 31	10,755	2,929	13,684	...	3,750	2½	2,000	1,000	15,489	7½
Kelani Valley	Dec. 31	2,640	2,823	5,463	420	1,750	5	1,000	8,934	9,428	15
Kimanis	Dec. 31	9,982	15,142	25,124	...	9,150	5	5,292	1,756	25,020	10
Rubber Estates of Ceylon ...	Dec. 31	1,517	228	1,745	...	...	...	1,000	10,682	8,862	3½
Seaford	Dec. 31	11,433	5,937	17,370	...	4,000	2	745	7,007	17,970	6
Tempeh (Java)	Dec. 31	7,558	Dr. 1,288	6,270	...	...	...	3,255	10,115	9,007	10
Ulu Rantau	Dec. 31	1,171	Dr. 26	1,145	...	...	...	...	6,270	9,007	2½
Shipping											
Clan Line Steamers	Dec. 31	94,820	723,566	818,386	57,818	87,000	20	577,297	96,271	712,098	20
India General Navigation ...	Dec. 31	20,167	128,490	148,657	12,202	19,667	3½	97,010	19,778	134,114	4½
Shops and Stores											
Marks and Spencer	Mar. 31	85,640	1,838,559	1,924,199	105,000	816,866	42½	903,765	98,568	1,711,225	42½(b)
Tea											
Ederapolla	Dec. 31	1,689	4,571	6,260	...	2,784	8	2,179	1,297	7,174	12½
Highland of Ceylon	Dec. 31	2,115	5,323	7,438	...	6,240	8	1,198	1,198	7,422	8
Kandapolla	Dec. 31	3,582	6,892	10,474	1,878	3,388	5½	...	3,631	9,085	7
Lethenty	Dec. 31	379	2,575	2,954	...	1,500	3	1,577	3,631	9,085	5
Lunuvu (Ceylon)	Dec. 31	77,632	104,866	182,498	...	1,500	3	1,000	454	2,213	12
Nuwara Eliya	Dec. 31	13,143	38,328	51,471	...	69,556	10	32,000	80,942	104,771	12
Scottish Ceylon	Dec. 31	2,613	16,215	18,828	1,276	11,028	15	7,007	13,664	50,762	14
Tyspane	Dec. 31	1,079	3,640	4,719	119	2,039	8	4,084	2,440	18,442	15
Telegraphs & Telephones											
Marconi's Wireless	Dec. 31	8,711	314,283	322,994	30,000	303,020	15	1,500	1,061	3,738	8
Textiles											
English Sewing Cotton	Dec. 31	130,469	176,926	307,395	50,000	150,000	7½	Dr. 22,316	12,290	297,607	9
Parkland Manufacturing ...	Feb. 28	8,113	28,322	36,435	...	16,500	7½	Dr. 8,138	115,533	233,538	10
Tramways											
Calcutta Tramways	Dec. 31	20,694	152,338	173,032	12,500	56,000	8	10,802	9,133	37,030	10
Trusts											
Anglo-American Debenture	Mar. 31	53,513	96,448	149,961	28,688	54,000	12	82,500	22,032	153,248	8
Anglo-Celtic Trust	Apr. 5	32,378	33,962	66,340	22,125	10,325	3½	...	...	...	...
Consolidated Trust	Apr. 15	...	39,722	39,722	23,275	16,447	8	...	...	...	...
English and Caledonian	Mar. 31	3,289	24,445	27,734	11,093	7,396	5	...	...	...	...
Foreign, American, etc.	Apr. 5	59,996	85,038	145,034	43,750	35,000	4	5,000	4,245	24,054	4½
Home and Foreign Trust...	Mar. 31	29,127	32,800	61,927	16,570	11,031	5	6,500	59,784	103,298	4½
Independent Investment ...	Mar. 31	32,287	9,438	41,725	9,450	...	...	5,000	29,326	36,031	5
Scottish Mortgage & Trust ..	Mar. 31	28,701	109,050	137,751	31,022	57,377	9½	...	32,275	12,413	1
Second Securities of Scotland	Mar. 31	17,692	14,486	32,178	11,015	2,933	2	20,000	29,352	128,806	9½
Other Companies											
Achille Serre	Dec. 31	Dr. 109,496	Dr. 5,876	Dr. 115,372	...	...	...	200	18,030	18,939	2
Barry and Staines Linoleum ..	Jan. 31	95,566	159,740	255,306	15,334	159,688	12½	...	Dr. 115,372	Dr. 9,227	Nil
Cakebread, Robey and Co.	Dec. 31	9,118	8,009	17,127	7,500	4,500	6	...	80,284	213,339	12½
Compton (J.), Sons and Webb ..	Dec. 31	5,367	90,828	96,195	14,000	65,450	17½	...	5,127	19,376	12½
Egyptian Markets	Dec. 31	16,965	8,981	25,946	...	17,470	10	12,500	4,245	81,275	15-416
Francis (F.) and Sons	Dec. 31	9,778	33,812	43,590	5,981	14,500	10	...	8,476	22,500	10½
Goodlass, Wall, etc.	Dec. 31	82,938	185,040	267,978	91,241	61,138	7	...	8,362	21,554	7
Imperial Chemical Industries ..	Dec. 31	556,179	7,061,291	7,617,470	166,081	4,032,149	8	35,000	80,599	191,511	8
Johnson and Phillips	Dec. 31	102,647	169,557	272,204	...	100,000	12½	1,297,995	621,245	7,510,707	12½
Newton (John M.) and Son	Dec. 31	6,345	18,679	25,024	7,000	7,296	17½	68,070	104,134	161,454	20½
Paquin, Ltd.	Dec. 31	15,995	3,497	19,492	...	...	...	4,134	6,594	24,951	Nil
Weber, Smith and Hoare	Dec. 31	586	53,827	54,413	15,000	30,000	12	3,492	16,000	20,024	8
Wimpey (George) and Co.	Dec. 31	20,456	147,852	168,308	11,500	40,000	20	8,000	1,413	30,935	20
Total Profits, 1939, in £000's :											
To April 29	No. of Cos.	890	38,627	113,476	152,103	23,776	58,507	...	28,667	41,153	...
To May 6	955	41,962	130,499	172,461	26,710	67,486	...	33,775	44,490	124,875	...

† Free of income tax.

(b) Absorbed £742,605.

(g) Includes £70,000 for bonus shares.

(k) Absorbed £33,748.

Industry and Trade

COMMODITY STATISTICS

Coal

District	COAL OUTPUT ('000 tons)			
	Week ended		January-March	
	Apr. 15, 1939	Apr. 22, 1939	1938	1939
Northumberland	238.7	295.4	3,544.6	3,512.6
Durham	536.6	686.3	8,539.3	8,096.5
Yorkshire	581.6	979.5	12,106.1	11,885.9
Lancs, Cheshire and N. Wales	281.0	366.2	4,556.4	4,600.2
Derby, Notts & Leicester	477.9	737.0	9,455.4	9,539.0
Staffs, Worcs, Salop and Warwick	263.0	423.2	5,376.3	5,504.7
South Wales & Monmouth	522.9	790.6	9,900.2	8,869.3
Other English districts*	90.3	125.8	1,471.4	1,411.9
Scotland	625.9	625.1	7,987.7	7,939.2
Total	3,617.9	5,029.1	62,937.4	61,359.3

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton

RAW COTTON delivered to Spinners ('000 bales)

Variety	Week ended		Total Deliveries	
	Apr. 21, 1939	Apr. 28, 1939	Aug. 1, 1937-1938	Aug. 1, 1938-1939
	Apr. 15, 1939	Apr. 22, 1939	Apr. 29, 1938	Apr. 26, 1939
American	23.3	22.6	965	772
Brazilian	7.0	6.8	229	227
Peruvian, etc.	3.4	3.3	93	95
Egyptian	8.2	15.4	273	255
Sudan Sakel	2.9	2.6	114	106
East Indian	9.8	11.3	273	311
Other countries	3.6	7.0	137	138
Total	53.2	69.0	2,084	1,904

Metals

SALES ON LONDON METAL EXCHANGE

	Week ended		From Jan 1 to May 3, 1939
	Apr. 26, 1939	May 3, 1939	
	Tons	Tons	Tons
Copper.....	5,250	5,300	103,410
Tin.....	2,175	1,860	25,055
Lead.....	3,150	7,000	101,850
Spelter.....	4,250	5,550	67,170

BRITISH WHOLESALE PRICES

CEREALS AND MEAT			
Apr. 26, 1939			
May 3, 1939			
GRAIN, etc.—			
Wheat—	s. d.	s. d.	s. d.
No. 2, N. Man. 496 lb.	27 9	29 0	0
Eng. Gaz. av., per cwt.	4 3	4 6	0
Liv. May., per cental	4 5	4 6	0
Flour, per 280 lb.—			
Straights, d/d London	23 0	23 6	0
Manitoba, ex store	21 3	22 0	0
Barley, Eng. Gaz., av. per cwt.	7 4	7 0	0
Oats—			
Maize, La Plata, landed, 480 lb.	28 0	28 0	0
Rice, No. 2 Burma, per cwt.	8 11½	8 11½	0
MEAT—			
Beef, per 8 lb.—			
English long sides	4 6	4 6	0
Argentine chilled hinds	3 10	4 1	0
Mutton, per 8 lb.—			
English wethers	5 8	5 8	0
N.Z. frozen wethers	2 4	2 4	0
Lamb, per 8 lb.—			
N.Z. frozen	4 6	4 6	0
Pork, English, per 8 lb.	5 8	6 0	0
BACON (per cwt.)—			
English	93 0	88 0	0
Danish	94 0	90 0	0
Dutch	87 0	83 0	0
Irish	80 0	78 0	0
HAMS (per cwt.)—			
Canadian	98 0	96 0	0
United States	92 0	92 0	0
OTHER FOODS			
BUTTER (per cwt.)—			
Australian	113 0	111 0	0
New Zealand	114 0	114 0	0
Danish	126 0	126 0	0
Swedish	127 0	127 0	0
CHEESE (per cwt.)—			
Canadian	71 0	71 0	0
New Zealand	74 0	74 0	0
English Cheddars	60 0	60 0	0
Dutch	100 0	100 0	0
Swedish	46 6	46 0	0
EGGS (per 120)—			
English (15-15½ lb.)	10 9	10 3	0
Danish (15½ lb.)	11 6	10 9	0
Swedish (15½ lb.)	9 9	9 6	0
FRUIT—			
Oranges, Valencia, 12 cases I & II	10 9	10 9	0
Jaffa	20 0	20 0	0
Lemons, Naples	15 3	14 6	0
Sicilian	10 3	10 0	0
Apples, Amer. (var.)	13 6	13 0	0
Victorian	13 6	14 0	0
Grapes, S. Africa	3 1	3 6	0
Grapefruit, Jaffa	5 8	5 4	0
Florida, Seedless, bxs.	10 6	10 0	0
Pears, Victorian	12 6	12 0	0
LARD (per cwt.)—			
Irish, finest bladders	50 0	50 0	0
U.S.	37 0	38 6	0
PEPPER (per lb.)—			
Black Lampong (in Bond)	0 2½	0 2½	0
White Muntok (f.a.q.) (in Bond)	0 3½	0 3½	0
POTATOES (per cwt.)—			
English, King Edward, Siltland	8 0	7 6	0
Witbech	140 0	130 0	0
SUGAR (per cwt.)—			
Centrifugals, 96% prpt. shipm.	7 7½	8 4½	0
Refined London	22 10½	23 9	0
Yellow Crystals	27 4½	28 3	0
Cubes	27 10½	28 9	0

* Weeks ended April 20th and April 27th.

SUGAR (per cwt.)—cont.			
Apr. 26, 1939			
May 3, 1939			
Crushed	25 7½	26 6	0
Granulated	23 6	24 4½	0
Home Grown	24 4½	25 3	0
TEA* (Auction Average) (per lb.)—			
N. India	12 87	13 11	0
S. India	16 46	16 29	0
Ceylon	15 38	15 43	0
Java	11 51	11 05	0
Sumatra	11 04	11 09	0
Africa	13 98	14 07	0
TOBACCO (per lb.)—			
Virginia, stemmed and un-	0 8	0 8	0
stemmed, common to fine	2 6	2 6	0
Rhodesian, stemmed and un-	0 9	0 9	0
stemmed	1 10	1 10	0
Nyasaland, stemmed and un-	0 7	0 7	0
stemmed	1 4	1 4	0
East Indian	1 6	1 6	0
Unstemmed	0 3	0 3	0
TEXTILES			
COTTON (per lb.)—			
Raw, Mid-American	4 4	5 14	0
Sakellaridis, F.G.R.	6 42	6 43	0
Giza, F.G.R.	6 42	6 43	0
Yarns, 32's Twist	8½	9	0
40's Twist	9½	10	0
60's Twist (Egyptian)	16½	16½	0
Cloth, 32 in. Printers, 116 yds.	16 5	16 6	0
36 in. Shirtings, 75 yds.	22 10	23 0	0
19 x 19, 32's & 40's	9 7	9 8	0
38 in. ditto, 38 yds.	8 8	8 9	0
18 x 16, 10 lb.	8 8	8 9	0
39 in. ditto, 37½ yds.	8 8	8 9	0
16 x 15, 8½ lb.	8 8	8 9	0
FLAX (per ton)—			
Livonian ZK	81 10	81 10	0
Pernau HD	82 0	82 10	0
Slanetz Medium, 1st sort	82 10	82 10	0
HEMP (per ton)—			
Italian PC	71 0	71 0	0
Manilla, Apr.-June "J2"	18 0	18 0	0
JUTE (per ton)—			
Native 1st mks., c.i.f. H.A.R.B.	30/7/6	30/5/0	0
May-June	32/15/0	33/10/0	0
Daisee 2/3 c.i.f. Dundee	32/15/0	33/10/0	0
May-June	32/15/0	33/10/0	0
SISAL (per ton)—			
African, May-July	15 10	15 10	0
Italian, raw, fr. Milan	17 0	17 0	0
SILK (per lb.)—			
English, Southdown, greasy	12½	12½	0
Lincoln hog, washed	12	12	0
Queensland, scd. super combg.	21	21	0
N.S.W. greasy, super combg.	12½	12½	0
N.Z. greasy, half-bred 50-56	12	12½	0
Tops—	10	11	0
Merinos 70's average	26	26	0
64's	24	24	0
Crossbred 48's	16	16½	0
46's	15½	16	0
MINERALS			
COAL (per ton)—			
Welsh, best Admiralty	19 6	19 6	0
Durham, best gas, f.o.b. Tyne	18 6	19 3	0
Sheffield, best house, at pits	18 9	19 3	0
IRON AND STEEL (per ton)—			
Pig, Cleveland No. 3, d/d	99 0	99 0	0
Bars, Middlesbrough	245 0	245 0	0
Steel rails, heavy	190 0	190 0	0
Tinplates	20 3	20 3	0
NON-FERROUS METALS (per ton)—			
Copper—			
Standard cash	41/15/0	41/13/9	0
Three months	42/1/3	42/0/0	0
Tin—			
Standard cash	223/10/0	225/5/0	0
Three months	221/0/0	222/15/0	0
Lead, soft foreign	14/8/0	14/7/6	0
Cash	14/10/0	14/8/9	0
English, pig	16/10/0	16/10/0	0
Spelter, G.O.B.—			
Spot	13/3/9	13/10/0	0
Aluminium, ingots and bars	13/16/3	13/11/3	0
rolling billets	94/0/0	94/0/0	0
Nickel, home and export	102/0/0	102/0/0	0
Antimony, Chinese	180/0/0	180/0/0	0
Wolfram, Chinese	52/0/0	52/0/0	0
Platinum, refined	55 0	55 0	0
Quicksilver	7/10/0	7/10/0	0

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

MISCELLANEOUS			
April 26, 1939			
May 3, 1939			
GOLD, per fine ounce	148 6	148 5½	0
SILVER (per ounce)—			
Cash	1 8½	1 8½	0
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	0
CHEMICALS—			
Acid, citric, per lb., less 5%—			
" Nitric	1 0½	1 0½	0
" Oxalic, net	0 5½	0 5½	0
" Tartaric, English, less 5%—			
Alcohol, Plain Ethyl, per proof gal.	1 1	1 1	0
Ammonia, carb. per ton	20/0/0	20/0/0	0
" Sulphate	21/0/0	21/0/0	0
Borax, gran. per cwt.	13 6	13 6	0
" powder	15 0	15 0	0
Nitrate of soda per ton	8/0/0	8/0/0	0
Potash, Chlorate, net per ton	37/0/0	37/0/0	0
" Sulphate per ton	10/15/0	10/15/0	0
Soda Bicarb. per ton	11/0/0	11/0/0	0
Crystals per ton	5/10/0	5/10/0	0
Sulphate of copper per ton	18/15/0	18/15/0	0
COPRA (per ton)—			
S.D. Straits, c.i.f.	11/0/0	11/3/9	0
HIDES (per lb.)—			
Wet salted, Australian	0 4½	0 4½	0
West Indian	0 3½	0 3½	0
Cape	0 4½	0 4½	0
Dry and Drysalted Cape	0 7½	0 7½	0
Market Hides, Manchester—			
Best heavy ox and heifer	0 4½	0 4½	0
Best cow	0 4½	0 4½	0
Best calf	0 5½	0 5½	0
INDIGO (per lb.)—			
Bengal, gd. red-vio. to fine	5 0	5 0	0
LEATHER (per lb.)—			
Sole Bends, 8/12 lb.	1 0	1 0	0
Bark-Tanned Sole	2 2	2 2	0
Shoulders from DS Hides	0 9	0 9	0
" Eng. or WS do.	0 9	0 9	0
Bellies from DS do.	0 7	0 7	0
" Eng. or WS do.	0 9½	0 9½	0
Dressing Hides	1 0	1 0	0
Ro. Eng. Calf, 20/35 lb. per doz.	3 6	3 6	0
PETROLEUM PRODUCTS (per gall.)—			
Motor Spirit No. 1, London	1 6	1 6	0
Petroleum, Amer. rid. bri. Lond.	0 10	0 10	0
Fuel oil, in bulk, for contracts, ex instal. Thames—			
Furnace	0 3½	0 3½	0
Diesel	0 4½	0 4½	0
ROSIN (per ton)—			
American	15/5/0	15/5/0	0
RUBBER (per lb.)—			
St. ribbed smoked sheet	0 7½	0 7½	0
Fine hard Para	0 7½	0 7½	0
SHELLAC (per cwt.)—			
TN Orange	35 6	35 6	0
TALLOW (per cwt.)—			
London town	16 0	16 0	0
TIMBER—			
Swedish u/s 3 x 8 per std.	20/0/0	20/5/0	0
" 2½ x 7	19/10/0	19/15/0	0
" 2 x 4	17/5/0	17/10/0	0
Canadian Spruce, Dis.	23/0/0	23/5/0	0
Pitchpine per load	13/10/0	13/10/0	0
Rio Deals per std.	35/0/0	35/0/0	0
Teak per load	24/0/0	24/0/0	0
Honduras Mahogany logs c. ft.	0/10/0	0/10/0	0
English Oak Planks	0/6/0	0/6/0	0
English Ash Planks	0/7/0	0/7/0	0
VEGETABLE OILS (per ton net)—			
Linseed, naked	23/12/6	24/7/6	0
Rape, refined	31/15/0	31/15/0	0
Cotton-seed, crude	16/10/0	16/10/0	0
Coconut, crude	17/0/0	17/0/0	0
Palm	12/12/6	13/2/6	0
Oil Cakes, Linseed, Eng.	8/17/6	8/17/6	0
La Plata	11/3/9	11/7/6	0
Calcutta	12/8/9	12/10/0	0
Turpentine	35 0	35 0	0

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is really not worth a war"; but the same newspaper, which no foreigner can be made to believe is wholly independent of the Government, continues to give great prominence to letters from high Government officials and others urging "discussions" with Nazi Germany and the making of "generous gestures" to Herr Hitler. The intentions of these people are quite admirable. But that it is possible for intelligent persons to believe, in May, 1939, that the offer of concessions to the Nazis will have any other effect than to make them redouble their demands, is merely proof that the emotion of hope is stronger than reason. As has been admirably argued by one of the contributors to the discussion, the policies of conciliating the aggressor and of restraining him cannot be mixed. We must pursue one or the other wholeheartedly. The Prime Minister's speech on Thursday emphatically declared for the policy of restraining the aggressor. Mr Chamberlain clearly recognised that the chief danger of war lay in German doubts of British resolution, and flatly declared that the use of force "would

inevitably start a general conflagration in which this country would be involved"—a decided improvement on the tortuous formula of last summer. The restraint of the aggressor is the Government's and the country's declared policy. There must not now be any sabotage.

After the events of last September, we are quite exceptionally lucky in being given a second chance to build up an Eastern Front of resistance to aggression. There will be no third chance. And nothing will ruin our second chance so quickly or so completely as the suspicion that we intend once more to undermine the resistance of our natural allies, to purchase our peace with their sacrifices, to persuade them to surrender their own defences and then leave them to the Nazis' mercies. A second Munich would not mean peace. It would mean the certainty of war, and the high probability of defeat for liberty and democracy. Danzig, the symbol of our last chance to stand on a line we have a chance of holding, is certainly worth the risk of a war, even with Germany.

Shelter and Exodus

WARS, like boxing matches, are won by attack. Equally, they can be lost for lack of an efficient guard against the enemy's own blows, and the important measures which will take up the time of Parliament until Whitsuntide, the Military Training Bill, the Reserve and Auxiliary Forces Bill and the Civil Defence Bill, pay due attention to this double need. The establishment of a conscript militia and the statutory provision for the calling-up of reserves and auxiliaries for supplementary peace-time training are together intended, not only to create the nucleus of a sufficiently large and sufficiently trained striking force, but also to make it possible to man anti-aircraft defences continuously. The Civil Defence Bill does the i's and crosses the t's of the duties that devolve upon employers and local authorities to protect the persons and property under their charge.

The ideal way to safeguard the civil population against air attack would be to set up an impenetrable barrier of airplane and artillery defences. In practice this is not possible and, although this country's anti-aircraft defences are now well advanced, it is to be expected, according to most experts, that some bombers could always get through. Their losses of machines and personnel would inevitably be heavy, however, and forecasts of the skies over London darkened by thousands of hostile aircraft have no basis in fact or sound reasoning. The enemy's supply of bombers must be limited and of pilots and other personnel even more so. No nation could employ all its planes in a single attack or even on a single front. No Government could risk the destruction of its air fleet in the space of only a few weeks. The problem is a limited one and a rough and ready notion of the limits can be had from a very simple piece of arithmetic. The number of first-line bombers and trained crews that Germany has available for bombing London, after making provision for all the other duties of the German Air Force, cannot be more than 1,500 at the most and is probably much less. The proportion of machines brought down by the defenders in an attack on a heavily-defended area like London can hardly be put at less than 10 per cent. of the machines taking part in the raid. Even if the German command were prepared to lose the whole of its first-line machines and men in the first month of war it could not contemplate losses of more than 50 machines a day—which means an absolute maximum of 500 machines sent over London a day. The probable figures are considerably lower. Now 300 or 500 bombers is a very large figure and they would do immense damage, but it is nothing like the continuous

mass raiding visualised in some nightmares. Moreover, the more severe the raids were to begin with, the shorter the time that intensive bombing could last.

The problem then is measurable. It is to provide for the eleven or so million inhabitants of the areas that are in direct danger (the areas scheduled by the Government for evacuation) sufficient protection to minimise loss of life and ensure the maintenance of the activities upon which war effort depends. People must be protected *in situ* or transferred to safer places. Shelter and evacuation are the two complementary parts of the Government's programme that should fit snugly together.

Actually there is still a gap between them. On paper the Government's shelter plans are completed with the newly-announced brick and concrete shelters. In time it may be possible to provide protection against blast and splinters for the seven or eight million inhabitants who are not, under the present scheme, to be evacuated. But it will take a long time and it places a heavy burden upon the steel and building industries. And, even when all the shelters have been made and sold and set up, the position will scarcely be satisfactory. Blast and splinter-proof shelter is, for many reasons, the only protection that can be generally offered; and it would cut down casualties in an air raid by at least one-half and probably more. But, in the absence of bomb-proof shelters, relatively impervious to direct hits, casualties would be disturbingly high. The Government proposes to take responsibility for evacuating only children, mothers and disabled persons. These have indeed prior claims to safety, but there are good grounds for asking whether the evacuation plans should not be recast and enlarged to take away the people and the businesses not absolutely needed in the districts where casualties will undoubtedly be heavy. The argument gains force when it is realised that, at this present time, when war is at least sufficiently a possibility to have become a premise of public policy, about six million people in target areas have no shelters at home or at work and no protection in the streets.

The official view has previously been that individuals or firms wishing to leave London or other vulnerable districts should do so of their own accord. Many tentative private arrangements for evacuation have been made, and business concerns have sought provisional accommodation in the neutral areas (where, in the Government scheme, there will be neither evacuation nor billeting). It has been assumed that it will be possible for these private plans to be executed on the outbreak of war by train or motor car.

This belief has now been shattered. It is the Government's opinion, announced the other day with strange casualness in an incidental *obiter dictum* by the Parliamentary Secretary to the Ministry of Health, that private evacuation in the first four days of any war will be impossible because of the other demands that will be made upon road and rail. There is an added complication in the fact that many children and mothers, nominally entitled to be taken out of danger under the official scheme, have made private arrangements to go to friends or relations.

The result threatens to be confusion. It would seem that there are two courses open for the families and firms that have made their own plans. Either they can evacuate themselves before the emergency arises; or they must wait, probably through the worst days of bombardment, until the roads and railways are opened to them. It is of course possible for children, mothers and disabled persons to abandon their private arrangements and rely upon the State to look after them. A circular sent out by the London County Council this week, urging persons in the priority classes to register themselves forthwith, seemed to suggest this solution. But the circular, like almost all A.R.P. literature to date, was verbose and obscure, and there is an entire lack of definite instructions on this matter from the authorities. Moreover, it would be wasteful and redundant for families with their own means of transport and their own private billets (allowed for, incidentally, in the Government's own billeting survey) to be thrust upon the already burdened official scheme and boarded out on strangers.

The Government must make up their mind. If persons other than children, mothers and disabled persons are to be encouraged or allowed to leave the danger centres they live in—and now that the scope and limitations of shelter policy are known this would seem to be imperative—their

removal must be organised. If individuals and firms are to be encouraged to leave before the danger of raids arises, this must be clearly stated—if only because the redistribution of population and business activities raises serious problems of transport, accommodation and food supplies which can only be solved by forehanded organisation. If private evacuation arrangements are to stand, then the official plans must be extended to cover them; the roads might, for instance, be opened on the outbreak of war, not to any and every private car, but for *bona fide* evacuation purposes to cars carrying official permits to carry so many passengers to approved destinations. The Government must know the likely load on the road system; they must know also the demands that private refugees will make upon accommodation and supplies in neutral and evacuation areas. They must have the whole process under control. A completely unco-ordinated exodus would breed congestion, ill-feeling and panic. But to prevent private evacuation altogether would be unfair and unreasonable, just as to force all evacuation into the official framework would strain the authorities' resources to breaking-point.

It is a lead in these matters that is anxiously looked for. Evacuation is an undesirable measure: it involves a heavy strain on transport and distribution; it means overcrowding; it dislocates trade and industry; and it ruins many small businesses. Carried too far, it would itself achieve the raiders' object of disorganising war effort. But these are reasons for planning, not for over-rigid restrictions; evacuation, even at its worst, is a less evil than casualties at, say, the rate of 100,000 a day in London. Moreover, it will not be a permanent migration. By no stretch of imagination can the constant bombing of London and other towns for months be expected. The refugees will come back. It is their going that now urgently needs a plan.

Agenda for Preparedness.—III

Conscription of Wealth

MUCH has been heard, within the last few weeks, of the conscription of wealth. It would not be an exaggeration to say that it has become part of the accepted war-philosophy of the nation. It is high time that some attempt were made to ascertain what it means. This is the more necessary since ethics, emotionalism and hard realism are all twined through discussion of the subject.

The moral issue is quite simple. Modern war requires, both in the preparing and in the waging, men and money. If the requirements of men are to be met by applying compulsion, then compulsion must be applied to money also. It would be more accurate to speak of *additional* compulsions. Compulsion is already applied by the State both to men and to money—to men in such things as compulsory education, vaccination and jury service, to money in the whole range of direct taxes. What most people mean in advancing the need for the conscription of wealth is that if there are to be new, additional and onerous compulsions placed on personal liberty, then they should be accompanied by new, additional and onerous compulsions placed on wealth. It is surely no answer to point, as the Prime Minister did on April 26th, to the existing direct and progressive taxes. Those taxes were in existence, and were presumably deemed by the community to be just, before the obligation of compulsory military service was imposed.

It is very important that this moral aspect of the matter should be properly disentangled. The Labour Party is the first to suspect, and would be the first to condemn, any attempt to impose conscription of men on the country for its own sake or to regard it as anything but a hateful necessity. Proposals for the conscription of wealth (as

for the conscription of men) should be judged solely by their efficacy in meeting the needs of the State. Confusion of thought on this issue was shown by the proposal for a levy on property put forward by the Labour Party last week. It may very well be that our existing tax system is unduly gentle to income arising from property as against income arising from effort and risk-taking. But that is an issue for peace-time. There is nothing in the needs of war finance or in the demand for the "conscription of wealth" that justifies a tax on property, as such. Just as it would be wrong to use the conscription of men to build an authoritarian State, so it would be wrong to use the conscription of wealth as a step to the Socialist State.

If this moral issue is clearly defined and appreciated, it is possible to examine the problems of war finance on a strictly practical basis. The practical meaning of the conscription of wealth is that policies can be judged not by whether they are likely to be pleasant or popular but solely whether they are likely to be effective.

The experience of the last war can give a first approximation to the financial problems of the next. In the calendar year 1918 the total expenditure of the State was £2,716,780,000 (the earlier years would hardly be relevant to the scale on which any future war is likely to be waged). It is difficult to estimate what the national income was in 1918. In 1913 it is generally estimated to have been about £2,250 millions. The level of prices, to judge by the indices of wholesale prices and the cost of living, was in 1918 about 115 per cent. above the 1913 level. This would give a figure of, say, £4,850 millions. But the nation was undoubtedly working harder in 1918 than in 1913, even though much of the output was of merely destructive

value. Perhaps the money valuation of the output of the nation can be put at £5,500 millions in 1918, which would mean that the State absorbed just half the national income. This is only a first approximation, and the proportion is likely to be higher in any future war.

The problem of war finance is, then, this: how can the State secure, for its own expenses, half or more of the nation's income? Perhaps it is more enlightening to state the matter the other way round: how can the State compel or persuade its citizens to spend only half or less of their total incomes on their own needs? It is worth noticing that it is the nation's *income* that is relevant, not its accumulated wealth or capital. The State is not interested, in war-time, in getting into its possession the land, factories, or houses of its citizens, but only in diverting into its own coffers half the income arising from these capital assets. Proposals for levies on capital values or schemes for appropriating any increases in capital wealth only really become relevant issues after the war if the methods of financing adopted during the war have allowed accretions of wealth to arise. During the war it is incomes in which the State is interested.

The dimensions of the problem can be visualised with the aid of a few figures. The present national income can be put at roughly £5,000 millions. If all the unemployed were absorbed and additional labour provided, as it would be in war-time, by working longer hours and recruiting persons not now occupied, the national income might be raised to, say, £6,000 millions at to-day's values. The total peace-time tax revenue of the State and local authorities can be put, for the convenience of round figures, at £1,000 millions. The war-time problem is to secure for the State the spending of £3,000 millions out of £6,000 millions instead of £1,000 millions out of £5,000 millions—or to leave to the public £3,000 millions out of £6,000 millions instead of £4,000 millions out of £5,000 millions. (All these figures assume, of course, that there is no change in the value of money.) If the national income rose by one-fifth, the yield of taxes would presumably rise in about the same proportion to, say, £1,200 millions. The gap left, to be raised either by increased taxes or by other means, would therefore be something like £1,800 millions per annum, or one and a half times the prospective yield of the existing taxes. These are the approximate orders of magnitude with which we have to deal.

There are two main methods by which the State can secure this proportion of the nation's annual income for its own purposes. One is to leave the money incomes of the individual members of the public substantially as they are at present, while the State creates additional supplies of purchasing power for itself. The new purchasing power competes against the existing incomes and, by driving prices up, compels the public to diminish its consumption and release resources for the State's needs. The rise in prices is not an incidental danger of this inflationary policy; it is its essence, since it alone secures that reduction in the public's consumption which must be the aim of all war-time finance. In the process, however, a number of private incomes are increased, and the price rise has to go on until, even with its larger money income, the public can only buy about three-quarters of its peace-time consumption. In the last war, prices were carried to double their pre-war level. If that happened again, the national income would become £12,000 millions, the yield of present taxation would be £2,000 millions, and the total State expenditure would be £6,000 millions, leaving £4,000 millions of money to be "created." Private incomes, after tax, would be £6,000 millions, which would buy as much as £3,000 millions to-day.

The technical problem can thus be solved by the inflationary method, which has the great advantage of being easy to apply. But this means of limiting public consumption is indirect, inefficient and grossly inequitable. More-

over, inflation may run away, with disastrous results, and it is a policy that cannot be reversed after the war is over. To say that a modern totalitarian war should be waged without any resort to inflation is probably a counsel of perfection. But it is a last resort.

The alternative method of war finance is to secure the necessary reduction in the consumption of the public in a direct and visible manner, by reducing in the desired proportion (i.e. something like a quarter) the present money incomes (after tax) of the individuals who make up the nation. This, again, can be done in two ways: by persuading the citizens to hand over a quarter of their net income in loans or by compelling them to hand it over in taxes. (There are also, of course, half-way houses such as forced loans, and the direct rationing of all forms of goods, so that the citizens have nothing to do with part of their incomes but to give or lend them to the Government, directly or indirectly.) From the point of view of the community, taxes are preferable to loans, since they do not leave behind them the onerous legacy of a vastly inflated national debt. Indeed, the higher taxes are during the war the less high will they need to be after the war is over. This would seem to be the point at which the principle of conscription of wealth becomes relevant; it dictates that if taxation is the more effective method it shall be adopted.

But is it really possible to contemplate raising an additional sum of something like £1,800 millions by taxation, out of a national income only slightly higher than at present? At first sight it is an utter impossibility—and, indeed, it is not necessary that every last penny should be raised in this way. But there are certain considerations, peculiar to war-time, that should be borne in mind. The first is that it is a categorical imperative of war finance to take away from the public, if not this sum of money, then at least the goods and services it represents. There is no choice about imposing these sacrifices but only about the method of imposing them. Secondly, in peace-time increases in taxation have to be managed in such a way that business confidence is not impaired. "Business confidence," when analysed, means a state of public psychology in which money will be freely spent, both on consumption goods and, more especially, on extensions to capital equipment. But this is just what has to be avoided in war-time. It can almost be said that, in war, the less "business confidence" there is the better. Thirdly, peace-time taxation has to leave sufficient incentive to effort in wealth-creation. This necessity does not disappear in war-time; but it is much smaller, partly on the idealistic ground that patriotism supplies a new incentive, and partly on the realistic ground that when demand for everything permanently exceeds supply there is very little risk in enterprise and less need to make risk-bearing worth while.

Whether these considerations add up to a conclusion that it is possible to finance almost the whole cost of a war by taxation is very doubtful. But they certainly add up to the conclusion that the greatest effort must be made to secure as much as is possible in this way and that we must be prepared, for this purpose, to contemplate doing what we now regard as the impossible. The principle of an Excess Profits Duty is now fairly generally accepted. It should be extended to become an Excess Income Duty, so that most, or all, of any increase in incomes during war should go to the Exchequer, either as tax or as forced loan. There must, obviously, be heavy increases in all forms of indirect duties, especially on anything that has a luxury, or even a semi-luxury, character. But the main burden would inevitably fall on direct taxation. There is a very widespread belief that the standard rate of income tax cannot be raised above 6s. in the £. But there is no logical foundation for any such belief, especially as regards war-time. Discussion in terms of the standard rate is, in fact, very deceptive. The effective rate of income tax on a married man with two children and an earned income of

£1,000 a year is now, with the standard rate at 5s. 6d. in the £, only 11 per cent. To double the standard rate to 11s. in the £ would reduce the net income of such a man, compared with his present position, by only an eighth, or by half the approximate proportion in which the consumption of the whole body of citizens must, by one means or another, be curtailed. Or again, we must ask the question (without at the moment implying an answer) whether the whole of incomes in excess of, say, £5,000 could be diverted to the Exchequer in time of war, either in tax or in forced loans. These are, of course, alarming possibilities, which could certainly not be applied without many provisions for hard cases. But it remains true that the necessary curtailment of consumption can be effected far more equitably by taxation than by any other means.

These are the problems of war finance. What can be done about them in the present phase of preparation? The

first necessity is to submit the problem to the same open discussion that is now steadily convincing the public of the inevitability of other distasteful and difficult measures. The second necessity is that a detailed plan of war-time finance should be worked out, so that inflation should not secure a hold while the discussion rages. It would immensely assist to end the dissatisfaction with conscription if it could be announced that such a plan was ready. And lastly, it would be prudent to make a beginning with setting up the legal framework for some of the new taxes (e.g. the excess income duty) that would be required. In the last resort, Great Britain's strength in war depends on the fact that we can, if need be, devote a higher proportion of our national income to the waging of war than any other European nation. The more clearly we show that we realise the full implications of this fact, the more convincing will be the deterrent that we offer to the aggressor.

Portugal's Progress

BRITAIN'S trade with our oldest ally has been flourishing ever since the merchants of Portugal supplied King Henry III with wax for his royal seal. Yet English acquaintance with Portugal and the Portuguese has been throughout our history remarkably deficient. Modern Portugal dates largely from the revolution of 1926, which installed General (now President) Carmona in power, and from the appointment of Dr Oliveira Salazar as Finance Minister in 1928. Portugal's stern financial and economic policy in the early years of the dictatorship would certainly have earned the praise of the strictest practitioner of Gladstonian finance. Fresh from his chair of economics at the ancient University of Coimbra, Senor Salazar proceeded to reform the financial administration and balance the Budget after more than a dozen consecutive annual deficits. In eight years the Portuguese national debt was reduced from £14.8 to £11.3 per head. Budget surpluses were recorded to a net total of about £10 millions, while between 1931 and 1936 the gold reserves of the Bank of Portugal increased from £2 to £8 millions. By the end of 1936 Portugal had not only revolutionised her finances, but had devoted a considerable amount of ordinary revenue to public works and economic development. The main structure of financial reform, involving heavy taxation, was completed during the depression. This was a remarkable achievement, though it owed much to Portugal's favourable economic relations with the rest of the world. Whereas Britain's exports fell off by a half between 1929 and 1932, Portugal's declined by a quarter, and Portugal, unlike Britain, was able to maintain a balance of payments as healthy as was her Budget. As H.M. Commercial Secretary in Lisbon has emphasised on several occasions,* Portugal is practically independent of international finance; her industrial output is disposed of mainly at home and in her colonies; the bulk of her people depend upon agriculture for their livelihood; and her principal exports, port, cork and sardines (covering something like half the total value) are not subject to intensive competition.

The bane of the country has been and still is poverty, with its companions, ignorance and inertia. At the date of the 1930 census two-thirds of the population was illiterate and in one rural area this proportion was over eighty per cent. Poverty is of the same order as ignorance. The wages of agricultural labourers are appallingly low, in some parts as low as a shilling a day. The removal of the *damnosa hereditas* of debt and the favourable international position gave the Government its first real opportunity to join battle

with these evils. The plan of the corporate State was foreshadowed in 1933 and the first phase of financial reform gave place to the second phase of economic reconstruction in 1936. But Senhor Salazar has not been a servile imitator of Mussolini. Portugal is a catholic and authoritarian, but not a totalitarian State. Indeed the idea of the State omnipotent is rejected as essentially pagan and as involving a worse absolutism than that which preceded the liberal era.

The theory of the corporate State requires control of each industry by its members, but in practice Senhor Salazar has to play more than a supervisory part. Broadly, economic planning under the corporate State has not been fundamentally different from similar experiments in Great Britain. The Portuguese wheat campaign, though started as early as 1929, well illustrates both the successes and the difficulties of the new system. Between 1925 and 1929 Portugal was spending over £2 millions a year on imported wheat. By 1934 a guaranteed price, technical assistance and good climatic conditions had brought about a harvest approaching double national requirements. And this success, of which the Italians might well be jealous, was repeated in 1935. The Portuguese peasants, like Joseph, gathered corn "as the sand of the sea." But Portugal, unlike Egypt, not being an isolated economy, had no need to store up corn against the lean years and in any case the cost was prohibitive. So the Government exported some hundred thousand tons at a heavy loss only to find that the 1936 harvest was below normal requirements.

Amid these difficulties, seemingly inherent in experiments in economic planning, it is well to record the great amount of economic development, roads, port and railway improvements, provision of electricity, drainage, etc., which is taking place. In roads, particularly, the progress has been startling. In 1928, 75 per cent. of the road mileage

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* "Reports on Economic and Commercial Conditions in Portugal, July 1936 and August 1938." Prices 1s. 6d. each.

commenced its advertising programme five weeks earlier than usual, with good results. If moves of this kind can be generalised, some immediate obstacles can be removed and the way cleared for an attack on the major problem posed by those workers whose wages are insufficient to enable them to take a holiday with their families in any case. Perhaps 60 per cent. of the employed population get less than £3 per week, and for these a week's holiday costing at an absolute minimum £3 8s. 6d. per adult at a seaside town and 35s. to 50s. at a holiday camp, exclusive of fares, is virtually an impossibility at present.

* * *

Poland.—Colonel Beck's contribution to the public statements on which Europe now waits each week caused considerable satisfaction to his allies. He neither made war inevitable nor peace dishonourable. To Poland's potential enemies, Colonel Beck's statement was less satisfactory, and seems to have resulted in a certain lull, if not hesitation. Herr von Ribbentrop, having conferred with Hitler and the Nazi leaders from Danzig, left for consultations with Italy. The result was the announcement of an Italo-German military pact; but it remains to be seen whether the price of this agreement was a German undertaking not to begin a war against Poland, for which Italy is known to have little appetite. Meanwhile in Poland itself the situation is stable. The Poles maintain (with obvious logic) that the next move must come from Berlin, while the Germans are openly hoping that a campaign of threats, accompanied by poisonous Press propaganda, will undermine the resolution of the Poles and induce their Western allies to put pressure on them to yield. A new Runciman, they say, is in sight. The Pope is also said to be interested and is credited with having skipped the intervening phases and recommended an immediate recourse to Munich—a conference of Great Britain, France, Italy, Germany, and the State whose rights are disputed. The Polish attitude to this new development has not been expressed, and though the Germans emphasise the superior "sincerity" of Papal over American proposals, it is likely that Herr Hitler will prefer to give the propaganda screw another twist. German "refugees" from Poland are being assembled on the German-Polish frontier at Rummelsburg, and there is already talk of the formation of a Freikorps to conduct guerrilla war on the Polish frontier guards. Poland appears to be sustaining this war with outward equanimity and has this week sealed her new friendship with Lithuania by an enthusiastic reception in Warsaw for General Rashukis, Chief of the Lithuanian Army. M. Potemkin has also had a friendly discussion with Colonel Beck on his way home from Turkey. M. Litvinov's departure has certainly enhanced the possibilities of Russian-Polish friendship.

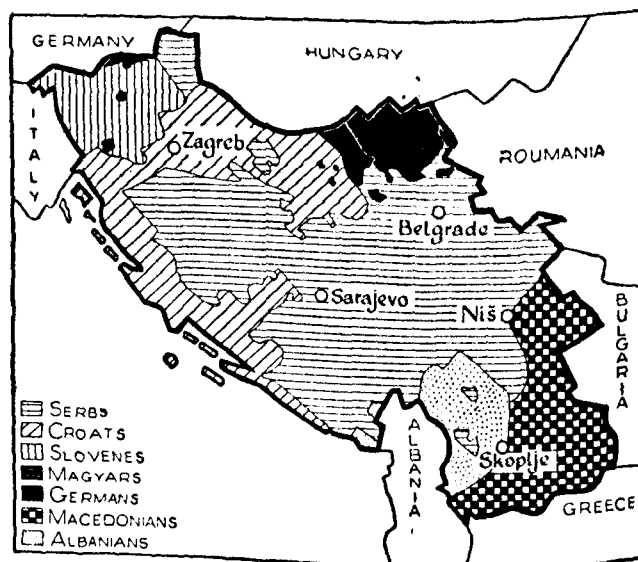
* * *

Northern Neutrality.—Germany appears to have met with a rebuff in Scandinavia. The Foreign Ministers of Norway, Sweden, Denmark and Finland, who met this week in Stockholm, issued a rather vague communique after their meeting, and referred Germany's proposal for a series of bilateral non-aggression pacts back to their Governments. But it is credibly reported that three of the four countries consider that acceptance of the Nazi interpretation of non-aggression would be contrary to their traditional policy of neutrality. Denmark, the one exception, is hesitant, with a nervous eye on her extreme vulnerability to German action. Since the German offer was intended primarily to convert the Baltic into a German lake and secondly to throw discredit on Mr Roosevelt's peace offer, this rejection from traditionally neutral States was not unexpected. In an official communique, the Foreign Ministers "expressed the unanimous view that the international policy which their countries have logically taken up and intend to maintain, excludes them from being the object of any political combination." This naturally precludes the Scandinavian countries from participating in plans intended, either in

peace or war, to further the strategic interests either of the Axis or of the democratic powers. Their interest in all cases is that the Baltic should remain open and that their trade with Germany, as with the rest of the world, should be undisturbed. It is for this reason that Sweden and Finland want to fortify the Aaland Islands, which lie between their two countries and command the trade routes between Sweden and Germany. Germany is said to have given her consent to this proposal, though it remains to be seen whether this consent was conditional or unconditional. It is obviously in the German interest that these islands should not, in the event of war, fall into hands hostile to the Reich, but the rulers of Germany are not above exacting compensation for concessions to themselves. The Scandinavian countries' relations to Germany are not identical, and this refusal to be entangled by no means signifies the end of all efforts to entangle them. Denmark has a common frontier with Germany, and reports persist of day and night work on fortifications on the German-Danish frontier. Germany, having failed to secure the favours of the Scandinavian Powers *en bloc*, may still hope to secure the attentions of one or the other, and create dissension between them. It is for this reason that objects of dispute between the Scandinavian Powers, such as that between Denmark and Norway over Greenland, may loom once more into the picture in the near future.

* * *

The Serbs and the Croats.—Serb-Croat deadlock threatened last week to develop into an open breach. This disaster seems to have been prevented by a slight change in the somewhat rigid attitude hitherto adopted by the Regent. Negotiations for the federalisation of Yugoslavia opened on April 2nd and were said to have reached a satisfactory conclusion on April 27th. According to the Croats, a single agreement was signed by



M. Tsvetkovitch, the Prime Minister, and M. Matchek, the Croat leader. According to the Belgrade report (which M. Matchek publicly denied) draft solutions were elaborated by each of the two parties and presented to the Regent. The return from Belgrade of M. Shubatschich, the Croat representative, without a definite answer but with new proposals made by the Regent, was taken in Croat quarters to mean rejection of the Agreement of April 27th. The Croat newspaper which published this Croat statement was confiscated and the report was officially denied in Belgrade. Meanwhile, however, though M. Matchek's statement had not shut the door on further negotiation, the Croat National Assembly was called for May 7th-8th and foreign Press representatives were informed that "Sunday will start a new chapter in the history of South-East Europe." Exactly what this chapter may prove to hold has not been immediately obvious, though certain reports maintain that foreign aid may be sought by the Croats, and a Croat repre-

sentative is said to be visiting Italy this week. More satisfactory is the news that Prince Paul received M. Matchek in audience before his departure to Rome on May 9th. He assured him that the agreement had been accepted in principle and that negotiation would be continued on his return. Meanwhile, as if to point the urgency of Yugoslav solidarity, a German press campaign has been started against the "dastardly crimes" of the Slovenes, the chief of which, of course, is to separate Germany from the Adriatic.

* * *

Transition in the Areas.—Sir James F. G. Price, who now becomes Commissioner for the English and Welsh Special Areas following the resignation of Sir George Gillett owing to ill-health, finds confronting him a problem whose character is changing rapidly. Four years ago it was possible to regard the Areas question as twofold; on the one hand, it was the most important aspect of a presumably temporary maladjustment which manifested itself in high unemployment figures for the country as a whole, and on the other hand it covered the more permanent social problem of the older men and youths whose chances of employment in regions specialised to mining and heavy industry were practically nil. Now the first part of the problem is in the process of disappearing, partly, but by no means wholly, because of increased employment in re-armament. The figures for registered unemployed in the Employment Exchange areas which include any part of the Special Areas have been declining since January and on March 13th stood at 232,847. The figures for each area since September, 1938 (the date of the last Report of the Commissioner), are as follows:—

	West Cumbrian	Durham	Tyneside	South Wales	Total, Special Areas
Oct. 17, 1938	10,548	60,962	55,538	108,897	235,945
Nov. 14, "	10,789	61,772	55,690	115,124	243,375
Dec. 12, "	10,418	63,107	54,247	112,515	240,287
Jan. 16, 1939	12,414	68,480	62,183	111,657	254,734
Feb. 13, "	10,607	65,432	59,193	117,158	252,390
Mar. 13, "	9,638	63,326	56,459	103,424	232,847

If the iron and steel industries continue to take on men at the present rate, all but the core of old men and unskilled and partly-trained youths will have been absorbed in a few months, and so far as the Special Areas are concerned what was once the unemployment problem will have become the problem of the unemployed. This shift of emphasis to the long-range aspect brings out certain further considerations concerning the possible effect of any cessation of the present rising demand for labour in the iron, steel and engineering industries. Are we in fact laying the foundation for the Special Areas problem of the future? It is easily possible to exaggerate the part played by re-armament in the reduction of the general unemployment figure, but it is quite apparent that Tyneside and South Wales might find themselves even worse off than before in the event of a removal of the present military sources of demand. There is therefore a case for watching carefully any tendency for new labour to flow into these areas. And if dilution of labour is to come, it might well be tried first in the regions where the pool of unemployed is best defined and organised.

* * *

Work for Refugees.—Recent rumours of large numbers of irregular entries and evasions of the regulations regarding refugees, and of a consequent tightening of these regulations, appear to rest on a very tenuous basis; but the removal of the suspicion that Gestapo agents were arriving by the back door does not leave everything perfectly satisfactory in this matter. The present phase of the movement, which began with the wholesale persecution of the Jews and has received periodical new impetus as Herr Hitler has extended his influence both inside and outside the Old Reich, has

posed a large-scale problem. In its solution Great Britain has played a far smaller part than might have been taken by a country which once enjoyed the reputation of an asylum for the victims of political persecution. Between five and six million Jews and an indefinite number of others are potentially affected, and over 200,000 persons have already left their countries. Yet of these only 20,299 adults and 4,837 children were in Great Britain on April 24, 1939. The very smallness of the number puts to shame those who desire further restriction on the ground that to employ refugees is to take the bread out of the mouths of our own workers, and the economic argument in any case is fallacious. Whether or not refugees reduce the amount of available employment is a question which cannot be answered until they have been given an opportunity; and although it would not be difficult to find cases in which British workers might be displaced by foreigners, the probability is that the influence on employment of immigrants as a body is beneficial. Further, the majority of those leaving Central Europe have an industrial training and would undoubtedly be invaluable in the defence industries as and when shortages of skilled labour manifest themselves. It is a mistake, however, to assume that a problem of this magnitude can be solved by any piecemeal process. The main hope lies in large scale settlement schemes in countries like Northern Rhodesia, the Philippines, San Domingo, and Surinam, where there is still a considerable amount of free space and scope for industrial as well as agricultural activity. The offer made by the British Government at the end of 1938 of lands in British Guiana was a welcome step. It was followed by the setting up of a Commission which has now reported to the Advisory Committee on Political Refugees appointed by the President of the United States. The conclusions of the Commission are of a kind likely to be repeated in other areas, namely, that while the territory offered in British Guiana is not ideal for the large-scale settlement of Central Europeans, it is sufficiently promising to justify an experiment on a substantial scale involving a capital outlay of £600,000. There is no excuse either on economic or humanitarian grounds for further delay in the undertaking of projects of this kind.

* * *

The F.B.I. and South-Eastern Europe.—The familiar difficulties of the German economic system to-day are the starting point of an interesting discussion in the latest quarterly business review of the Federation of British Industries. The conclusions which the bulletin goes on to adduce from Germany's present straits are much more disputable than its account of the difficulties

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

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themselves. The point is made that the annexation of Austria and Czechoslovakia has not eased the Reich's problems, which is true in so far as it has greatly enlarged the adverse balance of trade. But it is not made clear that the economic worth of Germany's conquests depends upon the use to which they are put or, in other words, that if the annexations are proving disadvantageous it is in large measure Germany's own economic policy that is responsible. The same criticism applies even more to the next and somewhat insidious stage of the bulletin's thesis. In brief, its view is, quite rightly, that Germany needs foodstuffs and raw materials rather than mere manufactures; and the solution suggested is the formation of larger and "complementary" economic units in Central and South Eastern Europe. At first glance the proposition is unexceptionable: here as elsewhere in the world, it has been the lack of freer trading that has exacerbated economic difficulties. But when the F.B.I. go on to claim that it is the "multiplicity of independent nationalities" that is inherently to blame, and that the solution would be for the States of South Eastern Europe to "forgo a sufficient measure of national liberty" to make complementary economic union with Germany possible, a good argument comes to a bad end. It is natural and inevitable that the Reich should predominate in the trade of South Eastern Europe, and any free agreement to augment that trade would be economically desirable. The multiplicity of tariff barriers is an obvious obstacle to trade. But it is wholly unnecessary and vicious that the Reich's commercial status should carry with it the claim to restrict the political independence of any of its customers. Nor can South Eastern Europe be strait-jacketed to serve German raw material needs. To compel these countries for all the future to confine themselves to agriculture and to eschew all industrial development—which is the German aim—is to condemn them to continual poverty. The populations of the various States are rising rapidly, and the development of such of their own industries as can be made economic is necessary and desirable. "Can larger economic units be created in Central Europe without altogether sacrificing the liberty of small nations?" ask the F.B.I., hopefully. There is no economic reason at all why they should not; and the F.B.I. would be better employed in helping the British Government to make economic co-operation in Danubia and the Balkans possible on the basis of absolute political independence than in preparing tendentious arguments to be bandied about with gratification in Nazi circles.

* * *

Italian Economics.—The Italian national economy, like that of other countries, is being increasingly distorted by the pressure of re-armament and economic nationalism. With the announcement of additional expenditure of little under 300 million lire (about £3 millions), incurred in the invasion of Albania, and the approval by the Duce of new military credits, it becomes clear that the official estimate of a total expenditure of 25 milliard lire for the current financial year is going to be exceeded, perhaps to the tune of five to ten milliards. Although the prospective yield of taxation, following the level of money incomes, is on the increase and may exceed 25 milliards, it unquestionably will not be sufficient to meet this year's extraordinary expenditure. Some new special imposition is, therefore, to be expected. The cycle of special taxes on different types of property, land and real estate, joint-stock and private capital has now been completed, but it is possible that the Duce may decide that the occasion demands a general capital levy on lines similar to that imposed soon after the war. The Italian taxpayer already bears a heavy burden, but it must not be imagined that another special levy would prove the last straw. Indeed, so far as the mass of the people are concerned, autarky and compensated trade have now assumed a much more terrifying appearance than taxation. Foodstuffs have deteriorated in quality and quantity. Italian soldiers manning the frontier fortresses have on several occasions begged bread and soup from their French opposite numbers. Even worse—because the Italians are one of the world's heaviest coffee drinkers—

the unwillingness of Brazil to buy Italian goods has led to a scarcity of coffee. Last year's imports at 356,000 quintals were below consumption estimated at 400,000 quintals. So far the shortage has mainly affected private purchasers and bars, at least in the principal cities, have remained unaffected. But the "famine" is anticipated to get worse. The deficiency cannot be met from Abyssinia. The best Harar coffee is too good a source of foreign exchange to be consumed at home, whilst the remainder is of too poor a quality. Proposals are on foot for an admixture of barley and coffee, but this is hardly likely to prove popular. Against these unpleasantnesses may, however, be set the good employment resulting from war preparations. The official employment index reached a new high last February. Building in particular is very active. The index of construction activity, which reached a very low level during and just after the sanctions period, has been rising steadily during the last twelvemonth, and in February, 1939, was 33.3 per cent. above the figure of February, 1938, and 8 per cent. above the 1928 average. This is, of course, due not to house building, but to industrial and military construction. The industrial triangle—Genoa, Milan, Turin—where full employment must be close at hand, has become a magnetic attraction for the poorer people of the country, Neapolitan boatmen and Venetian gondoliers and all who have been hit by the disappearance of British and American tourists.

* * *

The Justice of General Franco.—The defiantly pugnacious attitude to foreign affairs which General Franco adopted with his adherence to the Anti-Comintern Pact is echoed on the domestic scene by the law of political responsibilities which is now in operation. This is the law which defines political offenders and the scale of their punishment. By its terms and its application must be judged the value of General Franco's justice and the measure of his clemency. An examination of the law leaves no doubt which way that judgment must lie. To begin with, the law is applied by tribunals appointed by the Government, and consisting of a president, two army officers, two Falangists, two magistrates, and a secretary; or, in some cases, of one officer, one Falangist, and one magistrate. These tribunals work alongside a consultative and, for certain purposes, administrative organisation with a strong political bias known as the High Administrative Court; the officials of this court are freely appointed by the Government. The law is retroactive to July 18, 1936, and supersedes all previous legislation. Included within its sanctions are all members of political parties and organisations connected with the Popular Front, whether they be Basque, Catalan or Galician, all who have held administrative responsibility under the Republican Government, all freemasons—in fact, all who have opposed the Nationalist movement. The sentences to be passed on this great mass of "politically responsible" Spaniards are divided into three groups: deprivation of office, exile or imprisonment, and forfeiture of property, and all of the three may be applied at the same time. The tribunals qualify the charges, when they have been proved, as grave, less grave or light, with varying sentences. With each sentence an economic penalty will be exacted. It is, indeed, very clear, as the preamble to the law states, that the tribunals will have to "act in accordance with the standard of the Nationalist movement"; and that Spain has now followed the other Fascist countries in tainting its conception of justice with the crudest of political considerations. The same conclusion follows from the articles of association of the new reconstruction credit company, which provide for the appropriation of fines paid by former anti-National subjects and of payments made to secure exemption from labour-conscription, while the expenditure of the new company will be confined to the "reconstruction" of Nationalist supporters. We may well ask if this is that "spirit of equity and justice that inspires all the Nationalist Government's actions" referred to in General Franco's telegram to Mr Chamberlain early this year.

THE WORLD OVERSEAS

Catalonia's Fight for Autonomy

CATALONIA'S two-centuries old struggle for regional self-rule has been won and lost in less than eight years. The regional Government, with its President, its Parliament and its wide local powers, established under the Republican constitution, fell with the capture of Barcelona by the forces of Franco. Catalonia, after eight hopeful though turbulent years, is now pretty much where it was in September, 1714, when Felipe V conquered the city after a long siege, abolished the Catalan *Generalitat* and, in the name of Spanish unity, made Catalonia strictly amenable to the Central Government. It has now been proclaimed by General Alvarez Arenas, General Franco's lieutenant for Catalonia, that Catalonia must abide within the "sacrosanct unity of Spain." The *Generalitat* Government is replaced by the provincial *diputacion* with a provincial governor. This was the form of rule for each of Spain's provinces under the monarchy, and also under the Republic for most provinces apart from Catalonia. The *diputacion* has no great authority in local matters, and in the past it was always under the thumb of the central Government.

The decree of General Franco's lieutenant further states that "the private use of your language—the Catalan—will be respected." What the Catalan wishes, however, is the right to use his language publicly and officially. Since all speak Catalan, frequently knowing nothing of Castilian, it would scarcely be possible to suppress the private use of Catalan without suppressing the people who speak it. But the suppression of its public and official use is considered to strike at the heart of things Catalan.

So the central yoke has been re-imposed. The struggles of the Catalans for the restoration of their self-rule, during the last two centuries and a quarter, have been turbulent. In the later days of the Monarchy, arrangements were made with the Madrid Government by which certain measures of autonomy would be restored; and, finally, a mild regional administration known as the *Muncomunitat* was obtained. This was abolished on the advent of the dictator, General Primo de Rivera.

During his dictatorship, which went so far as to prohibit the use of the Catalan flag and of the Catalan language in public, Catalonia became violently anti-Monarchical. When King Alfonso visited Catalonia an attempt was made to blow up his train. The separatists grew strong. Colonel Francesc Macia, an exile in France, organised a Catalan revolutionary army which planned to march into Catalonia from France. Catalonia joined up with the Spanish Republican groups, and between them was subscribed a pact known as "the Pact of San Sebastian," whereby all Republican parties agreed to give Catalonia self-rule in the future Republic.

Self-Rule under the Republic

The Republic came with the municipal elections of April 12, 1931. Catalonia proclaimed itself an independent State in free union with the new Spanish Republic. This went beyond the terms of the San Sebastian pact, and Catalonia was forced to retreat, to bide its time until the new Republican Cortes could decide its future status. The fight was protracted and bitter, for many sincere Republicans feared too much regionalism. But, in October, 1932, Catalonia was able to inaugurate its *Generalitat* Government and convene its Parliament. The Catalan patriot, Colonel Francesc Macia, became the new President with co-extensive powers with the Spanish President himself in Catalonia.

The Catalan autonomy movement was, and remains, sentimental, political and social rather than economic. Although Catalonia is Spain's most important industrial region, the region's so-called "economic interests," meaning industry and trade, have always been rather against self-government than in its favour. These interests usually had a good understanding with the powers at Madrid under the Monarchy, the Dictatorship and the Republic, and their industries were well protected with high tariffs. They felt, moreover, that regional rule would result in double taxation and feared local political influences in their businesses. The wealthy class of

Catalans tended to be grouped in the party known as the *Lliga*, which favoured a greater extension of local administration, and supported the Catalan cultural movement. But this was quite another thing from wanting real autonomy.

In 1934 the Catalan Parliament passed a law which brought the issue to a head. This law attempted to give the share-cropper peasants, called *rabassaires*, the right to obtain possession of the lands which they cultivated. This struck directly at the interests of the land owners, most of whom were members of the *Lliga*. Moreover, it was a blow to the traditional Catalan system of land tenure, whereby the land of any family or *Casa* constituted an indivisible patrimony handed from father to that son, usually the eldest, who might be proclaimed heir by the father. The landowners were furious, and the *Lliga* took up their case. Heretofore, it had been considered among Catalans that, however they might be divided internally, they must stand together. Now the *Lliga*, in collaboration with the Conservative Central Government then in power, which was openly hostile to Catalonia, brought the *ley de cultivos* before the Court of Constitutional Guarantees which declared it unconstitutional on what seemed political grounds. The Catalan Parliament passed the law again "without changing a comma or a period," and the Madrid Government did not dare to enforce the previous decision with the weapons of the law. Instead a compromise was sought.

Catalan Revolt

But revolt was seething in Catalonia. The Right Government at Madrid resorted to measures so harsh that, a few months after the land law incident, there came the Catalan revolt of October 6, 1934. President Companys declared Catalonia to be "a federal State within the Spanish Republic" and severed all relations with the Central Government. Then followed a bloody night, when the Catalan governmental buildings were shelled and the Catalan Government made prisoners and deposed. The autonomy statute was virtually suspended. The men of the *Lliga* obtained power and carried on until the elections of February, 1936, when the members of the deposed Catalan Government emerged from their various prisons and took over their offices again. They now proceeded at a soberer pace. Friendlier relations were established with the *Lliga*, and negotiations were under way for the participation of the *Lliga* in the Catalan Government, when the military revolt of July, 1936, which began the Spanish Civil War, broke out.

In the main, therefore, it is not economic self-determination that has inspired Catalan nationalism. But, although the economic issue has not figured greatly in the Catalan demand for self-rule, it was perhaps the prime factor a century or more ago in setting the ball of Catalan discontent rolling. There was a time when the Monarchy attempted to strangle Catalan industry. Catalonia was forbidden to trade with the South American colonies and with Cuba. The port of Barcelona was closed to the Spanish colonial trade. As a consequence Catalan industrial output overflowed into the rest of Spain, which became the chief customer of Catalonia. These prohibitions in time disappeared and Catalan trade with the colonies prospered. But the impact caused by this attempt to strangle Catalan trade remained to play its rôle in the move for Catalan self-rule.

But, now and in the future, it is the social significance that is the most important of all. The Catalans are a highly organised people. They have co-operative societies of all kinds running a wide gamut from consumers' leagues and tradesmen's and workers' guilds, to societies for the protection of health and for mutual assistance. The most serious question of all was and is the labour question. Barcelona was the home of the powerful labour syndicates of the Anarchists which were engaged in a three-cornered war with the employers and with the rival Socialist unions. The Central Government under the Monarchy intervened with high-handed methods, and was accused of hiring rival gunmen to wipe out the gunmen and leaders of the unions. The

dictator, Primo de Rivera, clamped the lid on labour activities with a ruthless hand. While there was a surface appearance of "social peace," as the term goes in Spain, there was a terrible seething under the surface. When the Dictatorship vanished the lid blew off and the labour war was renewed with greater ferocity than ever. To the credit of the first Generalitat Government it must be said that it tackled this problem with seriousness and sobriety and had gone a long way toward establishing stability in this field when renewed interference during 1934 and 1935 undid all their good work.

Catalonia's labour problem remains. It is the chief nut for General Franco's Catalan policy to crack. Unless the Syndicalists are killed off to a man they will persist as a powerful force. Catalan aspirations burn more fiercely than ever. The resentment of many of her people against what has now happened to them is bitter. They feel they have entered yet another phase of their long fight for a satisfactory freedom for their region. And, on all counts, it seems that the solution to the Catalan problem, if solution there be, must lie in a still distant future, under more liberal auspices than at present prevail.

March 28th.

America's Economic Problem

[FROM OUR NEW YORK CORRESPONDENT]

THERE are still no statistical signs of the recovery that most business men are still expecting. The Federal Reserve Board's preliminary indices of business activity for March show almost no change from the February figures: adjusted, the general index was unchanged; unadjusted, it was up a point. This was rather better than the data recorded week by week had previously suggested, but the main impression of standstill is unaltered.

INDEX OF INDUSTRIAL PRODUCTION (WITHOUT SEASONAL ADJUSTMENT)

October, 1938	97	January, 1939	99
November, 1938	104	February, 1939	99
December, 1938	98	March, 1939	100
Av. 4th quarter, 1938 ...	100	Av. 1st quarter, 1939 ..	99

The average of each of the last two quarters is just a hair's breadth away from 100 (the 1923-25 base figure), and the general characteristic of the period is that of a plateau reached after the steep ascent of the September quarter.

Using March, 1937, to illustrate the top of the previous cycle and June, 1938, the bottom of the downswing that followed, we get the following examples of the behaviour of various series.

BUSINESS INDICES (UNADJUSTED)

	March, 1937	June, 1938	March, 1939
Manufactures	122	75	96
Minerals	119	91	110
Residential construction	47	46	58
Non-residential construction	63	76	76
Factory employment	101	76.3	91.0
Factory payrolls	101	67.2	86.8
Freight car loadings	80	58	66
Department store sales	90	79	88

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BUSINESS INDICES (1923-25=100)

(ADJUSTED FOR SEASONAL)

	March, 1938	February, 1939	March, 1939*
Industrial production (total)	79	98	98
Manufactures, total	75	97	96
Durable	54	83	79
Non-durable	93	108	110
Minerals	103	110	110
Construction contracts (total)	46	73	68
Residential	33	58	58
All other	56	85	76
Factory employment (total)	87.4	91.3	91.0
Durable goods	79.0	83.4	82.9
Non-durable goods	95.4	98.7	98.6
Factory payrolls (total)	77.1	85.4	86.3
Durable goods	67.4	78.4	79.9
Non-durable goods	87.9	93.2	94.5
Freight car loadings (total)	60	67	66
Miscellaneous	67	75	73
Department store sales	86	87	88
Department store stocks	70	68	68

* Preliminary.

Of the two elements (manufactures and minerals) that compose the index of production, the index of manufactures fell more severely between March, 1937, and June, 1938; since then the percentage recovery has been about equal in both, leaving a gap between the two at the present time. The following table shows the movement of the more important parts of the mineral index:—

INDEX OF MINERAL PRODUCTION (UNADJUSTED)

	March, 1937	June, 1938	March, 1939
Bituminous coal	112	51	77
Petroleum	171	156	172
Lead	77	65	70
Zinc	113	68	96

The higher level of the minerals index, compared with manufactures, is thus accounted for principally by the complete recovery in the production of crude petroleum—which is closely related to the demand for gasoline by private motorists. This illustrates the general character of the cycle. The cyclical decline from March, 1937, to June, 1938, was less severe in consumers' goods than in producers' goods; or, to put it another way, individual demand fell off less than corporate demand. Conversely, in the recovery, the demand for consumers' goods was restored to levels approaching those of the spring of 1937; while the demand for producers' goods was, and still is, laggard.

Department store sales, for example, were only a little lower in March, 1939, than in March, 1937—the interim decline having been only slightly more than 10 per cent. This is a fair measure of the demand of private individuals for the current necessities of life. But factory employment in general fell from 101 to 76 and has recovered only to 91; and payrolls fell off still more, then recovered more, but are still relatively low. And, when the employment series is broken down, it again shows the same characteristics—that is, in general, a greater fall in the case of consumers' goods than in producers' goods.

FACTORY EMPLOYMENT (UNADJUSTED)

	March, 1937	June, 1938	March, 1939
Durable goods	96.4	65.8	83.4
Non-durable goods	106	86.7	98.9

The classification of durable and non-durable goods is less significant for this analysis than consumers' goods and producers' goods; for automobiles are classed as durable goods, but are none the less characteristically articles of individual consumption. But the general impression is clear, in payrolls as well as in employment.

FACTORY PAYROLLS (UNADJUSTED)

	March, 1937	June, 1938	March, 1939
Durable goods	100.0	58.1	79.9
Non-durable goods	102.6	78.8	94.5

The same impression is obtained from the building figures, if it is remembered that non-residential contracts are swollen by public works.

To sum up, the demand of individuals for articles of personal and household consumption fell off relatively less than corporate demand for durable goods between March, 1937, and June, 1938, and it has since recovered to about the level of March, 1937. Briefly, the cycle of consumer demand was shallow, and the recovery statistically more nearly complete than in the case of producer demand. In contrast, the output of producers' goods (imperfectly illustrated by "durable"

goods in the indices), which reflects more closely the demand of corporate enterprises for repairs, replacements, maintenance, expansion, and was running at a fairly high level in early 1937, shrank precipitately in the ensuing twelve months, and has since achieved only a mediocre recovery so far.

The Role of Profits

Obviously the demand for producers' goods by enterprise must be closely related to profits, whether those profits are employed for self-financing or as a basis of public financing. Corporate profits were relatively high in the spring of 1937; they shrank dismally in the four quarters including the last of 1937 and the first three of 1938; and they made only a small recovery in the fourth quarter of 1938 and the first quarter of 1939. It is true that in the first quarter of 1939 they were substantially above the corporate profits of the first quarter of 1938, but they are still at no level to render effective the presumed potential demand of years of obsolescence and depreciation.

The relation of the profitability of enterprise to the demand for producers' goods, and through producers' goods to the demand for labour has been given comparatively little attention in American theoretical economics, which has always premised the general profitability of enterprise, subject only to relatively brief interruptions. That this premise was ever quite as valid as was presumed is open to question; but it seems more than doubtful if the "profit system" would ever have been adopted as a premise if the American experience had ever previously included so long a period of almost continuous and pervasive loss as that since 1930.

May 1st.

Stable Government in France

[FROM OUR PARIS CORRESPONDENT]

PARLIAMENT resumed its labours this week for another month. The new seven-year term of President Lebrun will then begin, and there is no doubt that M. Daladier will be re-invested as Prime Minister, with a comfortable majority in the Chamber. Circumstances are on his side: the international outlook has improved; the index of industry has risen 13 per cent. since September; and there are distinct signs of financial recovery. The Daladier administration and the Daladier decrees have created confidence.

Similarly, no immediate changes in the Cabinet are expected. Two new portfolios may be added: one for Armaments and the other, which will involve the supervision of the Press, the wireless and the cinema, for Propaganda (though probably under some other name). The fact is that, at present, there is no serious opposition to the Ministry and its policy; and, in the discussions of the latest decrees in Committee, critics will mainly confine themselves to requests for explanations and more precise definitions.

It is perhaps ironical that the programme which is being accepted *in toto* by public opinion is, at bottom, based on nothing more nor less than public works. It is not many years since the Popular Front Government, tempted by Rooseveltism, launched out upon a grandiose policy of public works to fight depression and economic crisis. Capital fled, and M. Blum was refused power to control credit and the exchanges: he fell. Now all is changed. The low level to which the franc fell, after a series of devaluations, and the decline in industrial production which followed the introduction of the forty-hour week, provided the conditions for a successful Liberal reaction in policy. And finally, oddly enough, the nation has come to accept as absolutely necessary a programme of military public works (or, in other words, armaments) much greater than any the Popular Front aimed at. The workers can swallow the higher taxes and increased cost of living because they are now working longer hours.

Public opinion is even ripe to support a certain amount of inflation, now that a further 20,000 million francs of gold has come back to the country. The last return of the Bank of France showed some signs of this inflation in the note circulation, which, at 127,000 million francs, was an increase of 17,000 million francs since the beginning of the year.

The short-term market, however, is in cautious mood. It has already made a heavy contribution to the needs of the State, and the chances are that appreciably more will soon

be required. The position is this: including the recent supplementary estimate for military expenditure, the Treasury will require 50,000 million francs in the course of 1939; 15,000 millions were borrowed in the early months of the year; 8,000 millions are to be raised by the new arms tax; and 6,000 millions will be obtained from M. Reynaud's first loan, which will be launched on May 15. This leaves a sum of at the very least 20,000 millions which will have to be found in the short-term market.

This is a considerable sum to raise at short-term in France. It is true that the French floating debt, which stood at 53,000 million francs on February 28th, is only half the British floating debt. But the Paris money market is very much smaller than the London money market—total deposits in the four biggest banks do not exceed 35,000 million francs (or about £200 millions). The banks, moreover, are faced with strong competition from the savings banks, which continue to pay 3½ per cent. to depositors; and the general public have still a deep-rooted inclination to hoard francs at home, a tendency encouraged by the existing economic tension and the renewed stability of the franc.

M. Reynaud therefore decided upon steps to ease the short-term problem. The first was the issue of three-year National Defence Bonds at 4 per cent., the idea being to lengthen the term of maturity of the Treasury's liabilities; and, so far, 1,000 million francs have been subscribed in four days. The second is to be the issue of 40-year 5 per cent. debentures at 98, giving a yield of 5.12 per cent., which has been called "the most favourable issue for the State in the last five years." This should bring in 6,000 millions of fresh money, but its chief aim is to convert the short-term liabilities of the Treasury into long-dated securities. Experts are calling for certain reforms in the money market to help in this task of freeing it for the Government's use: they want an appreciable extension of payments by cheque, compulsorily if need be; and they advocate definite restrictions on the competition between private banks and public savings institutions for money.

The strain of the Government's requirements is likely to be met. The outcry for control of credit and the exchanges has ceased, and together the increase in incomes, on the one hand, and in taxes, on the other, should make it easily possible to cover the immediate needs of the Treasury. But if another international crisis were to supervene, raising the Government's needs again and causing more hoarding, the position might become difficult. For the moment, however, there is no doubt that, in all domestic matters—and despite the Socialists' objections to the form of the new arms profits tasks and their protests against rising prices—the Government stands firmer than any French administration for a long time past.

May 10th.

The Position of Roumania

[FROM A CORRESPONDENT IN BUCHAREST]

THE return of M. Gafencu to Bucharest marks the end of a stage in the evolution of Roumanian foreign policy which began with the first German pressure on Czecho-Slovakia. King Carol has now made up his mind to stand with the Entente Powers; and he carries with him in this the great majority of his subjects. But there is no excuse for misunderstanding the fundamental aim of his policy: the keeping

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under all possible circumstances of Roumania's neutrality. Roumania will resist attack by Hungary and/or Bulgaria; and her neutrality, if she can keep it, will be qualified by a wholehearted sympathy for the democracies; she will not undertake commitments elsewhere.

The simple question "Will Roumania resist German attack?" can only be answered by asking in return: "Can the Germans invade Roumania without bringing in the Hungarians and/or Bulgarians as the spearheads of that invasion?" The odds are heavily weighted against any capitulation to German demands. From the strategic point of view, the attitude of Italy is perhaps of decisive importance, for upon that will depend the speed with which Britain and France can send that material assistance which Roumania would need, even in the first weeks of a war against a Hungaro-Bulgarian attack supported by Germany. Decisive help from Russia is not counted on in Bucharest; but, notwithstanding the strong anti-Russian prejudice to be seen even in Ministerial circles, Russian help would not be refused. Most Roumanians read M. Litvinov's resignation as a dismissal and a warning to all whom it may concern that the Soviets are not prepared to fight simply in defence of capitalist States.

It is because they are aware that they have made a decisive choice to stand with the democracies, and that, by this, they stand to lose certain short-term advantages, that responsible Roumanians have shown in the past week or ten days a certain impatience with the course of the negotiations carried on by Sir Frederick Leith-Ross and his colleagues. They have felt that their own willingness to accept a British guarantee with all its unspoken obligations should be marked with special appreciation by the British Government, and not by quibbling over the size of British credits. It is possible to sympathise with this view and to see how disastrous it would be for the Mission to leave Roumania without having achieved satisfactory results. But it must be questioned whether the British Government is really open to criticism on this score. Germany is, and will always remain, Roumania's economic mainstay; and, in making political moves against Germany, Roumania is justified in expecting help from her friends; but it would be a mistake to think that the British Government could try to compensate Roumania pound for pound for whatever losses she may suffer through her self-chosen foreign policy. As an independent State Roumania has made an independent choice.

May 7th.

Bulgarian Outlook

[FROM OUR SOFIA CORRESPONDENT]

EVENTS abroad exercise a dominating influence on public opinion in Bulgaria. Italy's penetration in the Balkans, on the one hand, and Germany's expansion towards the East, on the other, have obliged the country to face new conditions for foreign policy. The Government's view is that Bulgaria should remain neutral in the present disputes and endeavour to repair by means of peaceful negotiations the injustices of the Peace Treaty. As a central Balkan State, Bulgaria bases her foreign policy on the treaty for lasting friendship with Yugoslavia and the pact of non-aggression and friendship with Turkey. Relations of good neighbourship are maintained with Roumania and Greece, but the participation of Bulgaria in the Balkan Entente is excluded, so long as certain of her territorial claims are not satisfied by peaceful agreement.

Tension has of late increased mainly on account of the indifference with which Bulgaria's claims are regarded abroad. On the other hand, considerable anxiety is felt because of Bulgaria's economic dependence on Germany. All efforts for an expansion of Bulgaria's foreign trade with some of the West-European countries have failed to give any appreciable results, since all surpluses of fresh fruit, tobacco, eggs and animal products are absorbed by Germany in the first place.

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A Bulgarian delegation composed of the Minister for Finance, the Minister of Commerce, the President of the Chamber of Deputies, the Commander of the Army Staff and the Commander of the Air Force, visited Berlin on the occasion of Herr Hitler's 50th birthday. They were the personal guests of the Fuehrer and in Government circles no political significance was attached to this visit.

Business Marking Time

Meanwhile, business has been slack. During the first quarter of the year business activity showed a seasonal slowing down owing to the lack of available stocks for export. Last year's deficient crop of cereals, forage foods and other agricultural products has resulted in a diminution of exports to the tune of 40 per cent. in value, while imports have remained on the same level. Germany alone absorbed about 75 per cent. of Bulgaria's exports, against 60 per cent. in the first quarter of the preceding year. Wholesale prices have fallen a little, especially the prices of export products; but the general level is higher than last year. Traffic and turnover in wholesale trade have declined concurrently with a contraction of credit. Industrial production is still maintained at the level of last year.

Internal economic policy is engaged at present with discussions in Parliament on the bill for relief to debtors. The relief of 30 and 40 per cent. granted in 1934 to agricultural and other debtors is now considered insufficient. An amendment to the law of 1934 is proposed, according to which the Amortisation Office, established for the purpose of collecting the scaled-down debts, will extend the period of their repayment from 20 to 30 years — for debts of farmers, small merchants and artisans.

Debtors will obtain a further reduction in the form of the facility granted to them to repay their debts in bonds issued by the Amortisation Office. The market price of these bonds will not exceed 70 leva for those bearing a nominal value of 100 leva. As the bonds will be redeemed by the State at 70 per cent. of their nominal value, the holders of such bonds will lose 30 per cent. The Agricultural and Co-operative Bank of Bulgaria, a State institution, which holds nearly 60 per cent. of the country's deposits, will be the chief sufferer.

The lack of free foreign exchange is still acutely felt on the domestic market as a result of unsatisfactory developments in foreign trade. The premium on free exchanges, fixed by law at 35 per cent., has already exceeded 50 per cent.

April 26th.

German Arms and German Trade

[FROM OUR BERLIN CORRESPONDENT]

IN order to maintain armament production, the German Government is being compelled to take steps to ensure supplies of raw materials. Although, under the Four-Year Plan, domestic production of raw materials has been vigorously stimulated since the end of 1936, and although many domestically produced *ersatz* materials have been introduced as substitutes for raw materials formerly imported, the Third Reich is still largely dependent on supplies of raw materials from abroad.

Last year, in part owing to the favourable course of exports in 1937, Germany was able to import increased quantities of raw materials and foodstuffs; and the fall in world prices also proved of assistance. The present situation, however, is very different. Exports have fared badly during the past twelve months, and no appreciable reserves of foreign exchange have accrued to the Reich since the annexation of Austria. Extraordinary measures are now needed, therefore, to stimulate exports in order to acquire the wherewithal to purchase essential raw materials. Dumping, which has been carried on since 1933 and was intensified after the various currency devaluations abroad, has not sufficed to maintain exports, even though the dumping was helped by the grant of subsidies amounting on the average to 30 per cent. The export industries have been given preferential treatment in the allocation of raw materials, man-power and production capacity, and this also has not been enough.

The Third Reich intends to continue with its policy of expansion; and there is every evidence that the authorities are using all means in their power to acquire the raw

materials they need for that purpose. Germany not only intends to keep pace with other nations in arms output; she wishes to maintain her advantage, especially in the production of aeroplanes. Exports are of paramount importance because certain imports are essential.

Financial measures to assist exports have been easier to devise since the Reichsbank came fully under the control of the State. One of the main difficulties in financing exports has lain in the fact that the Reichsbank could only accept bills with a term of six months or less, while exporters often have to arrange for longer periods of payment. The necessity of discounting longer term bills with other banks meant higher costs to industry, and not infrequently it prevented the placing of orders. The Reichsbank has now been empowered to accept bills with a twelve-month's term. The greater risk involved can be carried easily by the Reichsbank or the State, and the risk is small compared with those export subsidies which are not covered by the special tax to promote exports which is levied on business.

Difficulties have also developed in the case of the bills lately introduced by the Reichsbank to cover foreign exchange risks. These are only accepted by the Reichsbank if the export proceeds are simultaneously turned over to it, but in many cases exporters have to use part of their export proceeds to meet current liabilities abroad. This applies specially to the so-called "raw material credit" transactions. For example, if an industry receives a *Tredefina-Gulden* credit, it is obliged to repay the credit with the proceeds for the export of finished goods. Only rarely will these proceeds happen to be in *Gulden*, and a risk coverage with the Reichsbank is out of the question. In order to overcome these difficulties, the Reichsbank has been empowered to accept these risk-covering bills, even when part of the export proceeds may have to be diverted to the payment of current liabilities abroad.

Measures taken in February and March to reduce export costs have been extended. The interest charged by the Reichsbank on transfers of foreign exchange has been reduced. Bills or cheques on foreign countries which are bought or collected by the Reichsbank on exporters' behalf are only insured on request, and the days of grace allowed in the purchase of these bills or cheques have been reduced to cut down the interest chargeable. And, finally, to facilitate the calculation of export transactions, the number of foreign exchange rates officially quoted has been increased. The rates for telegraphic payments to Sydney, Pretoria, Bombay and Calcutta, and Wellington will be regularly quoted from this week. The exchange rates for Egypt, Australia, South Africa, British India and Luxembourg will in future be quoted; and soon not only will the currencies of Argentina, Brazil and Uruguay be quoted, but also the rates for other South American countries as well.

Meanwhile, there is ample evidence of the great armament activity which inspires this feverish quest to increase exports. Last year the industrial traffic carried on goods road vehicles rose 17.4 per cent.—that is, from 8.9 million tons in 1937 to 10.4 million tons. The chief factor in this increase was the construction of fortifications, which from July, 1938, to March, 1939, absorbed 17.7 million tons of building material by road and rail.

Also as a result of armament activity, the consolidated debts of the Reich increased to Rm. 23,600 millions at the end of March, against only Rm. 22,800 millions at the end of January and Rm. 16,700 millions in February, 1938. Short-term debts rose from Rm. 5,270 millions to Rm. 5,900 millions within a month, the financial preparations for the annexation of Czecho-Slovakia being partly the cause of the rise. At the end of February last year short-term debts amounted to only Rm. 2,300 millions. By the end of April the currency circulation had increased to Rm. 10,726 millions, against only Rm. 8,092 millions at the same date in 1937, and of this sum Rm. 8,906 millions were banknotes (including Rentenbank notes), against Rm. 6,477 millions a year before.

May 8th.

Business Improvement in Argentina

[FROM OUR BUENOS AIRES CORRESPONDENT]

THE general economic position of Argentina shows some improvement. The first official estimate of maize production is 5,400,000 tons, which is considerably better than last year, although it compares badly with the average of the last five

years which was 8,323,179 tons. Argentina, however, has so far derived only moderate benefit from her bumper wheat crop, owing to the continued low price of wheat, and the difficulty of finding markets. Despite the establishment of the basic price, which is virtually an export subsidy, up to April 20th of this year only 1,096,645 tons of wheat had been shipped, whereas in the same period of the boom year 1937 almost three times as much was shipped. This difficulty in disposing of her produce has caused Argentina to favour barter arrangements such as the recent agreement with Germany whereby wheat and wool were exchanged against locomotives for the State Railways.

Revival in Exports

There has been some improvement in the volume of Argentine exports, but owing to the fall in prices this advantage has been lost. In the first quarter of the current year, exports amounted to 2,724,534 tons against 2,317,234 tons in the same period of 1938—an increase of 17.6 per cent. But the value of exports was lower by 2.1 per cent., being 384,116,560 pesos in the first quarter of 1939 compared with 392,286,418 pesos in 1938. Cereals and linseed were actually up by 18.5 per cent. in volume, and down by 18.3 per cent. in value. Nevertheless, the total value of Argentine exports in March was very encouraging, being the highest recorded since January, 1938.

The volume and value of Argentine exports during the last six months have moved as follows:—

	Tons (thousands)	Pesos (millions)
1938—October	895.6	118.8
November	769.4	114.4
December	798.3	128.7
1939—January	894.7	128.9
February	809.4	115.0
March	1,020.4	140.3

Imports Fall

Owing to rigid restrictions, imports have fallen considerably and in the first two months of 1939 were 26.6 per cent. lower in value than in the same months of 1938. In January-February there was an export surplus of 45,195,886 pesos, compared with an export surplus of only 3,946,790 pesos in the first two months of 1938. This artificial reduction of imports is reflected in Customs receipts which, up to April 19th of this year, were only 85,815,838 pesos, or 26,691,324 pesos less than in the same period of last year. The ultimate effects of this fall in revenue will be seen later in the State finances.

The imported articles which have declined most are textiles (down by 20,159,513 pesos, or 40.7 per cent. in the two months) and machinery and vehicles, including motor cars, imports of which have almost ceased (down by 16,716,966 pesos, or 43.2 per cent.). Among the suppliers of Argentina the United States has been the chief sufferer. In the first two months of 1938 Great Britain and the United States were almost equal, both supplying just over 46 million pesos worth of goods. This year Great Britain supplied 35,851,493 pesos and the United States only 29,055,236 pesos.

April 22nd.

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INTERNATIONAL crisis crystallises the problems latent in the relationship of the different members of the British Commonwealth with each other and with the world at large. These problems can only be understood in the light of the domestic problems of each of the Dominions. Professor Scott's book,* designed especially to show "the relation between internal forces and external policy," is a useful introduction to the peculiarly complex situation of the Dominion of Canada. Written originally at the request of the Canadian Institute of International Affairs for the second British Commonwealth Relations Conference, as the principal paper on Canada, it now appears in a second edition embodying substantial revisions made in the light of the September crisis, but unchanged in scope and aim.

Its aim, to provide a comprehensive survey of Canadian affairs, implies a wide scope, embracing the geography, population and economic structure of the Dominion, the various political parties, the French Canadian Nationalist movement, the growth of Canadian national sentiment, the country's defence problems, her international and intra-Commonwealth associations, the problems of neutrality and of co-operation within the Commonwealth, and the present objectives of her foreign policy. Throughout, an attempt is made to give all sides of the many controversial questions raised and to delineate impartially the tenets of the different

* "Canada Today." Second Edition. By F. R. Scott. Humphrey Milford, Oxford University Press. 184 pages. 6s.

METHUEN

Management and Labour

By K. G. FENELON

Director of the Department of Industrial Administration in the College of Technology, Manchester, and Lecturer at Manchester University.

A survey of personal problems and practice indispensable to all those engaged in the administration of industrial enterprises. 7s. 6d.

The British Tariff System

By E. B. MCGUIRE

"Will certainly be a standard work of reference on technical questions for everybody who is seriously interested in the subject."—*The Economist*. 10s. 6d.

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schools of opinion within the country. To have compressed all this, as well as an index and a useful bibliography, into 184 pages is a *tour de force*. Despite heroic condensation, the volume makes lively reading, though for its purpose it is necessarily a compilation of ascertained fact and a survey of existing views, rather than an essay in original interpretation or an attempt to break new ground.

Illuminating as the survey is in general, particular aspects inevitably raise questions. The large export trade of the Dominion is described as a measure of the success of "the policy of staple production for export." It might be regarded as a measure of the vulnerability of a still immature economy condemned to dependence upon a relatively few precarious primary exports. While it is shown that the whole economy is geared to the export of these staples, the growing importance of manufacturing is described in terms which obscure the dependence of a large proportion of industry itself upon the prosperity of the primary exports. The difficulties of the wheat industry and the significance of the development of pulp and paper, mineral production and the tourist trade are scarcely considered, with all that they imply in terms of a possible weakening of the East-West axis of the country and increasing dependence upon the United States.

To regret a lack of significant analysis in the section on the State and economic life is perhaps to demand bricks for which the economists have as yet provided only a fraction of the requisite straw, but the important fraction available, for example, in Professor Innis's analysis of Government participation in canal and railway finance is disappointingly not used.

The relationship of constitutional problems to the underlying geographic and economic structure of Canada is suggested, but not developed to reveal possible uncertainties in the thesis that "there is a conflict between the economic and the legal realities in Canada" because "the business leaders and modern science have been subduing geography, while the judges (in their interpretation of the British North America Act) have been expanding provincial sovereignty." It may be that Canada has survived as a nation only by virtue of a federalism sufficiently loose to cover the dual sectionalism of regions dependent on different staples, and of staple producing regions and centres of finance and industry.

An interesting chapter attempts to reduce the problem of diplomatic and military defence to concrete terms: where and by whom is the Dominion liable to attack? The conclusion that "there are to-day no powers which threaten to invade Canada" while "there are unusual geographical obstacles in the path of any invader" (which leaves an uneasy doubt about how long this will hold good in an era of rapid political and technical change) leads to the further conclusion that the "immediate defence of Canada is not at present beyond the capacity of Canadians acting alone provided they are content simply to safeguard their own territory," war with the United States being ruled out of consideration.

The problem of defence then becomes one of whether Canada is prepared to participate in military measures abroad. Evidence is given that the Dominion's present policy implies the prospect of such participation, and it is here that the battle is joined between isolationist and interventionist. This fundamental issue of policy is confused by the constitutional question whether Canada has legally the right to remain neutral if Great Britain goes to war. A forceful plea is made for a clear assertion of the Dominion's legal right to neutrality, so that the contending policies may then be decided on their own merits. For Canada the decision involves "grave internal problems, economic, racial and constitutional" and special external difficulties due to her unique position as both a North American and a British nation. For her there is a peculiar edge to the question, ever more pressing since Munich, which the foreword asks: "What are the members of the Commonwealth prepared to co-operate for?"

Shorter Notice

"Cause and Control of the Business Cycle." By E. C. Harwood. American Institute for Economic Research. vii + 224 pages. \$2.00.

This is the second edition, extended to include an account of recent developments, of a book which first appeared in 1932. The author analyses the cause of the business cycle on elementary lines, and finds the origin of a boom in an inflation of bank credit due to a mistaken readiness on the part of commercial banks to finance speculative undertakings, or to Government borrowing. The test for inflation in a given situation is provided by an Inflation Index which Mr Harwood has constructed from the difference between the banks' holding of "investment-type assets" and their "savings-type liabilities." It is not difficult for Mr Harwood to show that from 1924 to 1929 there was going on in the United States an inflation nearly as great as that of 1917-19 (despite the stability of commodity prices in the later period) and that his Index corresponds well with the curve of industrial production. Nor is it difficult for him to expose the fallacies of many of the panaceas popular in the United States throughout this decade. But the significance of the book lies less in this than in the fact that it is, in effect, an attack on the Roosevelt regime. Mr Harwood regards Government expenditure as unproductive, or at best as less productive than any private investment could be, so that the only way to recovery is to keep taxation and borrowing at a minimum. Yet he himself shows how misdirected—and therefore unproductive—a large amount of private investment was during the 1920's; and surely it is more desirable to put resources into a Tennessee Valley scheme than into a Florida land boom. The truth is that the economic problems of a modern community are not capable of complete solution at the level of discourse at which Mr Harwood's arguments are conducted. A useful diagnosis, it does not provide us with a remedy in which we can feel much confidence.

Books Received

- Les Crédits Extérieurs, 1920-38.* By M. Mitzakis. (Paris) Les Editions Internationales. 359 pages. 80 frs.
- Who's Who in Press Publicity Printing, 1939 Edition.* Edited by F. A. Marteau. (London) Cosmopolitan Press, Ltd. 453 pages. £1 1s. net.
- Member-Bank Borrowing.* By R. C. Turner. (Columbus) Ohio State University. 243 pages. No price stated.
- Industrialisation of South Africa.* By G. C. R. Bosman. (Rotterdam) Firma G. W. Den Boer. 248 pages. 8s. Paper.
- Control of International Trade.* By H. Heuser. (London) Routledge. 282 pages. 12s. 6d. net.
- Revolutionary Socialism in Theory and Practice.* By A. Lunn. (London) The Right Book Club. 244 pages. 2s. 6d. to Members.
- Il Sistema Tributario Italiano.* Fourth Edition. By Luigi Einaudi. (Turin) Giulio Einaudi—Editore. 349 pages. L. 25.
- What's Wrong with the Economic System?* By A. W. Knight. (London) Longmans. 179 pages. 8s. 6d. net.
- International Monetary Economics.* By M. A. Heilperin. (London) Longmans. 281 pages. 15s. net.
- Geschichte Irlands.* By R. Bringmann. (Berlin) Junker & Dünhaupt Verlag. 195 pages. Rm. 6.80.
- The World Agricultural Situation in 1936-37 and 1937-38.* (Rome) International Institute of Agriculture. 275 pages. L. 25.
- Economics of the Petroleum Industry.* By Joseph E. Pogue. (New York) The Chase National Bank. 60 pages. No price stated.
- The Minimum Wage, An International Survey.* International Labour Office. Studies and Reports. Series D. No. 22. (London) P. S. King. 257 pages. 5s. net.
- Peaceful Change. Proceedings of the Tenth International Studies Conference. Paris, June 28-July 3, 1937.* (Paris) International Institute of Intellectual Co-operation, League of Nations. 685 pages. No price stated.
- La Théorie Quantitative de la Monnaie.* By P. Lambert. (Paris) Recueil Sirey. 269 pages. No price stated.
- Unser Kampf gegen das Dritte Reich.* By Max Sievers. (Stockholm) Axel Holmströf's Förlag. 229 pages. 3s. net.
- Early American Land Companies.* By Shaw Livermore. (London) H. Milford. 327 pages. 15s. net.
- Silver Money.* By D. H. Leavens. Cowles Commission for Research in Economics. Monograph No. 4. (Bloomington, Ind.) Principia Press Inc. 439 pages. \$4.00.

- The Family Meets the Depression.* By W. L. Morgan. (London) H. Milford. 126 pages. 9s. net.
- L'Economie Paysanne.* By R. Masfétol. (Paris) Librairie de Médecis. 186 pages. 15 fr.
- Kamál Atatürk's Land.* By August, Ritter von Kral. Translated by Kenneth Benton. (London) P. S. King. 283 pages. 7s. 6d. net.
- Signpost, 1939.* By W. G. McMinnies. (London) Simpkin Marshall, Ltd. 384 pages. 3s. 6d. net.
- The British Year Book of International Law, 1939.* Issued under the auspices of the Royal Institute of International Affairs. (London) H. Milford. 249 pages. 16s. net.

Official Publications

- The following may be obtained from H.M. Stationery Office, York House, Kingsway, W.C.2.
- The British Broadcasting Corporation, Twelfth Annual Report, 1938.* Cmd. 5951. 6d. net.
- Army Estimates, 1939.* 5s. net.
- Memorandum of the Secretary of State for War Relating to the Army Estimates, 1939.* Cmd. 5948. 2d. net.
- The General Annual Report on the British Army, 1938.* Cmd. 5950. 6d. net.
- Army (Royal Ordnance Factories) Estimate of Charge for the Year 1939.* 3d. net.
- Navy Estimates, 1939.* 7s. 6d. net.
- Statement of the First Lord of the Admiralty Explanatory of the Navy Estimates, 1939.* Cmd. 5952. 4d. net.
- Report of the Medical Research Council for the Year 1937-1938.* Cmd. 5939. 3s. 6d. net.
- Inland Revenue Commissioners' Eighty-First Report. For the Year ended March 31, 1938.* Cmd. 5865. 1s. 3d. net.
- Imperial Shipping Committee. British Shipping in the Orient.* 1s. 6d. net.
- Workmen's Compensation. Statistics of Compensation and Proceedings during the Year 1937.* Cmd. 5955. 6d. net.
- Trustee Savings Banks. Forty-seventh Annual Report, for the Year ended November, 1938.* 4d. net.

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THE BUSINESS WORLD

Britain's Exchange Clearings—II

IN the first article, which was printed in *The Economist* last week and contained an individual and statistical examination of Great Britain's existing clearing agreements, it was pointed out how closely their working is linked up with the rates of exchange—in clearing phraseology, rates of conversion—which are used. This interrelation can be demonstrated even more clearly by the trend of the trade governed by the clearings. In the following table, in order to obtain a true perspective, the yearly imports and exports for the last 10 years have been computed in averages for three periods: 1929-31 as the last years of free exchanges, 1932-35 as the period of exchange restrictions without clearing arrangements, and 1937-38 as the clearing period. (The figures for 1936 have been left out, as this year represents an interval of transition, all clearings having been set up during that year.)

AVERAGE BRITISH IMPORTS FROM AND EXPORTS TO CLEARING COUNTRIES, 1929-1938

(In £ thousands)	1929-31	1932-35	1937-38
ANGLO-ITALIAN TRADE (clearing governed by fixed rate, overvaluing Italian currency in relation to sterling):—			
British imports	15,650	9,067	7,467
British exports	14,338	9,512	5,873
ANGLO-ROUMANIAN TRADE (free-rate facilities from beginning, later extended to all goods):—			
British imports	3,700	3,480	4,036
British exports	1,890	2,066	1,650
ANGLO-TURKISH TRADE (mixed system):—			
British imports	1,863	1,171	1,292
British exports	2,222	1,333	2,040

As the above figures show, the normal economic effects of the rate of exchange operate in somewhat different ways under exchange clearing. A currency overvalued against sterling acts as a brake on sales to this country, the goods being diverted to other countries with an overvalued currency; this is the effect with free exchanges or with clearings. On the other hand, overvalued currencies ordinarily have the additional effect of attracting imports, so that under normal circumstances British exports should benefit by the overvaluation of other currencies in relation to sterling. But this second effect is largely neutralised by the operation of an exchange clearing, since it would inevitably lead to an unbalancing of the clearing and the piling up of frozen debts. This has actually occurred in the case of Turkey, while in that of Italy it has been averted only by a drastic curtailment of British exports to that country.

Conversely, currencies undervalued in relation to sterling have the effect of increasing exports to this country and of reducing British exports. In this case both effects prevail also under trade by clearing. While, however, in normal circumstances, the excess of imports into Great Britain would create a supply of sterling which would be used, by triangular exchange dealings, to finance British exports to third countries, the clearing mechanism is bound to tie up the surplus amounts—a process noticeable of late in the Anglo-Roumanian Clearing.

The difficulty lies, obviously, in arriving at a proper figure for the rate of exchange within a clearing agreement, i.e. that rate which ensures the maximum amount of

self-balancing two-way trade between the clearing partners. Whatever methods may be adopted for determining this rate, it is certain that the "official" rates, based on nominal and more or less fictitious parities of exchange, cannot provide such a level. Unfortunately, clearing compensation and even the complete freeing of the rate within the clearing, though bringing rates much nearer to their genuine level in the currency sense, do not furnish a solution of the trade problem. The direct action of the rate of exchange on the operation of a clearing, and consequently on the course of the exchange of goods under it, is of cardinal importance, but it would be a mistake to reduce the whole issue to a question of exchange levels. Evidently there are other forces at play as well.

In the first place, an important factor which affects the general working of clearing agreements, in particular of those between "creditor" and "debtor" countries, is the question of payments other than those arising out of current trade. The two main categories under this heading are arrears resulting from trade done prior to the establishment of the clearing and recurrent financial payments on public loan service. In addition to their direct effect of compelling the debtor country to keep the value of exports permanently, and sometimes considerably, over that of imports—an obligation which some countries can ill afford to perform in the present depressed state of the agricultural markets—they constitute one of the impediments in the way of a currency revaluation in the debtor countries. In fact, the avoidance of an increase in the public debt figure in terms of national currency ranks among the foremost considerations against a *de jure* recognition of the *de facto* exchange position.

Even more important, though less directly evident in the working of the clearings, is the issue of prices. Whatever advantages may be gained through a natural level of exchange, they can easily be outweighed by the effect of artificial prices. It is here that Germany's novel trading methods come into the picture and have to be considered against the background of British exchange clearings.

A practical illustration can be provided from the working of the Anglo-Roumanian Clearing. The first article showed how the new Agreement of last September has sent up the Roumanian rate of exchange on sterling and, concurrently, Roumanian exports to this country. The lei-sterling rate being enjoyed at present by the Roumanian exporter of non-compensatory products (which is the lower rate) works out at about 975 lei to the £; at the same time, the rate on Reichsmarks, under the German-Roumanian Clearing, is 41.50 lei. On the basis of the official sterling-Reichsmark parity of Rm. 11.65 = £1 there is, consequently, a premium of 102 per cent. on sterling, as compared with the Reichsmark. None the less, in spite of the huge stimulus thus given to Roumanian exports to this country, a variety of Roumanian products still cannot find their way to the British market, on account of the prices paid by Germany. Wheat, for example, which forms the bulk of present Roumanian exports to this country, can only be sold here because the price is subsidised by the Roumanian Government. Such a situation implies of course that, other things being equal, Germany has to pay roughly double the ordinary free-market price for Roumanian products, in terms of Reichsmarks. (It

The Brewing Trade

DURING the last twenty-five years, brewing has been a contracting industry. Production and consumption have fallen, the number of brewers has shrunk by three-quarters, and there were in 1938 fewer licensed premises than in 1913. In the table below are collected some statistics relating to the brewing trade for the last pre-war year and for 1938:—

GREAT BRITAIN: BEER AND BREWING

	Unit	1913 (or 1913-4)	1938 (or 1937-8)	1938 as % of 1913
Home production, less exports*	000 standard barrels	35,251	17,991	51.0
Imports	"	73	827	1,132.9
Consumption per head per annum*	pints	222.5	115.0	51.6
Brewers' "for sale" licences	No.	3,718	946	25.4
Licensed premises: "On" or "Off" licences	No.	88,739	74,326	83.8
"Off" only	"	23,632	22,109	93.6
Registered clubs	"	8,457	16,563	195.9
Excise duty, total yield	£m.	13.6	61.2	450

* 1913 figures are for Great Britain and Ireland.

Consumption has thus fallen by nearly one-half in a quarter of a century, and, be it noted, the beer drunk in 1938 contained less alcohol per pint than in 1913. There has been a slow but steady fall in the number of licensed premises and an equally steady but smaller increase in the number of registered clubs; it is probable, however, that members of registered clubs drink more wine and spirits than beer. Imports of beer have increased sharply though foreign beers are still only a fraction of the home production.

should be mentioned in passing that, in order to lessen this heavy burden, Germany has been trying for some time to raise the rate on the Reichsmark in her clearing agreement with Roumania, so as to narrow the existing wide disparity; however, her efforts have so far been unsuccessful.)

If one attempts to approach the question from a theoretical angle, by drawing a parallel between the British and German clearing systems, the most salient contrasts are these:—

GERMANY	GREAT BRITAIN
Clearings closely co-ordinated with centrally controlled foreign trade, and used as a means of controlling the direction of trade.	Clearings and foreign trade entirely independent of each other, the former being used only as a technical medium for the liquidation of completed transactions.
Import purchases directed by State organisations, at special Reichsmark prices, bearing no relation to world market values.	Imports only by individual importers, buying at world market prices.
Large debit balances on clearing accounts, giving strong bargaining power.	Mostly creditor on clearing accounts (the new position of the Anglo-Roumanian Clearing being a notable exception).
No outstanding debts owed by clearing partners, to handicap new business.	Trade arrears and financial debts present, in varying proportions, in all clearing agreements.

We have, consequently, on the one side Britain's essentially passive clearing policy, contenting itself with offering some measure of security to British exporters and creditors, and leaving the initiative for reciprocal trade in the hands of the clearing partners. On the other hand, Germany uses her clearings as a weapon for shaping a wider policy, which aims avowedly at drawing the countries of South-Eastern Europe into what may be called a Reichsmark *bloc*, a *bloc* to be based not so much on currencies stabilised to the Reichsmark as on the equally strong, if not stronger, link of stabilised agricultural prices. The implications of these aspirations are outside the province of the present survey, nor is it concerned with advocating possible counter-measures. It must become clear, however, even by a purely technical consideration of Britain's position under her exchange clearings, that the revaluation or freeing of the rate of exchange in clearing agreements, although helpful, cannot restore the equilibrium for two-way trade, as the gap created by the artificial price structure in outside competition remains unbridged and is bound to affect the volume of trade whatever the rate of exchange.

This being so, it follows, among other things, that from the British point of view there can be, under the prevailing circumstances, no such thing as a good or bad clearing; the results of each agreement need to be weighed against its underlying intentions. Similarly, the policy to be adopted must vary according to whether an expansion of British exports, an increase of British imports (as a measure of economic assistance) or the maintenance of a balance between exports and imports is the primary consideration.

To sum up the wider conclusions, it may be safe to say that exchange clearings, introduced as an emergency measure, remain, with all their subsequent improvements, a *pis aller*. Viewed as such, they render most valuable services in regulating trade between two exchange-controlled countries, a task which would otherwise become a matter of utmost difficulty. Between creditor and debtor countries—as in the instance of Britain's clearings—they may still be necessary for reasons that have been shown. However, in such cases their effect is distinctly restrictive on trade, the measure and direction of the restriction depending, to a considerable extent, on the rate of exchange by which they are governed. That exchange clearings by their very nature tend to confine international trade into bilateral channels is, of course, almost self-evident.

The general trend noticeable in exchange clearings points towards a relaxation of the restraining regulations, by freeing the rate of exchange and by introducing other facilities. It is quite possible that further evolution in this direction may pave the way for an ultimate abolition of exchange clearings—at least between creditor and debtor countries—in a not too distant future.

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The Royal Commission on Licensing (1929-31) gave in its Report a number of reasons for the general decline in the consumption of intoxicants. Improved social conditions, the rise of rival amusements to the public-house, such as the cinema, the wireless, sports and travel facilities, the restrictions of hours and the high taxation which has increased the price of beer and other drinks, have all assisted in the change in national habits. And, as might be expected, the fall in the consumption of beer has hastened the process of rationalisation within the brewing industry.

As is shown above, the number of breweries has markedly declined. Of the total of about 1,020 breweries existing to-day, only half are of any commercial importance, and it is stated that 50 breweries account for one-half of the entire capital in the industry, whose total has been variously estimated at £400 millions to £500 millions. This process of absorption is continuing, but the necessary increase in distributive costs is becoming a more important factor with each extension of the territory served by a given brewery.

With this process of rationalisation, there has also been an extension of the "tied" house. It is impossible to say exactly what proportion of public-houses are tied to breweries, but the number must be very large, and probably amounts to at least three-quarters of the entire number of public-houses. The tied house is by no means an innovation, since the practice was condemned by a Parliamentary Committee in 1816. In the past fifty years, however, it has greatly increased in importance and one large Midland brewery controls 800 houses, while many others control between 300 and 500. It is usual for a brewery to control houses in its own area and to sell only its own beer in them; but there are several nationally advertised beers such as Bass, Worthington and Guinness which are stocked by all the better public-houses; in these cases the national brand is often bottled by the local brewery. Breweries gain control of public-houses either by purchasing them and installing a manager or by granting a loan on mortgage to the existing occupant or to the purchaser of the premises. The majority of tied houses are held by mortgages, but in recent years brewers have shown an increasing desire to gain more effective control through purchase. Control by mortgage is unsatisfactory in many ways, for unless the mortgagor misbehaves, breaks the law, or breaks his contract the controlling brewery can exert very little influence on the management of his house unless this is specifically provided in the deed. From the brewery's point of view, apart from the opening for investment of surplus funds, the house tied by a mortgage is in fact no more than a permanent retail outlet. Faced with a fall in sales, brewers, in common with other manufacturers, desire to control their retail outlets in order that they may organise them on up-to-date lines calculated to satisfy modern tastes and requirements. The expenses involved have, in many cases, been a heavy drain on reserves. Watney Combe Reid's reserves, for example, fell from £400,000 in 1930 to £325,000 in 1938, while the company still has on hand plans for spending a further £100,000 on rebuilding or altering its tied houses.

The policy of improvement of buildings, pursued by all the large breweries, was impeded last year by the refusal of the Weston-super-Mare licensing justices to approve certain alterations to a public-house on the grounds that the latter would extend drinking facilities in a way not contemplated by the Licensing Act of 1910. It was held that the whole licence should be surrendered and that additional payments should be made on the improvements; this new interpretation would, of course, have had an adverse effect on improvement schemes. Moreover, the new interpretation was a clean break with previous licensing practice by which benches used their discretion in such cases. The High Court upheld the local justices but their decision was reversed on February 8th by the Court of Appeal. Another recent judgment of the House of Lords (in Robinson Brothers (Brewers), Limited v. Houghton and Chester-le-Street Assessment Committee) has enabled assessment authorities to take into account, in making their assessments on public-houses, the increased value given to licensed premises by the competition of brewers for the limited and falling number of on-licences; this judgment

has reversed a decision given in 1898, by which rating authorities could assess licensed premises only on the basis of value as a retail establishment, and the reversal obviously increases the expense of the tied house.

Another problem which has beset the brewing trade in recent years arose from the activities of the Hop Control Board in the immediate post-war period. Hop growers have ever since been haunted by the memory of the high prices obtained by centralised selling at that time, and after one voluntary scheme came to grief, a compulsory scheme was formed under the Agricultural Marketing Act. By arrangement between the Hops Marketing Board and the Brewers' Society, each season's yield of hops up to the amount required by brewers is taken over by the brewers at prices which, although varying with the different qualities, are calculated to average £9 per cwt. By this agreement, originally concluded in 1934 and extended last year for a further five years, the average price of hops has been stabilised at £9 per cwt. and the production of hops is strictly limited to those farms that produced hops in the pre-scheme days.

Compared with the consumption of barley, the quantity of hops used in the brewing trade is small, as the following table shows:—

MATERIALS USED BY BREWERS PRODUCING FOR SALE IN 1936-37

Malt	9,066,803 cwt.
Unmalted corn	10,701 "
Rice, maize, grits, etc.	648,679 "
Sugar, glucose, syrups, etc.	1,835,881 "
Hops	270,592 "
Hop preparations and substitutes	374 "

The beer produced from these materials amounted to 23.6 million bulk barrels, which is equivalent to about 18 million standard barrels. By far the most important raw material is, of course, the barley used in making malt. According to the Census of Production for 1935, 7.8 million cwt. of home grown, 0.9 million cwt. of Empire grown and 3.4 million cwt. of foreign grown barley (making a total of 12.1 million cwt.) were used for making 10.1 million cwt. of malt. Of this, 9.0 million cwt. were made by brewers and maltsters, the rest being produced by distillers. The bulk of the malt made by brewers and maltsters goes into the production of beer, but some quantities are sold for use in the making of branded milk and malt powders. The fact, however, that hops cost on an average £9 per cwt. while malting barley in 1936-37 cost about 10s. per cwt., meant that expenditure on hops in this year was 40 per cent. of that on barley.

Rationalisation of production and improvement of public-houses are not the only ways in which brewers have met the problem of falling consumption. The frequent contacts between the brewing trade and the Government fostered by the long tradition of excise duties forced the brewers to develop a central organisation long before the war. In recent years an extensive advertising campaign has been launched both for "beer" and for various branded beers. It may be noted that the combination since 1932 of trade recovery, lower taxation (which enabled prices to be reduced by 1d. per pint) and high-powered advertising has brought about a partial recovery in the consumption of beer from the low levels reached in the trade depression:—

	1913	1929	1932	1938
Consumption ('000 standard barrels).....	35,324	20,416	14,125	18,818
Excise receipts (£ million)...	13.6	71.3	67.1	61.2

But although consumption and brewers' profits increased between 1932 and 1938, the larger consumption was not sufficient to compensate the Exchequer for the reduced rate of taxation, and the yield of the beer tax was in 1938 lower by £10 millions than in 1929.

It is impossible to estimate how much of the recent increase in consumption is due to heavier drinking by the working classes and how much can be ascribed to the use of beer among the wealthier classes. The Royal Commission of 1929-31 noted that beer was becoming a more respectable drink and is now taken by people whose fathers would never have tolerated it. An increasing proportion

is now sold bottled. The higher costs of production and of distribution of bottled beer make this change one of the most serious problems of the brewing trade; to encourage the use of bottled beer will add considerably to costs, while to discourage it may hasten the long-term fall in beer consumption.

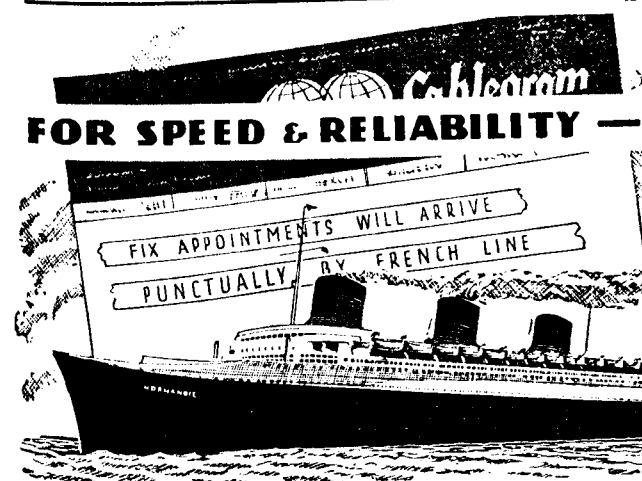
There is no cogent reason to consider that the recovery in sales of beer since the depression of 1932 is a permanent reversal of the long trend established during the past half-century. The competition from other means of amusement is growing more, not less, acute, and in addition the development of motoring is a very potent factor in the cause of temperance. Modern trends seem to point to the gradual decline in the numbers of the "public-house" as such, and in the amount of drink consumed therein, and to the development, with the system of tied houses, of a type of restaurant where drinks are served.

But although brewing must be regarded as a trade which will continue to decline in importance, it is fortunate in one respect, that the reduction in sales has not been accompanied by a noticeable decline in profits. As computed for Income Tax purposes, declared profits of breweries (less allowances for wear and tear of plant) were in 1936-37 nearly three times as large as in 1913-14; even in the worst year of the depression, 1932-33, declared profits were 60 per cent. greater than in 1913-14. Although it is probable that the capital invested has increased during the period, declared profits of £28½ millions in 1936-37 show that the trade has been at any rate partially successful in warding off the usual effects of falling sales on income. Developments on the technical side of brewing and the economies of production in larger units have been important factors in maintaining the level of profits in the brewing trade.

Finance and Banking

The Bank for International Settlements.—The ninth annual general meeting of the B.I.S. was held at Basle on May 8th, under the chairmanship of Sir Otto Niemeyer. The report of the president, which was presented to the meeting, consists of the usual exhaustive analysis of world economic conditions, and it will be discussed at greater length in *The Economist* in the near future. The report begins on a note of restrained optimism. It alludes to the recovery in a number of countries during the latter part of 1938, and adds that this recovery spread to the field of international trade. During 1938 the volume of world trade, though not at a record level, was at least 15 per cent. higher than the maximum for any year prior to 1914. Much of the report is concerned with the growing

world demand for labour, due largely to re-armament. The report says generally that full employment is dependent upon a just equilibrium between costs and prices, and that cheap money has nowhere brought about a sustained revival in business. General economic needs rather than a desire to keep down the cost of national debts must determine the proper level of interest rates at all times. It now appears that the period in which European countries must cope with the problem of excess capacity is nearing its end. This raises the rival claims of the home market and the export trades. Also when the limits of productive capacity are approached, the nations must recognise that a reduction in the standard of living is inevitable as soon as the needs of non-economic production can no longer be met out of



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a net increase in economic activity. In plain English, beyond a point no nation can have both guns and butter. As regards international gold movements, the report makes the important point that over one-half the United States' gold acquisitions of \$1,750 millions during 1938 are to be associated with her large export surplus, and less than half with the net influx of capital into New York. The business of the B.I.S. itself has in the present period of international tension consisted mainly of operations in gold and foreign exchange on behalf of central banks, but its attention is still directed to the promotion of regular intercourse in currency, credit and trade between the nations of the world. The report alludes to the changes in the German representation on the board of the B.I.S., consequent upon Dr Schacht's retirement, and pays a graceful tribute to Dr Schacht. Two other long-standing members of the board, Professor Bachmann and Professor Beneduce, have also resigned as a result of new commitments.

* * *

April Clearing Bank Averages.—For the first time this year the monthly averages of the English clearing banks show a rise in deposits. It only amounts to £1.8 millions; nevertheless, it means that the deflationary period of the transfer of tax money has come to an end. The fresh rise in advances, totalling £4.4 millions is, therefore, the more interesting, since it can no longer be explained by demand for credit to pay income tax. The corresponding month last year showed a fall of £1.5 millions; and this month's unseasonal rise, which brings the total increase since last November to £31.4 millions, can only be accounted for by industrial expansion. Another unseasonal movement is a fall of £7 millions in discounts; for the

(In £ millions)

	April, 1938	Dec., 1938	Jan., 1939	Feb., 1939	March, 1939	April, 1939
Capital and reserves	136.0	136.0	136.1	136.1	136.1	136.1
Acceptances, etc.	111.7	128.0	124.9	124.4	123.4	125.6
Deposits (including undivided profits, etc.)	2,229.8	2,217.5	2,194.3	2,140.8	2,116.7	2,118.5
Total liabilities	2,477.5	2,481.5	2,455.3	2,403.3	2,376.2	2,380.2
Cash	242.8	240.1	245.1	239.5	229.2	225.7
Cheques, balances, and items in transit	63.3	70.7	62.3	61.6	60.1	64.7
Money at call	145.2	155.9	139.5	134.4	138.3	141.2
Discounts	247.0	248.9	254.2	210.6	188.9	182.9
Investments	623.4	620.8	610.6*	602.5	596.7	596.2
Loans and advances	976.6	949.1	950.9	960.5	971.6	976.0
Investments in affiliated banks	23.9	24.0	24.1*	24.1	24.1	24.1
Cover for acceptances, premises, etc.	155.3	172.1	168.5	170.1	167.3	169.4
Total assets	2,477.5	2,481.5	2,455.3	2,403.3	2,376.2	2,380.2

* Amended figure.

increase in the floating debt after March usually tends to expand the banks' bill holdings. This April, however, political uncertainty restricted their purchases from the market, and the decline shown illustrates the difficult conditions experienced in the money market until recently. The fall in cash is rather misleading, since it is entirely due to a drop of £6.7 millions in the Midland Bank's figure. The other banks' cash is virtually unchanged or slightly higher, which seems to prove that the low level of bankers' deposits at the Bank of England in April, and the higher note circulation, are partly the result of larger holdings of till money.

* * *

Municipal Short Loans.—It will be remembered that a recent restriction by the clearing banks of the municipal bills which they would accept either for discount or as security for discount market loans eliminated all such bills other than those rediscountable at the Bank of England. The consequent curtailment of cheap short-term finance previously utilised by a number of local authorities has stimulated efforts by these authorities and by various finan-

cial agents acting for them to obtain alternative accommodation—equally cheap and not subject to the banks' ban. One result has been to encourage a new type of short-term borrowing by municipalities in the London money market. This is taking the form of loans repayable at seven days' notice. It is estimated that in recent weeks about £1,000,000 of such loans has been placed at a rate of 2 per cent. The lenders have been, for the most part foreign and colonial banks, to whom the rate offered has, even in recent weeks of stringency, appeared exceptionally attractive, given the short-term character of the asset. The only security offered for these loans has been the deposit receipt of the municipality. The possible extension of this type of business raises certain important questions. It is evident that the liquidity of such loans in times of emergency would depend wholly on the readiness of other lenders to take the place of the overseas institutions which under such circumstances would almost certainly exercise their right to recall these loans. The borrowers probably rely tacitly on their clearing banks for such recourse. But these institutions might be unlikely to comply, since in an emergency they would themselves be feeling some strain, and in view of the fact that the previous direct recourse of the borrowers to the money market had in fact been made at their expense. This short-loan method of municipal borrowing appears to possess all the disadvantages of the unlimited entry of local authorities to the discount market with none of the advantages which that method of short-term financing—given reasonable safeguards—did provide. The history of municipal finance over the past few years suggests very strongly that the clauses of the Local Government Authorities Act of 1933 relating to finance could with advantage have been more clearly defined. A state of affairs may even arise at which amending legislation will become an urgent necessity.

* * *

Exchange Precautions in Sweden.—A Bill was recently submitted to the Swedish Parliament which provides an object-lesson in one very necessary form of financial preparedness in the event of war. Every crisis in the last year has caused double confusion in the foreign exchange and bullion markets in London, because of the prevailing uncertainty as to the policy of the authorities with regard to gold holdings and foreign assets on the outbreak of war. The Swedish Government has wisely anticipated any such confusion in its own markets by introducing a measure which would centralise all dealings in foreign exchange and foreign securities in the Riksbank and authorised commercial banks, ensure the strict control of all such transactions and, further, prescribe that foreign exchange and foreign securities should, against cash payment in Swedish currency, be delivered to the Riksbank or to the authorised commercial banks. The Bill provides, too, for the prohibition of the import and export of foreign exchange and foreign securities. The measure would come into force not only if Sweden herself is actually involved in a war, but also if she is in danger of being so involved, that is, if a war between foreign countries causes panic on the Swedish market. But the Government envisages as well the embarrassment to Sweden of an inflow of funds as a result of a war that did not immediately concern her, so that extraordinary circumstances caused by a war will also be reason enough for putting the Bill into effect. Every contingency, therefore, seems to have been provided for; and the forethought shown by a neutral country in a time of peace might well be copied by other States which have more vulnerable markets than Sweden.

Next Week's Issue of
THE ECONOMIST
will include the
BANKING SUPPLEMENT
which is published annually in May, dealing with the progress of banking in Great Britain and abroad.

MONEY MARKET NOTES

Foreign Exchanges

THE chief features of the foreign exchange market this week have been the strength shown both by the guilder and the forward belga. The demand for guilders started about a fortnight ago with the repayment of French railway bonds; but that influence has now come to an end, and the present strength of the currency is partly due to commercial buying, but mainly to the closing of speculative positions. Political fears in Amsterdam in recent weeks caused considerable buying of pounds and dollars; and covering operations by bears in a narrow market are chiefly responsible for the big improvement in the rate, which on Wednesday dropped to 8.71½ fl., compared with 8.76½ fl. last Saturday, although on Thursday afternoon it was rather weaker at 8.72½-3 fl. The spot belga has remained at around the official selling rate of 27.50, but the discount on the three months' belga has contracted sharply. From being 32½ c. at the end of last week it was down to 20 c. on Wednesday. The reduction in the Belgian bank rate from 4 to 3 per cent., announced on Wednesday, has encouraged confidence in the belga. Swiss francs have also been firm and appreciated on Wednesday to 20.82½, against 20.85 on Saturday. The spot sterling-dollar rate has moved slightly in favour of the pound. The forward premiums on the dollar have continued to contract under the influence of Control operations, and on Thursday afternoon were quoted at 1½-1½ c. for one month and 1½-1½ c. for three months. Registered marks were strongly bid on Thursday, the discount narrowing to 62 per cent., against 65 per cent. earlier in the week.

*

The Bank Return

A FURTHER small rise in the note circulation is shown in this week's Bank Return, and the corresponding drop in the Reserve has brought the "proportion" down to the low figure of 19.7 per cent. The rise this week has been more than offset by an increase of £2.2 millions in Government securities. Nevertheless, bankers' deposits show a drop of £6.8 millions since there has been a switch-over to public deposits, where funds are starting to accumulate in preparation for the June 1st distribution on War Loan. The extreme ease in

	May 11, 1938	Apr. 26, 1939	May 3, 1939	May 10, 1939
Issue Dept.:				
Gold	326.4	226.2	226.2	226.2
Value per oz. fine	85s.	148s.	6d. 148s.	5d. 148s.
Notes in circulation	482.0	489.1	495.5	495.9
Banking Dept.:				
Reserve	45.2	38.0	31.5	31.0
Public Depts.	36.9	27.1	10.5	19.1
Bankers' Depts.	87.9	91.4	108.2	101.4
Other Depts.	35.5	37.6	37.0	36.3
Govt. Secs.	105.7	107.2	111.9	114.1
Discounts & Advances	7.6	6.2	8.2	8.1
Other Secs.	19.4	22.3	21.9	21.2
Proportion	28.1%	24.3%	20.1%	19.7%

the money market this week, however, and the competition for bills, suggest that the banks are not concerned at the fall in their deposits, and provide additional evidence to that disclosed in the April averages, that a large part of the increased note circulation has gone to strengthen till money, so that the banks' total cash holdings remain at a comfortable level.

*

The Money Market

DISCOUNT rates have practically returned to the so-called famine levels prevailing prior to the annexation of Czecho-Slovakia. Once the collapse in rates started, the market tended to withhold its bills from the banks in the hope of a further reduction, and on Monday the banks were compelled to cut their buying rates for July bills from 1½ to 1 per cent. On Wednesday most of the banks decided on another cut to ½ per cent., but even at this rate the turnover was not large. Now that a ready outlet for its bills is assured, the market is eager to take commercial paper, the rate for which has fallen accordingly. The three months' fine bank draft is generally quoted at ½ per cent., with 1½ per cent. accepted for the very best paper. Last Friday's Treasury Bill tender resulted in an average rate

	May 12, 1938	May 4, 1939	May 11, 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	3½-7½	5½-3½
Discount Rates			
Treasury bills	1½	1½	5½
Three months' bank bills	17½-9½	1-1½	5½

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

of allotment of 15s. 11.77d. per cent. The possibility of an even lower rate had been considered, so that tenders

INSURANCE NOTES

£3 14s. 5d. per cent., which compares with £3 12s. 11d. per cent. last year. Death claims fell by £38,000 to £413,000. Fire premiums showed some further reduction at £977,000, against £992,000, and underwriting results were less satisfactory. In the accident, employers' liability, miscellaneous and marine branches premium incomes were somewhat smaller at £24,000, £66,000, £264,000 and £405,000 respectively. The results in the miscellaneous branch were disappointing, particularly as certain rearrangements make it unlikely that the losses sustained in recent years in respect of poli-

from some outside quarters were discouraged. Total applications, therefore, fell from £63.5 millions to £60.7 millions, and the market syndicate obtained a 37 per cent. allotment against 31 per cent. at the previous tender. The comfortable credit conditions are also partly responsible for the fall in discounts, since the banks, now that their cash has been replenished by the May 1st dividend disbursements, are anxious to bring their bill holdings to a more normal level; while the ease with which the market can obtain loans, bill money being at the ½ per cent. minimum with bond money from outside quarters obtainable at ¾-¾ per cent., makes it less keen to sell.

*

The Bullion Market

THE suggestion, made in a Finance Note on April 22nd, that the new Government war risk scheme would tend to restrict arbitrage competition for gold has been borne out by dealings in the bullion market this week. In spite of the absence of any premium, arbitrage demand has been very small, except on Tuesday, when the price, which was barely on the dollar parity, gave arbitrageurs a slightly wider margin on which to work. The turnover was twice as high as on Monday, and, although supplemented by some official selling,

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.
May 5 ...	148	6	par	389	20½	20½
" 6 ...	148	6	par	36	20½	20½
" 8 ...	148	6	par	272	20½	20½
" 9 ...	148	5½	par	343	20½	20
" 10 ...	148	5½	par	374	20½	20½
" 11 ...	148	5	par	365	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.

supplies were insufficient to meet requirements, so that buyers were rationed. On Saturday, however, arbitrageurs were very loth to work at all, and the turnover at the fixing was only £36,000. After a sharp rise at the end of last week, silver prices have relapsed again as a result of larger offerings and smaller Indian buying.

cies issued in guarantee of loans by bankers to members of the medical profession have been repeated. Possibly the experience in motor insurance business is responsible for the unsatisfactory results in the miscellaneous branch. The reserve for unexpired risks is, as usual, 50 per cent. of premium income, but in the following table 40 per cent. is used in conformity with our usual practice. The allocation from the life department in 1937 followed the results of the quinquennial valuation as at December 31, 1936, and no further allocation is due to be made until the end of the present quinquennium.

	1937	% of	1938	% of
	Profit	Prem.	Profit	Prem.
Fire	115,841	11.7	85,003	8.7
Accident	4,815	21.6	2,110	8.7
Employers' Liability	1,149	1.9	3,174	4.8
Miscellaneous	25,164	10.4	34,444	13.0
Marine	170,660	...	...	...
Life	265,003	...	49,567	...
Charges to profit and loss	73,772	...	116,059	...
	191,231	...	Dr. 66,564	...

Total assets amount to £17,331,000. Loans amount to £1,477,000 against £1,544,000, and British Government securities increased from £2,507,000 to £2,661,000. Colonial and foreign government securities also showed some increase to £3,094,000. Debenture stocks fell from £3,513,000 to £3,364,000, while preference and ordinary stocks increased by £155,000 and £92,000 to £3,096,000 and £3,391,000, respectively. General reserve and contingency funds amount to £600,000, and in the fire and miscellaneous departments, in addition to reserves for unexpired risks, there are reserves of £900,000 and £100,000, respectively. The dividend is 65 per cent. and costs £141,000 compared with interest earnings of £134,000.

★

State Assurance.—The State Assurance Company is a subsidiary of the Royal Exchange, and itself owns the British Equitable. It operates in all classes of insurance business except life, and its accounts include the transactions of the British Equitable. Fire, accident and marine premium income amounted to £536,000, £269,000 and £102,000, compared with £528,000, £246,000 and £101,000 respectively in 1937. The results of the last two years are given below:—

	1937	% of	1938	% of
	Profit	Prem.	Profit	Prem.
Fire	30,802	5.8	25,059	4.7
Accident	8,374	3.4	12,317	4.8
Marine	6,845	6.8	6,742	6.6
Life	1,814	...	1,860	...
Profit on investments	2,604	...	...	...
Charges to profit and loss	50,439	...	45,978	...
	47,954	...	49,930	...
	2,485	...	Dr. 3,952	...

New life business effected by the British Equitable last year increased from £835,000 to £871,000, and the net rate of interest was £3 18s. 2d. per cent., against £4 1s. 10d. per cent. Quinquennial bonuses to December 31st last are at the rate of 32s. per cent. per annum for policies effected after and 34s. 6d. per cent. for policies effected before March 1, 1923. These modest rates, which are calculated on the sum assured only, compare with 37s. 6d. per cent. and 40s. per cent. on the last valuation. Total assets of the State amount to £1,181,000, while those of the British Equitable amount to £2,172,000, of which £1,821,000 belong to the life assurance account. The State dividend is again 25 per cent. and costs £18,350, compared with interest earnings of £31,550.

★

Co-operative Insurance Society, Limited.—New sums assured of this society in its ordinary branch amounted in 1938 to £3,275,000, compared with £3,461,000 in the previous year; all the industrial-cum-ordinary offices shared

a similar experience in reduced new business. In the industrial branch there was a further large expansion in premium income from £4,664,000 to £5,124,000 and a slight increase in the new sums assured from £20,260,000 to £20,322,000. Expenses amounted to 33.65 per cent. of the premium income contrasted with 34.82 per cent. in 1937. The net rates of interest earned on the ordinary and industrial life funds were £3 15s. 11d. per cent. and £4 9s. 8d. per cent., showing reductions on the year of 3s. 11d. per cent. and 1s. 2d. per cent., respectively. In the ordinary branch the valuation of immediate profit assurances was altered from O^M to A¹⁹²⁴⁻²⁹; no doubt as a result of this change the amount set aside for future expenses and profits has increased to 27.7 per cent. of the annual premium income from 21.7 per cent. in 1937. In the industrial branch English life tables No. 10 (males), which was first adopted in 1937, is again used. The rate of interest assumed in both branches is 3 per cent. with 3½ per cent. for immediate annuities and 4 per cent. for deferred annuities. The reason for the large increase in the trading surplus in the ordinary branch is not obvious; the explanation may be that following a series of years in which the reserves were being continuously strengthened it has, on this occasion and under present conditions, been deemed more convenient to augment the investment reserve fund. The results of the last two years are given below:—

	1937	Ordinary Branch	Industrial Branch	1938	Ordinary Branch	Industrial Branch
Surplus earned during the year	262,464	276,958	291,701	569,203	92	150
Profit on investments	14,975	23,744	92	150	...	...
Brought forward	72,553	111,530	70,373	153,966	...	...
	349,992	412,232	362,166	723,319	...	...
Bonuses to policyholders	279,619	258,266	307,204	288,425	...	...
Investment reserve fund	...	...	...	250,000	...	...
Carried forward to next year	70,373	153,966	54,962	184,894	...	...
	349,992	412,232	362,166	723,319	...	...

In the ordinary branch the rate of reversionary bonus is again 36s. per cent. calculated on the sum assured, and the same bonuses as in 1937 appear to have been declared in the industrial branch. Fire premiums increased by £15,000 to £393,000 and accident premiums, including the premiums in the employers' liability and the general branch, increased by £33,000 to £390,000. In the motor department there was an increase of £32,000 to £1,084,000 and trading results were satisfactory. Including the above transfer of £250,000 from the industrial branch the sum of £308,000 was transferred to investment reserve fund, which now stands at £750,000. There is also a general reserve of £412,000. Total assets increased from £27,634,000 to £30,920,000. Loans and mortgages further increased from £5,797,000 to £7,278,000, but British Government securities were unchanged. British municipal and foreign and colonial government securities showed little alteration. On the other hand, debenture stocks increased from £8,617,000 to £9,884,000 and preference stocks from £2,444,000 to £2,735,000; only £20,000 is held in the form of ordinary shares. The aggregate market values of the Stock Exchange securities at the end of 1938 were in excess of the amount appearing in the balance sheet.

Friends' Provident and Century Life.—New life assurances of the Friends' Provident amounted to £2,483,000, compared with £2,680,000 in 1937. In addition, life policies for £171,000 were issued by the Century, mainly under its special schemes of life and disability insurance. A considerable annuity business is transacted and considerations last year amounted to £1,020,000, which, however, is about £200,000 less than in the previous year. Including the Century (whose share capital is owned by the Friends' Provident) sinking fund assurances were issued for £1,302,000, showing an increase of £346,000 on the 1937 total. The net rate of interest earned on the Friends' Provident life and annuity fund was 3s. 1d. per cent. smaller at £3 16s. 9d. per cent. If the amount of income tax deducted from annuity payments is set off against the tax on interest receipts, the net rate of interest would be £4 6s. 9d. per cent. compared with £4 6s. 7d. per cent. in 1937. Annuities paid, less income tax, amounted to £358,000 in 1938, compared with £293,000 in 1937. Death claims fell from £201,000 to £187,000, and as actual claims in 1937 were only 67 per cent. of the total expected by the A¹⁹²⁴⁻²⁹ table, the mortality experience last year would appear to have been very satisfactory. No indication is given of the annuity mortality experienced. The Century transacts all classes of insurance, including permanent sickness insurance, in which it was a pioneer. Fire premiums fell by £69,000 to £352,000, due to the cancellation of some unprofitable accounts in the U.S.A.; in each of the other branches small increases of premium income were registered. The results of the past two years are given below:—

	1937	% of	1938	% of
	Profit	Prem.	Profit	Prem.
Fire	Dr. 17,085	- 2.6	4,135	1.2
Accident	Dr. 2,098	- 8.2	577	2.1
Motor	Dr. 14,794	- 12.3	Dr. 3,318	- 2.7
General	30,752	30.4	19,751	19.0
Employers' liability	5,710	7.7	9,345	11.7
Marine	Dr. 2,762	...	Dr. 2,982	- 2.7
Disability	...	...	20,000	...
	5,713	...	47,508	...
Charges to profit and loss	9,802	...	29,498	...
	Dr. 4,089	...	18,010	...

The investment reserve of the Friends' Provident was increased by transfers of £400,000 and £50,000 from the life and annuity and sinking fund accounts, respectively, to meet further depreciation. After these transfers, investments appear at less than their aggregate value. Loans increased from £3,372,000 to £3,563,000, while mortgages on property in the United Kingdom at £1,326,000 and loans on professional practices at £834,000 showed increases of £90,000 and £106,000, respectively. British Government securities increased from £1,298,000 to £1,508,000 and Indian and Colonial Government securities from £152,000 to £269,000. Foreign government securities contracted from £314,000 to £265,000. Debenture stocks increased from £4,331,000 to £4,786,000, but preference stocks were smaller. The shares of the Century are valued as before, at £1,500,000, but other ordinary stocks fell from £2,125,000 to £1,812,000. The dividend which is raised from 15 per cent. to 20 per cent. costs £65,000, against interest earnings of £56,000.

Investment

Gilt-edged Disparities Removed.—In the market's recovery this week, gilt-edged stocks have been well to the fore. In a context of broadening interest in the industrial sections, and improved support for commodity and mining issues, the stronger trend of the Funds has stood out. But whereas the market generally has given rein to its feeling of slightly greater confidence in the political outlook, and to the rapid march of home industry towards full employment, gilt-edged securities have responded to the removal of special factors which, a month ago, had wrecked all traditional relations between the various sections of the market. A table reproduced in these columns on April 22nd showed that, between March 10th and April 19th, the gross redemption yield on such an "ultra-short" as 4½ per cent. Conversion had jumped from £1 18s. 9d. to £3 12s. 3d. per cent.—a level which was only a shilling or two per cent. below the redemption yield on the long-dated stocks. Strained credit supplies during the greater part of April and the fear that the banks might raise their lending rates produced a violent rise in bill rates, and this took full effect among short-dated gilt-edged securities. This week, bill rates have fallen to the scarcely remunerative levels which prevailed before the German invasion of Czechoslovakia, and there is no disposition to sell.

★ ★ ★

The effect of this sudden restoration of low money rates is shown in the following table, which sets out the movement of prices and yields in the various types of gilt-edged stocks:—

		April 19, 1939		May 10, 1939		Change	
Stock	Redemption Date	Price	Redemption Yield %	Price	Redemption Yield %	Rise in Price	Fall in Yield %
"Shorts"							
4½% Conversion	1940-44	102½	£ s. d. 3 12 3	104	2 7 7	1½	1 4 8
5% Conversion	1944-64	105½	3 14 6	108½	3 2 2	2½	0 12 4
2½% Nat. Def.	1944-48b	92½	3 15 3	97	3 1 0	4½	0 14 3
2½% Conversion	1944-49	90½	3 13 9	94½	3 3 0	4	0 10 9
"Medium"							
3% Conversion	1948-53	93	3 13 8	96½	3 7 3	3½	0 6 5
2½% Funding	1952-57	88	3 13 8	90½	3 9 0	2½	0 4 8
3% Nat. Defence	1954-58	92	3 12 8	94½	3 8 8	2½	0 4 0
4% Consols	From 1957	102	3 17 10	104½	3 14 0	2½	0 3 10
"Longs"							
4% Funding.....	1960-90	103	3 15 9	105½	3 12 0	2½	0 3 9
3½% Conversion	From 1961	92	3 16 1a	93½	3 15 1a	1½	0 1 0a
2½% Funding ...	1956-61	81½	3 15 3	84½	3 10 9	3	0 4 6
3% Funding.....	1959-69	89	3 12 3	91½	3 9 3	2½	0 3 0
2½% Consols ...	...	65	3 16 11a	67½	3 14 3a	2½	0 2 8a
3½% War Loan	From 1952	93½	3 15 10a	92½	3 15 5a	1½	0 0 5a
3% Local Loans	...	77½	3 17 5a	79	3 16 2a	1½	0 1 3a

(a) Flat yield.

(b) By annual instalments, taken to 1946.

(a) Flat yield. (b) By annual instalments, taken to 1946.

The traditional margins between "shorts" and "longs"—measured by the yield differential per annum difference in life—are not yet fully restored, but the complete abnormalities which were evident among the "shorts" in the middle of April have been partially corrected. The falls in the short-dated list between the "highs" of March 10th and April 19th have been proved unduly large, as we suggested on April 22nd. And the corrective price movements since the latter date have been spectacular, particularly for 2½ per cent. National Defence Bonds. Jobbing operations for specialists in short-dated bonds must have been profitable during the past two or three weeks. But it is open to doubt whether the miniature monetary crisis after Easter was quite unavoidable. It certainly inflicted heavy strain on a gilt-edged market which stands in need of all the encouragement which the authorities can provide.

★ ★ ★

Industrial Profits in April.—By a coincidence industrial companies' net profits reported in April have fallen by exactly the same proportion as the March com-

panies—by 11.57 per cent. As in March, when the Courtaulds' results depressed the total, the exceptional severity of the fall is due to a single factor, which is the heavy fall in shipping profits, reported by Cunard White Star and Union Castle. The course of industrial net profits over the past two years is shown in the following table:—

INDUSTRIAL PROFITS 1937-39

Year and Month	No. of Cos.	Net Profits*	Inc. on prev. year	Year and Month	No. of Cos.	Net Profits*	Change on prev. year
1937		£	%	1938		£	%
April	245	31,712,217	23.36	April ...	225	28,491,318	+17.19
May	255	25,053,946	14.09	May ...	320	45,915,238	+11.42
June	265	43,924,563	21.19	June	260	38,076,415	+11.09
July	193	13,260,299	19.62	July	181	16,330,811	+3.44
Aug.	62	6,042,402	9.41	Aug.	81	8,300,386	-1.16
Sept.	81	7,269,607	27.80	Sept.	112	7,962,024	-10.31
Oct.	177	14,884,260	26.97	Oct.	163	14,279,785	-1.06
Nov.	206	23,579,407	20.25	Nov.	231	23,784,389	-6.53
Dec.	152	18,101,112	14.69	Dec.	171	18,534,750	-4.35
1938				1939			
Jan.	107	13,832,382	19.90	Jan.	152	16,316,851	-9.58
Feb.	202	29,793,378	5.52	Feb.	211	31,893,884	-5.19
March	337	56,721,336	9.19	March	293	41,440,326	-11.57
				April ...	233	24,067,714	-11.57

* After debenture interest.

If the reduced shipping earnings are eliminated, net profits for the remaining 225 companies show a fall of 7½ per cent. from £24,666,000 to £22,900,000. Disregarding the unfavourable results reported by a limited number of large companies during recent months, industrial profits for the mass of companies are still running at a consistently lower level, from 5 per cent. to 7½ per cent. below those of the previous year.

Cable and Wireless Progress.—The reports of Cable and Wireless, Limited (the operating company) and Cable and Wireless (Holding), both of which have been issued during the past week, have sustained the pleasing surprise which greeted the Holding company's dividend announcement in April. Taking the two companies in order, the operating concern showed a fall in gross message receipts from £5,030,209 to £4,573,315—a reduction of approximately 9 per cent., compared with a fall in the traffic index of approximately 12½ per cent. For a year of depressed international trade, in which, moreover, the Empire flat rate scheme was in operation for eight months, these gross takings are very satisfactory. The flat rate scheme itself was estimated to cost £500,000 in a full year, but already the benefit of cheaper facilities is being felt in intra-Empire traffic. Mr Edward Wilshaw, chairman of the Operating company, disclosed at this week's meeting that traffic receipts for March this year were only a few hundred pounds less than for March, 1938, before the flat rate scheme was introduced. Although significant changes occurred in the level of individual expense items, the total, apart from the Beam Rental, was scarcely changed at £3,602,958. The Beam Rental, under the new agreement, was chargeable for only two months, and thus cost £41,667, against £250,000 in 1937.

BRITISH GENERAL SERIES 'C'

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The Operating Company's ordinary share earnings show a reduction from £1,256,919 to £1,001,205, of which 3½ per cent. gross dividend absorbs £975,000, leaving the balance carried forward at £27,467, compared with £1,262 brought in. The results of the Operating and Holding companies are analysed in the following table:—

Operating Co.	Years to December 31,		
	1936	1937	1938
Net message receipts	4,446,098	4,745,050	4,318,851
Total income	4,734,974	5,110,206	4,645,830
Maintenance, exes., fees, etc. ..	3,642,029	3,603,287	3,602,958
Beam rental	250,000	250,000	41,667
Earned for dividend.....	842,945	1,256,919	1,001,205
Dividend	750,000	1,050,000	975,000
Do. %	2½	3½	3½
Carried forward	94,342	1,262½	27,467
Holding Co.			
Gross divs. received, etc.	986,276	1,355,738	1,397,280
Expenses.....	43,539	72,579	61,655
Funded income stock service ..	...	61,512	61,513
Preference div.	922,162	922,162	922,162
Ordinary stock:—			
Earned	Nil	299,485	351,950
Paid	Nil	275,324	275,324
Paid %	Nil	4	4
Carried forward	188,337	199,097*	205,282*

† After £300,000 to general reserve. * After £13,401 capital reduction expenses in 1937 and in 1938 £70,441 extra income stock sinking fund provision.

It was already known that the Operating company's dividend was fully covered without encroaching upon the special reserve of £300,000 set aside a year ago. But doubt still remained whether the Holding company had been able to maintain its payment at 4 per cent. without drawing upon the carry-forward. Here again the sceptics have been routed. Gross dividends received by the Holding company amounted to £1,397,280, towards which the three old cable companies contributed £971,584, and Marconi's Wireless Telegraph £308,426, against £184,590. The increase in the latter company's preference and ordinary distributions, coupled with the special dividend of 3 per cent., tax free (which accounts for £63,080 out of the total of £308,426), have been included in the gross dividends received by the Holding company in the table above. On this basis, earnings for the Holding company's ordinary capital amount to £351,950, compared with £275,324 required to pay the 4 per cent. ordinary dividend. On the stricter basis of setting £63,080 from the Marconi's special tax-free dividend against £70,441 extraordinary funded income stock sinking fund, earnings would amount to £288,870. But on either basis the results are very creditable.

— And Prospects.—Under the 1938 agreement the Operating Company's standard revenue has been reduced to £1,200,000. There is a considerable margin to be filled, however, before this amount is reached—net earnings for the preference stock last year amounted to little more than £1,000,000. The equity of Cable and Wireless (Holding) ordinary stockholders after standard revenue is reached is limited to one-third of surplus earnings. But there is, under present conditions, appreciable scope for improvement before the sliding scale comes into operation. Certainly, the group is providing every inducement to obtain increased traffic. The Empire flat rate scheme has been succeeded by the Empire press flat rate and the cheap social message. It may be hoped that international trade will improve and thus enable the group to enjoy a greater return on its enterprise. In the light of the results of both Operating and Holding companies last year, the current

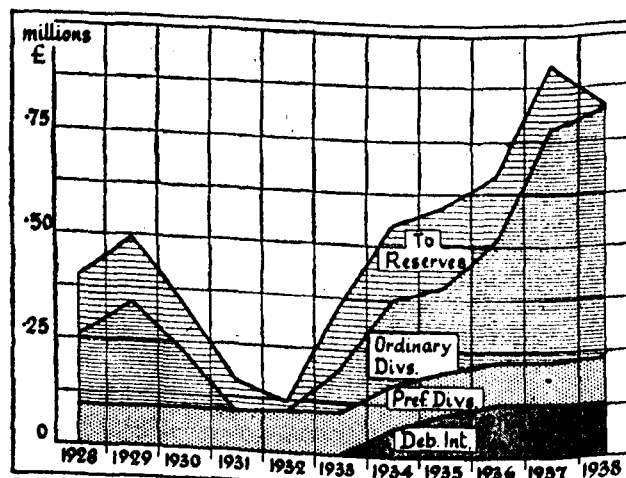
price of 46½ for the Holding company's ordinary stock, at which it yields £8 11s. per cent., seems reasonable. Its recovery from the year's "low" of 35 is certainly well merited.

Stewarts and Lloyds Results.—The 6 per cent. increase in Stewarts and Lloyds' total profits is very satisfactory. Consolidated profits rose from £2,143,504 to £2,336,070 last year. Since the 12½ per cent. dividend is repeated (although it is payable on a slightly larger capital, owing to an exchange of interests under the Tube Investments agreements), interest in the accounts lies chiefly in the special allocations which have been a recent feature of the company's financial policy. The following table shows the allocation of profits in detail in the past three years, while the chart shows changes in distributable profits over an eleven-year period.

	Years ended December 31		
	1936	1937	1938
Profit.....	1,392,310	2,506,882	2,649,791
Export trade reserve	...	...	500,000
Stock reserve	...	300,000	75,000
Special depreciation	100,000	250,000	...
Depreciation	318,802	373,581	508,388
Taxation	225,000	550,000	600,000
Employees' funds, and fees ...	73,213	76,487	132,669
Debt service	127,500	127,500	127,500
Preference divs.	100,581	100,443	107,300
Deferred and liaison shs.*—			
Earned.....	447,214	728,871	598,934
Paid	295,410	579,468	589,549
Earned %	11.4½	15.7	12.7
Earned % (before spec. res.)†	13.9½	27.6	24.9
Paid %	7½	12½	12½
Contingencies special reserves	150,000	150,000	...
Carry forward	170,756	170,159	179,544

* One liaison deferred share carries same dividend rights as £1,000 deferred stock. † On £4,626,740. ‡ Before charging stock, etc., export reserves, and special depreciation.

STEWARTS AND LLOYDS PROFITS 1928-38



In drawing the chart, last year's export trade provision has been treated as a charge, while in previous years the amount shown for reserves includes contingencies.

The main feature of the latest accounts is a special provision of £500,000 for a reserve for maintenance and development of export trade. So far, however, specific information is lacking on any changes in the export market

which may have necessitated such a provision. Fear that co-operation with foreign producers might become difficult has, in fact, been allayed. Hence the special provision may well imply—besides defence—a forward policy of development. Other reserve provisions, however, are on a smaller scale than those set aside in 1937. For 1937, £300,000 was placed to stock reserve, but last year the sum was reduced to £75,000, and no allocation is made to contingencies. Special depreciation is not provided for in 1938, but the normal depreciation allowance is nearly £135,000 higher at £508,388, and the share premium account of £315,104 is transferred to special depreciation. Changes in available equity earnings thus reflect financial policy almost as closely as trading profits. Regarding the year's provisions as expenses, deferred and liaison share earnings are virtually halved, but even on this strict view, the 12½ per cent. dividend is fully covered by earnings. The balance sheet shows a reduction in creditors from £2,524,047 to £1,345,032 (including provision for accrued liabilities), and a rise in stocks from £2,331,909 to £2,811,997, despite the provision of £375,000 for stock reserve in two years. On the report alone it is difficult to form an opinion of prospects for the current year, and Mr Macdiarmid's survey will be awaited with especial interest. At the present price of 43s., the deferred shares yield £5 16s. 3d. per cent.

Imperial Chemical Industries.—So far as the year has gone, the directors of Imperial Chemical Industries are more than satisfied with the volume of trade achieved by the group. The defence programme will give a stimulus to trade activity, but of a scattered rather than a general nature, and one to which Imperial Chemical Industries, in particular, cannot look for any abnormal effect. These were the two central points in Lord McGowan's appraisal of the current year's prospects at Thursday's meeting. They have to be related to the now well-known financial policy of the board, summarised a year ago by the chairman under the general proposition that the company should be made so strong financially that its stability should be unimpaired even by a major trade depression, and that dividend policy should aim at the maintenance of steady payments within narrow limits, through good and bad years alike. The security of that general policy depends upon adequate and readily realisable reserves. And the board "hope in due course to be able to build up such a reserve." In 1937—a year of "exceptional activity and profit," in the chairman's words—the dividend was raised from 8 per cent. to 8½ per cent. Last year the rate was reduced to 8 per cent. Are these rates to be regarded as the extremes of the "narrow limits" to which the chairman referred this week? That, certainly, has been the impression of the market for some time past. The original conception of Imperial Chemical Industries as a group with dynamic profits expectations is no longer widely held.

Lever and Unilever Prospects.—Mr D'Arcy Cooper's speech (read in his absence at last week's meeting) confirmed the suggestion made in a leading article in *The Economist* of April 29th that the profits of Lever Brothers and Unilever for 1939 might show relatively little variation from those of 1937. Making the necessary reservation regarding politics, the chairman forecast "another year of approximately £12,000,000 aggregate net profits." Hence, the dividend outlook may be regarded as satisfactory, for Limited's dividend was covered twice over on this basis of profits last year. In 1938, the group obtained an increase of £1,000,000 in profits from soap and margarine. Soap sales reached record levels, and sales of margarine and edible fats exceeded 800,000 tons for the first time in eight years. But, in addition to the improvement in turn-



GOVERNMENT PUBLICATIONS

AIDS FOR TRADERS The Import and Export List, 1939, gives the basis on which goods are classified for the purposes of the Import and Export Trade Statistics required by law. Notes are given facilitating the correct entry of goods on the relevant forms. 9d. (1s.). The Customs and Excise Tariff contains the tariff of the United Kingdom of Great Britain and Northern Ireland revised up to January 1, 1939. 1s. (1s. 4d.).

GREAT BRITAIN IN FIGURES The Statistical Abstract for the United Kingdom for each of the 15 years, 1913 and 1924 to 1937, is the most complete and comprehensive collection of statistical material published as a Government publication. Cmd. 5903. 7s. (7s. 6d.).

INDIA The complex range of social, agricultural, industrial, technical and professional problems with which the administration of India is grappling is set out concisely in *Social Service in India*, an illustrated and fascinating account of a vast subject. It is the work of six distinguished former Indian Civil Servants and is edited by Sir Edward Blunt, K.C.I.E., O.B.E., 10s. 6d. (11s.).

EMPIRE CONSTITUTIONS A detailed collection of documents defining the constitutional organisation and framework of all the countries within the British Empire is presented in the first of two volumes setting out the "CONSTITUTIONS OF ALL COUNTRIES." Prepared in the Foreign Office. 10s. 6d. (11s.). Vol. 2 in preparation.

SCIENTIFIC AND INDUSTRIAL RESEARCH A vast field of research is now covered by the Department of Scientific and Industrial Research whose *ANNUAL REPORT* affords a ready means of keeping in touch with current developments in subjects dealing with Fuel, Food, Building, Roads, Water Pollution, Illumination, Chemistry, &c. 3s. (3s. 3d.).

TUBERCULOSIS IN WALES After an exhaustive study of the factors affecting the incidence of the disease (including housing, sanitation, schools, nutrition, health services, etc.) the COMMITTEE OF INQUIRY INTO ANTI-TUBERCULOSIS SERVICE IN WALES makes some outspoken comments on conditions which cause Wales to lag behind in the lessening of tuberculosis mortality. 4s. 6d. (4s. 10d.). The Report of the Chief Medical Officer "ON THE STATE OF PUBLIC HEALTH" for 1937, published last year, gave a general picture of national health services as a whole. 3s. 6d. (3s. 9d.).

SECONDARY SCHOOLS Proposals for far-reaching changes in the provision of secondary school education (including Grammar Schools and Technical High Schools) are made in a new report (The SPENS REPORT) by the Consultative Committee of the Board of Education. 477 pp. 3s. 6d. (3s. 11d.).

ROAD ACCIDENTS Drastic alterations in the present conduct and control of road users are recommended in a REPORT ON THE PREVENTION OF ROAD ACCIDENTS by a Select Committee of the House of Lords. 1s. 6d. (1s. 8d.).

All prices are net. Those in brackets include postage

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over, it is probably true that profits from manufacture were assisted by the relatively low prices of raw materials, which, on the other hand, affected the earnings and trading volume of the raw materials companies, of which United Africa is the most important. Mr D'Arcy Cooper also confirmed the suggestion that the opportunities open to the group to transfer profits in blocked currencies may be smaller during the current year. The Continental interests, of course, are the football of politics, although the changes of frontiers during the past twelve months have not greatly altered the balance of the group's resources between free and controlled exchange areas. Stockholders can have nothing but praise for the directors' efforts to establish new sources of earning power to replace those lost in the frozen wastes of Europe. The progress of the American business, which is under the wing of the N.V. branch, provides proof of their success.

* * *

Consumption Companies' Results.—Companies in the consumption goods trades do not always show the stability of profits that might theoretically be expected. But the results of four such companies available this week—a distinctly eueptic list—are certainly satisfactory. In only two instances, however, are the latest profits properly comparable with earlier years. *Cerebos* shows an exceptionally good earnings record. For 1938 total earnings amount to £455,619 against £444,022, and the 40 per cent. dividend is repeated. After remaining somewhat stationary for two years, *Smith's Potato Crisps'* earnings in 1937-38 showed a good rise, and it is satisfactory that the increase in 1938-39 from £166,649 to £185,074 has almost maintained the previous year's rate of advance. The whole of this increase in profits is available for ordinary shareholders, so that earnings for the equity amount to 46.3 per cent., against 37.7 per cent., and the 32½ per cent. dividend is repeated. The *Beechams Pills* report does not disclose how much of the rise in total profits from £600,908 to £723,663 is due to improved trading and how much to the Macleans and Eno Proprietaries acquisitions. The report stresses, however, that the latest results do not include a full year's dividend from either of the newly-acquired companies, and that substantial economies due to the reorganisation will be reflected in future accounts. The marketing of new lines is apparently contemplated, for it is stated that, during the coming year, large sums will be allocated towards initial marketing costs. For 1938-39, provision for development reserve absorbed £72,919 against £86,584. Dividends total 40½ per cent. actual, though the first interim was payable on £300,000 of deferred capital only. Owing to the 200 per cent. share bonus last August and to the issue for cash in connection with the Macleans purchase, the rate earned for the deferred stock is 52.6 against 135.2 per cent., but the amount earned is £375,650 against £296,982. The results of *Reckitt and Sons* also are complicated by the recent formation of Reckitt and Colman to amalgamate the business of Reckitt and Sons and of J. and J. Colman, in which Reckitt and Sons have a 65.6 per cent. interest. The first report of the new operating company discloses total profits of £1,580,149, and points out that although total sales increased both at home and abroad (56½ per cent. of total trade is in the U.K., and another 15½ per cent. in the Empire), trading profits were about £50,000, or 3½ per cent., lower. This is but a moderate decline, but owing to the retention of various reserves and the deduction of tax, the share accruing to Reckitt and Sons is £680,558. The company's

22½ per cent. dividend is repeated, and is covered by earnings of 23 against 26 per cent.

* * *

Ford and Morris Prospects.—The emphasis at the Ford and the Morris Motor meetings this week, regarding prospects for the current year, was placed somewhat differently. Lord Nuffield reaffirmed the belief of the Morris Motors' board that the past year's results had been very satisfactory, and explained that apart from general trading difficulties a special non-recurring factor had been at work, for the output of two new models had been restricted for a time owing to the inadequate supplies of certain essential materials. Profit margins were also affected by the higher level of material and labour costs and by the decision not to pass the increase on to the consumer in full, but this price policy has latterly stimulated demand—for the first quarter of this year a new delivery record has been achieved. At the Ford Motor meeting, on the other hand, Lord Perry expressed considerable concern regarding the effects of the sharp increase in motor taxation. Competition among producers of the lighter cars is already intense, and Lord Perry does not subscribe to the argument that increased horse-power tax will stimulate light car sales. In his view, Ford Motor, which depends on the production of small cars, will merely be relatively less affected than makers of the higher-powered cars. In the export markets, the outlook is not unhelpful. Exports in 1938 were lower than in 1937, but satisfactory improvement has occurred in certain markets. As for the company's technical development, Lord Perry pointed out that since the company's inception some £4,830,450 had been deducted from asset values for depreciation and obsolescence. This policy of financial conservatism was defended with some vigour, though discerning shareholders will feel that generous provision to meet the high costs of technical progress should be a matter for congratulation which requires no defence.

* * *

General Mining.—The results disclosed by the General Mining report for 1938 invite the question how so favourable an outcome was achieved in a year so unfavourable for finance company operations. The accounts show an increase of £6,843 in gross profits to £587,453, which is only £11,564 below the peak year 1936. Owing to the higher incidence of taxation, net profits are virtually unchanged at £516,578, representing 40.8 per cent. on the shares. Thus, the repetition of the total distribution at 25 per cent. again allows the allocation of £200,000 to general reserve, leaving the carry-forward virtually unchanged at £132,583. The report does not give any hint of the reason for this excellent showing. Nor will detailed study of balance sheet and revenue account provide any dependable conclusion. Indeed, the accounts are strongly reminiscent of the practice of some shipping companies before the Companies Act of 1929, for almost the whole of the earning assets are included within one balance-sheet item, while the whole revenue is shrouded in obscurity under the single heading "By realised profit. . ." The results of share dealings, the appreciation realised on old investments carried at a low book cost, dividends, interest, etc., are all lumped together, and there is no means of surmising to what extent current investment income, exceptionally prescient share operations during the financial period and the fruits of wise decisions of earlier years have respectively contributed. Nevertheless, the consistency of disclosed results in recent years has steadily enhanced the status of the Corporation's shares in the market, and the exchange of directors with the Central Mining-Rand Mines group has set the seal on an association which shareholders have assuredly welcomed. Among the corporation's particular interests, the improving position of West Rand Consols, East Rand Props., and Durban Roodepoort Deep, and the re-organisation of the capital of Phoenix Oil, are good auguries for investment revenue. It is believed in some quarters that this type of income is a predominant factor in the position, and perhaps the chairman may take the

opportunity offered by the general meeting to throw some light on this point.

* * *

Great Boulder Dispute.—The series of exchanges between the Board of Great Boulder Proprietary and the group of shareholders who launched the attack on the management some weeks ago will come to a head at the extraordinary general meeting to be held on June 23rd. This meeting has been requisitioned by the opposition which will propose a series of resolutions, the object of which is to remove three of the four members of the present Board, namely, Mr Claude de Bernales, Mr A. H. Collier and Mr E. P. Jones, and to replace them by new directors not yet named. Both sides have been working hard to get proxies and shareholders have been deluged with a great quantity of printed matter, the essential contents of which could have been condensed within a very much smaller compass. While some observers might not give the de Bernales group unreserved credit for all its activities in Westralian mining finance, it is more difficult, as the committee of shareholders has found out, to find any serious ground for criticism in the administration of the Great Boulder company, which, after all, is the matter which primarily concerns the shareholders. The fact that the leader and most substantially interested member of the Committee of Shareholders happens to be Mr W. Grundt, who was engaged in litigation with the company over a tribute dispute, could hardly be considered a happy start for the campaign, and the tenor of much of the opposition literature is aptly illustrated by the fact that it has been thought useful to reproduce in full a certificate given by the Norwegian Consul-General showing, *inter alia*, that Mr Grundt's family antecedents can be traced back in Norway to 1650. In so far as the committee raised specific criticisms relating directly to the administration of the mine, the Board has made a convincing and fully documented reply. They have also lately secured the support of Mr J. F. Thorn, general manager of the Lake View and Star, who testifies to the efficiency of the plant and management of the Great Boulder. In all the circumstances, the rank and file of shareholders are likely to require a more convincing case for evicting the present board than has yet been presented.

* * *

The Week's Company Profits.—Our usual analysis of profit and loss accounts, appearing on page 414, contains some 55 companies for which comparable results are available. They report net profits of £9,508,000 against £10,308,000, a reduction of 8 per cent., while the aggregate net profits of 1,010 companies reporting to date in 1939 are £140,007,000, or 8½ per cent. lower than the total of £153,247,000 earned by the same companies a year earlier. The week's results are reviewed in preceding notes and on page 387 under the heading "Shorter Comments."

* * *

Company Meetings of the Week.—Reports of company meetings will be found from page 393 of this issue. At the *Alliance Assurance* meeting Mr Lionel N. de Rothschild stated that, in valuing the life business, a rate of interest of 2½ per cent. had been assumed instead of 3 per cent. Addressing *Licenses and General Insurance* members, the Hon. Reginald Parker expressed satisfaction that in the life department the number of policies issued again showed an increase. Reviewing the experience of the life department of *Guardian Assurance*, Colonel Lionel H. Hanbury said that claims by death had been substantially lower than anticipated. Lord Middleton informed *Yorkshire Insurance* shareholders that the profit on the fire account was, apart from the exceptional results of 1937, the

best for ten years. At the *Central Mining and Investment* meeting, Mr F. R. Phillips discussed the importance of efforts to improve working efficiency, both in ore extraction and treatment. Apart from any question of profits, it was necessary to save labour, as increased tonnages from existing mines, greater development footages and production from new mines would all increase the demand for labour. Lord McGowan's survey of the *Imperial Chemical Industries'* position is discussed on page 383, and reference is made to Mr Edward Wilshaw's review of *Cable and Wireless* operations on page 381. At the *Calcutta Electric* meeting Lord Meston pointed out that income from the sale of current had risen by £900,000, in spite of large rates concessions. Sir Geoffrey R. Clarke informed *Calcutta Tramways* members that as saturation point was being reached on certain routes, consent had been obtained for the provision of various alternative routes. Mr Simon Marks, at the *Marks and Spencer* meeting, discussed the arrangements to borrow up to £2,000,000, of which £500,000 had been taken up and a further £500,000 is to be taken up at 4 per cent. Under favourable circumstances, the directors have power to replace the loan by a share issue, but the board have no such intention at present. Extensions and improvements to the *Spillers* undertaking were described by Sir Malcolm A. Robertson; the new mill at Newcastle is now in full production, while in London an extension of 16,000 tons had been added to the silos. The chairman's comments at the *Morris Motors* and the *Ford Motor* meetings are discussed on page 384. At the *Barry and Staines* meeting, Sir John N. Barran explained that while the previous year's turnover had almost been maintained, profit margins had been smaller. Mr Norman Holden informed *Mid-European Corporation* members that about 61 per cent. of the increase in depreciation was due to a more stringent method of valuing investments quoted on the German Bourses. Mr J. Leslie Wates informed shareholders of *Johnson and Phillips* that in view of the uncertainty regarding the Government's programme of electricity reorganisation, the board did not propose to make any issue of new capital. The increased capacity of the engineering departments carried out last year has already been overtaken, and a further increase may be necessary. Stockholders of *Anglo-American Debenture Corporation* were informed by Mr Richard S. Guinness that over 60 per cent. of last year's revenue came from fixed interest securities, while 62½ per cent. was contributed by British securities. The board had reduced holdings in foreign fields, when practicable, and re-invested chiefly in the United Kingdom and to a small extent in Canada, India and Africa. Mr John Ismay informed shareholders of *F. Francis and Sons* that the group's turnover to date exceeded that of the corresponding period last year. At the *Lunuvu (Ceylon) Tea and Rubber* meeting, Mr H. J. Welch stated that net prices for exportable 1939 teas to date showed an advance of approximately 1d. per lb.

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

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THE STOCK EXCHANGES

London

SETTLING DAYS
TICKET ACCOUNT
MAY 23 MAY 25

THE market improvement which had already begun a week ago has come into greater prominence during the past week. Prices in virtually all sections have moved steadily upwards, and while the volume of business has not attained large proportions, public interest has improved noticeably. The absence of disturbing international news and the reduction in war risk insurance rates have assisted sentiment. A slight reaction occurred on Thursday. *Gilt-edged stocks* made a mixed showing at first, but gathered confidence as the week went on, and ended considerably higher, chiefly on the fall in money rates. A basic improvement was in evidence from the outset, but the market was puzzled about the progress of negotiations with the Soviet, and undated stocks receded on profit-taking, though they closed on Monday either slightly higher or unchanged. Later, there was less hesitation, and all stocks advanced strongly. The dated issues made a particularly good showing, and rose more steadily than the undated stocks. A small revival of demand for home corporation issues was evident, and Dominion stocks became more active than of late, with Australian issues improving towards mid-week. *Foreign bonds* also became more cheerful. Czech bonds were supported, especially on news of the formation of the debts committee, and Japanese issues rose. There was some speculative support for Brazilian bonds.

Home rails were unusually buoyant, until the traffic took the edge off the market's appetite. Preference stocks were well supported in anticipation of good traffic, though disappointment with the figures brought some profit-taking. The rise in guaranteed stocks, however, was unchecked, but ordinary stock prices became more hesitant after showing good gains. Argentine rails rose sharply, as the supply of stock was short, and demand was stimulated by good traffic, though profit-taking checked the rise. A marked increase in turnover, however, was always evident.

Industrial shares again showed satisfactory progress. Although there was not much business on Monday, the tone was good throughout, and activity increased as prices rose. Iron and steel shares advanced, with few exceptions, and public interest was more evident in mid-week, helped by news of the high rate of steel production in April. After a long period of neglect, coal shares improved. Engineering issues became firmer after some initial irregularity. Demand for electrical equipment shares was subdued, owing to the omission of the Callender's Cable cash bonus, but some good gains resulted from the mid-week recovery. Motor shares were quietly steady at first, rose after the Ford and Morris meetings, but did not hold all their gains. Aircraft issues were better than for many weeks, and with the partial assistance of the Rolls Royce results most shares rose. Textiles shared in the general improvement, though rayons were little changed, except for a firmer tendency in mid-week. Gains were recorded by the tobacco leaders,

and breweries went ahead on provincial support. Provision and catering issues rose, with Cerebos and J. Lyons prominent. There were a number of gains in the stores group, but they were on a rather smaller scale than in other sections. Marks and Spencer rose temporarily following the meeting. Miscellaneous issues reflected the general trend; Lever Brothers and Unilever were among the brightest features. Shipping shares maintained their firmer tendency.

A cheerful tone was maintained in the *oil shares market*. Trinidad Petroleum Development were active, and Continental demand was reported for Royal Dutch, Shell and Mexican Eagle. The latter responded to reports of impending agreement between Mexican, United States and British interests. Public demand for the leading rubber shares revived, and was especially concentrated on Anglo-Dutch and Rubber Trust issues. Professional support was evident later in the week, though business was not extensive. A moderate advance was recorded in *tea shares*.

Mining shares opened the week with modest improvements. Among Kaffirs, Rand Leases were a feature following the decision to increase output, and local support more than maintained the higher prices till after mid-week. Developing companies, after an uncertain start, improved under the leadership of Western Holdings, while finance issues followed the trend of operating companies. Among diamond shares, De Beers received early support, and business gradually broadened into a general moderate advance.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargain	Corres. Day 1938	Security Indices	
			30 ord. shares*	20 fixed int.†
May 5	5,300	6,690	79.6	115.8
" 8	6,050	7,160	79.6	116.2
" 9	6,445	6,665	80.4	116.8
" 10	6,610	6,385	81.5	117.1
" 11	6,320	6,135	81.2	117.1
High...	...	...	88.0	123.5
Low...	...	...	73.7	114.9
			Jan. 10	May 1
			Jan. 27	May 1

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

ACTUARIES' INVESTMENT INDEX

A rise of almost 2 points is shown in the week to Tuesday, May 9, 1939, by the Actuaries' price index of 160 industrial equities. On that date, the index stood at 61.4, against 59.5 a week ago and 60.5 a month ago. The average yield has thus fallen below 6 per cent., and stood at 5.82 per cent., against 6.03 and 5.91 per cent. respectively. A selection of the separate indices follows:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Price 1939 High
	Apr. 11, 1939	May 2, 1939	May 9, 1939	
Insurance (10)...	106.0	106.2	108.4	116.8
Aircraft mfg (5)†	80.3	72.8	79.6	96.7
Coal (8).....	76.8	74.6	79.4	80.9
Iron & steel (19)	54.0	54.1	56.0	56.9
Motors (7).....	35.1	33.3	35.3	39.2
Home rails (4)...	34.8	34.0	41.3	43.3
Shipping (7)...	13.1	13.4	14.2	15.4

† Dec. 30, 1938 = 100.

Group	Yield %			Price 1939 Low
	Apr. 11, 1939	May 2, 1939	May 9, 1939	
Insurance.....	4.05	4.04	3.96	105.7
Aircraft mfg....	9.80	10.83	9.87	72.0
Coal.....	7.64	7.65	7.78	74.0
Iron and steel....	6.94	6.99	6.77	45.5
Motors.....	6.03	6.35	5.98	31.9
Home rails.....	0.50	0.50	0.41	29.5
Shipping.....	4.58	4.54	4.19	12.9

New York

EARLY this week the report of an impending settlement of the coal strike imparted some buoyancy to Wall Street, after a rather dull opening. Steel shares moved up almost a point, supported late on Tuesday by other market leaders on news from London of reduced war risk insurance rates. Later, the continued deadlock in the coal industry dispute and the tendency to ascribe the recent recovery to Wall Street's technical strength rather than to public interest, caused a moderate setback which was not checked even by the improved stock and output prospects of the automobile industry. Throughout the week, the bond market has been firm, owing largely to support from the banks. *Iron Age* reports that steel mill operations are running at 47 per cent. of capacity, a decline of 2 per cent. on the week, and attributes the fall to delayed re-stocking orders by domestic buyers. Export demand, especially from South America, is well maintained.

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 Apr. 12	High Jan. 4	Apr. 26, 1939	May 3, 1939	May 10, 1939
347 Ind'l's....	92.8	114.5	94.6	97.2	97.6
32 Rails.....	21.6	32.5	24.1	24.9	25.4
40 Utilities...	77.8	88.3	80.5	81.6	82.8
419 Stocks...	79.3	95.6	81.0	83.1	83.6
Av. yield *...	4.05%	3.31%	3.97%	3.91%	3.92%
	High	Low			

* 50 Common Stocks. † March 8th.

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

May 4	May 5	May 6	May 8	May 9	May 10
109.1	108.8	108.9	108.9	110.6	109.2

1939 High: 130.3 January 4th. Low: 98.8 April 8th.

TOTAL DEALINGS IN NEW YORK

1939	Stock Exchange		Curb Shares
	Shares 000's	Bonds \$000's	
May 4	660	5,250	102
" 5	330	4,970	63
" 6	180	2,130	64
" 8	350	3,510	109
" 9	710	6,290	110
" 10	690	6,330	110

* Two-Hour Session.

New York Prices

	Close Latest		Close Latest	
	May 4, 1939	May 11, 1939	May 4, 1939	May 11, 1939
1. Rails and Transport				
Atchafalaya.....	28 1/4	28 1/2	Briggs.....	20 3/4
Balt. & Ohio.....	51 1/4	51 1/2	Chrysler.....	68 1/4
B.M.T.	11 1/4	12	Gen. Autolite.....	29 1/4
Can. Pacific.....	3 1/4	4	Gen. Motors.....	44 3/4
Ches. & Ohio.....	3 1/4	4	Hudson Mtr.....	5 1/4
G.N. Ry. Pk.....	20 1/4	20 1/2	Nash Kelvnr.....	6 3/4
Illinois Cent.....	11 1/4	12 1/4	Packard Mtr.....	3 3/4
N.Y. Central.....	14 3/4	14 1/2	Bendix Avtn.....	22 1/2
Northern Pac.....	8 1/4	8 1/2	Westingh. Elec.....	23 1/2
Pennsylv. Rr.....	18	18 1/4	Douglas Air.....	37 1/2
Southern Pac.....	12 1/4	13	United Aircraft.....	63 1/4
Southern Rly.....	14 1/4	14 1/2	Air Reduction.....	50 1/2
Union Pac.....	9 1/4	9 1/2	Allied Cheml.....	162
Greyhound.....	18 1/4	18	Col. Carbon.....	80 1/2
2. Utilities and Communications				
Am. W. Works.....	9 1/4	9 1/2	Dupont.....	143 1/4
Ch. W. & S.....	11 1/4	11 1/2	Un. Carbide.....	77 1/4
Con. Edison.....	31 1/2	31 3/4	U.S. Ind. Alc.....	15 1/4
Col. Gas & El.....	6 1/4	6 1/2	Allis Chalmr.....	34 1/2
El. Bond & Sh.....	8 1/4	8	Gen. Electric.....	35 1/2
Nat. Pwr. & Lt.....	7 1/4	7 1/2	American Can.....	87
N. American.....	21 1/4	21 3/4	Addressograph.....	20 3/4
Pac. Gas & El.....	30 1/2	30 3/4	Caterpillar.....	45 1/2
Pac. Lighting.....	45 1/2	46 1/4	Cont. Can.....	37
Pub. Serv. N.J.....	32 1/4	32 1/2	Ingersoll Rnd.....	97 1/2
Stan. Gas & E.....	3	3 1/4	Int. Harvester.....	59 1/2
United Corp.....	25 1/2	26	Johns Manvile.....	72 1/2
Un. Gas Imp.....	12 1/4	12 1/2	Am. Radiator.....	12 1/4
Amer. Tel.....	159 1/4	160 1/2	Corn Prods.....	58 1/4
Inter. Tel. For.....	64 1/4	64 1/2	I. Case & Co.....	76
Westn. Union.....	19 1/4	19 1/2	Glidden.....	16 1/2
Radio.....	6 1/2	6 1/4	Al. Case & Co.....	45
R. Pref.....	59 1/4	60	G. Am. Trans.....	45 1/2
3. Extractive and Metal				
Am. Mol. Mill.....	14 1/2	14 1/4	Allied Stores.....	7 1/4
Beth. Steel.....	56 1/2	56 1/4	Celanese of A.....	18 1/4
Beth. Steel P.....	118 1/4	107 3/4	Al. Rayon.....	13 1/2
Republic Ste.....	16 1/2	15 1/2	Eastm. Kdk.....	149
U.S. Steel.....	47 1/2	47 1/4	Gillette.....	6 1/2
U.S. Steel P.....	109 1/2	109 1/4	Loews.....	42 1/2
Alaska J'neau.....	8 1/4	8 1/2	20th Cen. Fox.....	20 1/2
Am. Metal.....	28	27 1/2	5. Retail Trade, etc.	
Am. Smelting.....	42 1/2	41 1/2	Mont. Ward.....	47 1/2
Anaconda.....	24 1/2	24 1/4	J. C. Penney.....	81
Bohm Alum.....	19 1/2	19 1/4	Sears Roebck.....	68 1/2
Cerro de Pas.....	38	37 1/2	Walgreen.....	17 1/2
Int. Nickel.....	47 1/4	48 1/2	Woolworth.....	44 1/2
Kennecott.....	32 1/2	32 1/4	Borden.....	42 1/2
Patino Mines.....	9 1/2	9 1/4	Gen. Foods.....	24 1/2
Tex. Gif. Sul.....	28	28 1/2	Kroger Grocery.....	25 1/2
U.S. Smelt.....	50	52 1/2	Nat. Dairy.....	15 1/2
Vanadium.....	19 1/4	20	Am. Tob. B.....	82
Atlantic Refg.....	19 1/2	20	Lorillard.....	23 1/2
Phillips Petr.....	36 1/2	37 1/2	Reyn. Tob. B.....	36 1/2
Shell Union.....	11 1/4	11 1/2	Nat. Distillers.....	25 1/2
Shell Un. P.....	10 1/4	10 1/2	Schenley Dis.....	14
Socony Vac.....	11 1/2	12	6. Finance	
Stan. Oil Cal.....	26 1/2	26 1/4	Comcl. Credit.....	42 1/2
Stan. Oil N.J.....	46 1/4	45 1/2	Atlas Corp.....	7 1/4
Texas.....	38 1/2	37 1/4	Com. Inv. Tr.....	46 1/2

Capital Issues

CAPITAL ISSUE TOTALS

Week ending May 13	Nominal Capital	Conversions	New Money
To the Public.....	150,000	...	142,500
To Shareholders.....	100,000	...	120,000
By S.E. Introduction.....	73,186	...	73,186
By Permission to Deal.....	100,000	...	475,000
Savings Certs. week to May 6.....	Dr 300,000	...	Dr 300,000
Including Excluding Conversions Conversions			
Year to date.....	38,752,013	...	37,500,948
1939 (New Basis).....	83,109,379	...	69,306,526
1938 (New Basis).....	18,922,635	...	18,711,570
1939 (Old Basis).....	59,915,720	...	47,362,962

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1939 (New Basis).....	25,851,460	11,329,488	320,000
1938 (New Basis).....	49,837,435	17,039,862	2,429,229
1939 (Old Basis).....	14,900,835	3,490,735	320,000
1938 (Old Basis).....	31,747,093	13,216,745	2,399,124

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1939 (New Basis).....	16,756,145	2,300,796	18,444,007
1938 (New Basis).....	39,741,619	4,500,850	25,064,057
1939 (Old Basis).....	12,207,435	928,447	5,575,688
1938 (Old Basis).....	32,172,766	2,260,722	12,929,474

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

Mid Southern Utility Company.—Issue of £150,000 "C" consolidated stock at 99. Maximum dividend 5 per

cent. Working profits 1938: gas, £29,832; water, £14,220; electricity, £45,744.

BONUS SHARES

Cornercroft, Ltd.—A scrip bonus of 25 per cent. is to be distributed to ordinary shareholders.

ISSUE TO SHAREHOLDERS ONLY

Kern Oil Company.—Chemical and Petroleum Investments has placed at Kern Oil Board's disposal sufficient of the 600,000 Kern 3s. 4d. shares for which it is entitled to subscribe to enable an offer to be made at 4s. each to all stockholders, in proportion of one share of 3s. 4d. for every £1 6s. 8d. held on April 27, 1939. Any shares not subscribed for will be taken by Chemical and Petroleum at 4s.

SHORTER COMMENTS

Company Results of the Week.—Owing largely to a special provision of £58,569 depreciation on investments and a loss on exchange of £59,094, BRITISH AND CHINESE CORPORATION have sustained a loss of £96,493, against a profit of £9,789. The Timothy Whites group appear to have experienced a satisfactory year, for total profits of TIMOTHY WHITES AND TAYLORS amount to £347,945, whereas the previous total profits of £430,332 covered a 66-week period, including two Christmas seasons. Most investment trusts continue to show more or less substantial declines in revenue, but the majority of those whose reports have appeared this week are able to maintain their dividends. The setback experienced by BRITISH MATCH CORPORATION is of a moderate order; total profits are £469,597 against £477,377. THE EVER READY COMPANY (OF GREAT BRITAIN), whose total profits have fallen from £579,022 to £506,892, report that while the volume of home sales rose by about 5 per cent., the reduction in net profits is due to price competition in the home market, lower overseas receipts, and a smaller revenue from certain subsidiaries. Excellent progress is shown by the GOOD-YEAR TYRE AND RUBBER COMPANY, whose net profits are £238,192 against £136,248, and whose tax-free dividend is raised from 15 per cent. to 22½ per cent. Plans for additional equipment and space indicate that still further progress is expected. Another company for whom 1938 has been a satisfactory year is PRESSED STEEL, whose net profits are £235,055 against £215,763.

MISCELLANEOUS

International Nickel Company of Canada, Ltd.—Interim statement for three months to March 31, 1939, shows net profit \$9,547,300, or 62c. per common share after allowing preferred dividend, against \$8,115,096, or 53c. per common share, for fourth quarter 1938, and \$10,113,765, or 66c. per common share, for first quarter 1938. Consolidated balance sheet, March 31, 1939, shows current assets \$81,762,548, including \$42,026,748 cash.

Callender's Cable and Construction Company.—Gross profits for 1938, £723,307, against £924,990. After general expenses of £168,298 (£178,113), repairs, etc., £40,992 (£55,828) and other expenses, net profit is £448,612 (£621,489). To depreciation, £60,000 (same); tax and N.D.C., £75,000 (£100,000); debenture interest, £13,500 (same); preference dividends, £56,000 (same). Ordinary dividend, 15 per cent., against 15 per cent., plus 5 per cent. bonus, absorbing £168,587 against £224,773. To reserve, £250,000 (nil). Carry forward, £390,548 (£565,023). Total assets, £5,261,926 (£5,500,358).

New British Fixed Trust.—The first accounts for 20 weeks ended May 5, 1939, and the distribution payable June 15, 1939, is 1½d. per sub-unit, tax free, or at the rate of £5 0s. 6d. gross per cent. per annum on initial price of 9s. 4½d. The progress report shows the composition of the fund, and dividends declared.

Timothy Whites and Taylors.—Trading profits for 1938, £347,701, including £15,000 from development account, against £459,841, including £30,000 from development, for 66 weeks including two Christmas seasons. To tax and N.D.C., £74,112. Debenture interest, £40,000 gross. Ordinary dividend 30 per cent., against 40 per cent. for previous period equal to 31½ per cent. per annum. Carry forward raised from £48,853 to £56,274. Properties have recently been valued at £2,199,209, an appreciation of £338,670 on balance sheet figure. Stocks £802,076 (£792,647). It is proposed to issue £500,000 5 per cent. debenture stock as early as possible.

Bent's Brewery, Ltd.—Shareholders have approved their company's offer to exchange 15 of its £1 ordinary shares for 50 £1 preference shares in Gartsides (Brookside) Brewery, Ltd., of Ashton-under-Lyne, and 23 ordinaries for 50 ordinary shares in Gartsides. Gartsides' shareholders also have option of 21s. 6d. in cash for the preference and 36s. 6d. in cash for the ordinary shares. Total payment in cash would involve £451,875.

Industry and Trade

Employment Again Higher.—The latest returns of employment and unemployment suggest that the deterioration in international relations since the middle of last March has not prevented a further increase in general business activity. The number of registered unemployed in Great Britain fell by 82,535 between March 13th and April 17th, while the estimated number of insured persons aged 16 to 64 in employment, exclusive of agriculture, rose by 99,000 during this period. As our seasonally adjusted indices of unemployment and employment show, the improvement last month was again more marked than usual at this time of the year. Indeed, the number of persons at work on April 17th was only 22,000 below the record of 11,707,000 reached in September, 1937. Moreover, the reduction in unemployment between March and

ment and wages due to the growth of Government expenditure, which has been accompanied by a slight decline in the cost of living, caused, in part, by the fall in world prices.

Recovery in Coal.—The position of the coal-mining industry has undergone a marked change since Easter and output is now again higher than a year ago. In the export districts, and also in some of the coalfields engaged predominantly in supplying the home market, demand has overtaken supply, and there is now a shortage of certain classes of coal for prompt delivery. The principal factors responsible for the improvement are (1) the increase in domestic demand, particularly in the iron and steel industry, under the pressure of re-armament and A.R.P. orders; (2) the replenishment of depleted stocks abroad; and (3) the limitations imposed on Germany's exports by the difficulties in the way of increasing production. The Central Council of Coal Owners has not yet decided on any additional allocations for the June quarter, but the principal coalfields are selling in excess of their quotas, and if current market conditions are maintained up to the end of the present month the applications for additional allocations are certain to be very considerable. For the March quarter the collieries were given inland and export supply quotas equal to 92½ per cent. of the actual supplies in the corresponding period in 1937, but the course of home demand has been more favourable than had been anticipated, and the supplementary allocations either voluntarily granted by the Central Council or conceded by arbitration exceeded 5½ million tons, of which 4½ million tons were in respect of inland supply and 750,000 tons for export. For the June quarter the original inland and export quotas corresponded to the actual disposals in the second quarter of 1938, when they totalled 37,834,455 tons and 10,733,860 tons respectively. The applications for supplementary quotas will be considered in the light of prevailing trade conditions, but it has been the policy of the Central Council to sanction quotas in excess of disposals. Thus, in 1937, which was a period of expanding trade, disposals to the domestic market fell short of the allocations by 3.2 per cent.; disposals in the export trade, in spite of an increase of 12½ per cent., fell short of allocations by 8.27 per cent. The margins between quotas and disposals were much wider last year. The margin between actual production and the potential producing capacity of the British coal-mining industry has been greatly modified by the abandonment of old mines and of many unremunerative sections of existing mines. It is estimated that in some of the coalfields the current rate of production is within 5 per cent. to 7 per cent. of capacity, and for this reason it is expected that the present spurt will be reflected more in rising prices than in any spectacular increase in production or exports.

Growing Demand for Steel.—In response to the growing demand for steel, production was speeded up further last month. While the total output of crude steel actually declined by 112,700 tons between March and April, the average daily rate of output rose by 1.7 per cent., from 43,366 tons to 44,091 tons. Moreover, as a result of the reduction in supplies of scrap, steel makers have been forced to use proportionately more pig iron; calculated on a daily basis, the output of pig iron rose by 4.2 per cent. between March and April, from 19,471 tons to 20,293 tons, while five additional blast-furnaces were put into operation during the past month. Meanwhile, there are no indications of a lull in the demand for steel. On the contrary, the latest reports from the principal centres

PRODUCTION OF PIG IRON AND CRUDE STEEL

	Pig Iron			Steel Ingots and Castings		
	1937	1938	1939	1937	1938	1939
January	650.7	761.1	500.5	998.9	1,081.4	811.7
February ...	603.7	693.3	516.0	995.9	1,057.6	971.1
March	680.3	714.6	603.6	1,109.5	1,115.8	1,170.9
April	680.7	661.0	608.9	1,080.4	938.6	1,058.2
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	...

of the industry suggest that demand may continue to expand. The revival in the commercial section of the ship-building industry, for example, has given a further stimulus to consumption.

Whale Oil Strategy.—One of the weakest points in Germany's armour is the deficiency of fats, which contributed materially to her defeat in 1918. Despite great efforts to eliminate this deficiency, the annual fat deficit for food alone is estimated by Professor Karl Brandt, now of the Food Research Institute, Stanford University, at some 400,000-450,000 tons. The soap industry adds a further deficit of nearly the same size. In seeking supplies from other countries, the Germans have been handicapped by the fact that their *Lebensraum*, however widely interpreted, cannot make good the deficit, which is bound to be a source of serious weakness in war. Storage on a large scale appears the only way out, and the advantages of whale oil for this purpose are great, as few other fats will keep in bulk for long periods. The Germans have, therefore, sought both to produce whale oil and to acquire supplies from others, and in certain years they have taken a large proportion of the available world exports of whale oil. During 1937-38 their own catch yielded 90,000 metric tons and they acquired a further 107,000 tons from Norway. In 1938-39, however, world production dropped, and there is reason to believe that German calculations were seriously upset, both by the lower yield of the German catch (84,000 tons) and still more by the unexpected action of British interests in buying up almost all the whale oil on the market. This action may be suspected of being not entirely unconnected with the Essential Commodities Reserves Act, under which the Government is known to have bought whale oil last year. The practice of Government bulk purchase, started by the totalitarians, seems to have reacted this time very much to the advantage of their opponents, and the choice before the German Government appears to be either to replace whale oil by other imports which cannot be got by barter, and which require precious foreign exchange, or to draw upon such reserves as are already stored with the object of eking out supplies in case of war. At a consumption of 20 kilograms per head, even a reserve of 100,000 tons would only feed five million people for a year, whereas the German deficiency is equivalent to the whole fat requirements of 20 million people a year.

U.S. Barter Proposals.—Negotiations between the British and United States Governments for the barter of American cotton and wheat for tin and rubber from the British Empire are now proceeding in London. On the American side, the problems are simplified by the fact that large stocks of cotton and wheat are already held by the American Government and could be shipped to this country at short notice. The British Government, however, possesses no stocks of tin and rubber, the supply of which is controlled by the international agreements. The Government cannot buy any large quantities in the open market, as this procedure would result in a major rise of prices and

would also seriously reduce stocks in this country, a most unwelcome development at this time of political tension. If the consent of the two international control authorities were obtained, the tonnage of tin and rubber involved could be accumulated by the absorption of surplus stocks at the mines and plantations or by a special quota, probably for Empire producers only. As the acquisition will not be a trade transaction in the strict sense of the word, the Government would certainly be justified in fixing certain maximum prices which are nearer to production costs than current market prices. Even so, the transaction could be of great value to the tin and rubber producers of the Empire, provided guarantees could be obtained that, when the barter agreement was concluded, the stocks would not be allowed to disturb the free market; a similar guarantee would no doubt be required from the British Government in regard to the wheat and cotton it would thus acquire.

Department Stores in 1938.—The main topics discussed in the annual report of the Retail Distributors' Association for 1938 are the decline in trade, the progress made towards the regulation of wages and working conditions and the need for preparations for an emergency. The downward trend in the total value of department store sales, which began in the autumn of 1937, continued during the past year; by the end of 1938 sales had fallen back to the level prevailing in the spring of 1936, though the decline from the peak of 1937 was less than 5 per cent. There have been marked geographical variations. In Central and West End London, for example, sales showed a sharp decline; in provincial England and Wales, on the other hand, turnover showed little change, while in Scotland it actually continued to expand. An index measuring changes in the volume of total department store sales, calculated by adjusting the value of sales by means of a price index which will be published later this year, shows that the volume of turnover began to decline towards the end of 1936, i.e. almost a year before the value of sales took a downward turn. Moreover, like the value of turnover, its volume declined throughout 1938. In February, 1938, the conference of employers' organisations and trade unions in retail distribution submitted to the Minister of Labour a unanimous report recommending the establishment of statutory machinery for the regulation of minimum wages, hours and working conditions. As certain features of the scheme were criticised by the Ministry of Labour, an amended plan was submitted in February this year, and the report strongly recommends its adoption by the Government without further delay. So far as preparations for an emergency are concerned, the Council of Management of the Association appointed a special War Problems Committee at the beginning of this year to consider the steps necessary for preventing a serious interruption in the services of the department stores.

Government Cotton Contracts.—The methods adopted by the Government in placing contracts for the National Services have recently come in for a good deal of criticism in Manchester. The Government has now invited Sir Frederick Marquis, chairman of Lewis's, Ltd., to act as honorary adviser to the War Office on the production of clothing and textile stores generally. Sir Frederick is about to open an office in Manchester which

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				
1938	'000	1935 = 100	'000	%	'000	1935 = 100
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	12.7	11,452	110
1939						
Jan. 16	2,039	93.0	1,594	14.0	11,284	110
Feb. 13	1,897	87.9	1,538	13.1	11,419	111
Mar. 13	1,727	84.6	1,429	12.0	11,586	111½
April 17	1,644	81.5	1,343	...	11,685	112½

April has been fairly widespread and was by no means confined to the industries on which defence expenditure is chiefly concentrated. For example, there has been quite a marked improvement in some of the consumption goods industries, and the volume of retail trade in recent months has been higher than a year ago. Some of the export trades have also experienced an improvement, reflected in the rise of 3 per cent. in the volume of domestic exports between the first quarters of 1938 and 1939. In a large measure, however, the revival of the consumption goods trades is a direct consequence of the increase in employ-

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will act as a clearing house for the Government and the cotton manufacturers. He will have the assistance of a panel of six industrial advisors. There have been complaints of Government contracts being secured by agents, and it is being urged that all orders should be given direct to manufacturers. A substantial part of the weaving machinery in Lancashire is now engaged in producing khaki drills, ground sheets, tent cloths and other military supplies, but some manufacturers appear to be handicapped by the shortage of competent operatives.

* * *

Activity in the Shoe Trade.—During the last few weeks there has been a steady increase in activity in the boot and shoe trade. After a period of stagnation in the autumn, the flow of commercial orders was resumed in the early spring; the percentage of insured workers unemployed in the boot and shoe trade declined from 10.9 in December to 8.5 in March, when it was considerably less than in March, 1938. There was a small increase in the numbers unemployed in April, due probably to extensions of the Easter holidays. The increase in orders has naturally been welcomed by shoe manufacturers, but since the bulk of the trade has been concentrated on the cheaper footwear, where the retail price limit is rigid, and leather prices have been very firm, the profit margin has been small. Government orders for army boots have kept some sections of the trade busy, and the prospect of conscription has led to a considerable speculation in the heavy types of shoe leather which are necessary for work on army contracts. The operations of the Sole Leather Tanners' Association (whose formation

PELT PRICE INDICES
(Monthly Average of 1923 = 100)

	Pelt from			
	English Hides	Wet-salted Hides	Dry-salted Hides	Combined Index
1937 Average	92	111	94	99
1938 Average	63	76	67	79
1939, January	66	75	64	68
February	65	76	64	68
March	65	78	65	69
April	67	75	64	69

was recorded on page 503 of *The Economist* of December 3, 1938) have reduced the stocks of leather which overhung the market during the early part of 1938, and consequently supplies of heavy weight bends are at present scarce and prices have risen sharply. The latest indices of pelt prices compiled by the United Tanners' Federation refer to the end of April; they show a rise in the prices of pelt from English hides which has offset in the combined index the effects of lower prices of pelts from other hides.

* * *

Problem of Sugar Supplies.—During the past few days the Executive Committee of the International Sugar Council has been considering the problem of releasing additional supplies of sugar. It will be remembered that in July last the Council estimated the requirements of the

free market at 3,170,000 metric tons, and the export quotas then in force, when reduced by 5 per cent., provided a total of 3,498,000 tons. In order to balance the estimated supply and demand, various countries made voluntary surrenders of their export quotas amounting to 228,375 tons. The very poor yield of the European beet and the Indian cane crop, the failure of some countries to export all their quotas and the accumulation of large emergency stocks by Governments have combined to cause a shortage of supplies in the current season which is estimated at about 225,000 tons. As a result, raw sugar prices have risen from 6s. 4d. per cwt. at the end of December to 8s. 4½d. this week, and this rise, coupled with the higher duties, has now been reflected in higher retail prices. The British Government is believed to be urging the Sugar Council to provide additional supplies immediately. But only one producing country, Cuba, has a substantial surplus of sugar at the present moment, and the allocation of an extra quota of about 225,000 tons to one country is likely to cause difficulties among the members of the International Sugar Agreement. But immediate action is necessary, and as supplies of sugar are available the British consumer should not be penalised by unnecessarily high prices for an essential foodstuff.

* * *

The Indian Tariff Board on Sugar.—The Indian Government has at last made public the reports of the Tariff Board, dated December, 1937, on the future of the protection accorded to the sugar, paper and magnesium chloride industries. The Board, after noting the rapid development of the Indian sugar industry, pointed out that the situation on the sugar market had been completely transformed in the past few years, firstly by the International Sugar Agreement, which limited world exports, and, secondly, by the appearance of over-production in India. The Board stated that the progress made in manufacture since 1930-31 has been satisfactory, but total production costs still average more than Rs. 6 per maund of sugar produced, while Java sugar could be landed at Indian ports at a price of about Rs. 2.7 per maund. Taking into account the generally inferior quality of the Indian sugar, the Board consequently recommended that the existing duties of Rs. 7.4 per cwt., plus the excise duty of Rs. 2 per cwt., should be continued. The Government have, however, reduced, for a period of two years from April 1st last, the import duty by 8 annas per cwt., on the ground that the high prices for sugar now ruling on world markets makes a continuation of the previous rate unnecessary. The Government also proposes that another inquiry on the industry's prospects should be made before the expiry of the two-year period.

* * *

—And on Paper.—The Tariff Board also recommended a reduction in import duties on imported wood pulp and on those types of printing and writing paper which were given protection in 1931-32; and that the lower rate of duties should be stabilised for seven years. The Board noted that the Indian output of paper increased from 40,558 tons in 1931-32 to 48,531 tons in 1936-37, but this growth has barely kept pace with the increase in consumption, which is still more than double the home output. The technical progress of the industry has been rapid, and increasing use has been made of indigenous pulp, which supplied in 1936-37 three-quarters of the pulp used. The Government considered that the industry was sufficiently well established to withstand greater competition, and has fixed from April 1st the import duties on the protected classes of paper at 9 pices per lb., a reduction of 2 pices per lb. on the Tariff Board's proposed rates; the duty on imported pulp has been reduced from Rs. 45 per ton to Rs. 35 per ton or 25 per cent. *ad valorem*, whichever is the higher. These lower duties are to remain for three years only, in the place of the seven years recommended by the Board.

INDUSTRIAL REPORTS

THE latest reports from industrial centres point to further expansion in the activity of many industries. There has been a remarkable change on the coal markets, especially in South Wales. Only a few weeks ago the problem was to find outlets for production; now some districts are finding it difficult to meet current demand in full. The demand for steel also remains heavy. As our Cardiff correspondent points out in his report, the tinplate industry is handicapped by the scarcity of steel bars. The volume of new business in cotton textiles has not been heavy, but output appears to be well maintained. In the wool textile trade the cross-bred section, engaged on heavy khaki orders, is very busy, but civil demand for men's and women's fabrics is also expected to improve with the increase in employment and purchasing power.

Coal

Sheffield.—The market is strong, with a marked demand for industrial fuels. Works and public utility undertakings are acquiring considerable emergency stocks. Some collieries are almost fully sold in graded steams. Household coal moves more freely than is customary at this time of year. Merchants have received notifications from some collieries of reduction of 1s. 8d. per ton in the pithead price of most grades of household coal. Blast-furnace coke is in steady demand. Federated coke-makers' prices for patent-oven and graded coke for works and central heating are unchanged, but lower prices are mentioned for non-federated coke.

The improvement in the export market is maintained, with a fair volume of forward business. All grades of steams are in request, and cobbles and washed trebles are not easily obtainable in full quantities. The general level of prices is unchanged.

*

Newcastle-on-Tyne.—The North-East coal market, home and export alike, continues very firm and collieries are quite unable to meet the increasing demand for prompt large steams and industrial coal. It is evident that despite seasonal influences collieries will be fully occupied over the summer months. Prices are now tending to rise: Northumberland large coal of the better qualities has been advanced from 18s. 6d. to 19s. per ton, whilst Durham coking and bunker fuel commands a price of 19s. 6d. Patent oven coke is a firm market; export demand is particularly good.

*

Glasgow.—The Scottish trade remains active. Precautionary buying is still a feature of the shipping trade, and it is reported that buying orders have come from shippers who have been unable to cover themselves in England and Wales. The majority of the shipping collieries are now fully booked up for the remainder of this month and well into June. The home market also remains busy. The week's shipments were 253,000 tons, and the total for the year to date is now 3,714,000 tons, against 3,437,000 tons

last year at this date. No important change has occurred in prices, but the trend remains firm.

*

Cardiff.—Owing to a less favourable tonnage position shipments in the foreign and coastwise trades at the South Wales ports dropped from 453,500 tons to 399,300 tons last week, but they were still nearly 70,000 tons greater than in the corresponding period last year. The position on the Cardiff market is unchanged. Inquiries are active, particularly for steam coals, and collieries are not only fully employed, but heavily stemmed for the whole of the present month. The pressure of work in the iron and steel industry has strengthened the position of all classes of industrial coals, and the improved foreign demand for patent fuel is maintained. Prices are very firm at a slightly higher level than in April. Current foreign inquiries include 100,000 tons of coke for Yugoslavia, 15,000 tons of duff for Germany, increased supplies of small steams for French patent fuel manufacturers, and prompt steam coal cargoes for the United States.

Iron and Steel

Sheffield.—A high level of business is maintained on the iron and steel market, consumers showing greater readiness to place forward business. Stocks at works are declining despite heavier delivery specifications, and considerable eagerness is being displayed to replenish supplies. Business in foundry pig iron is good, and forge inquiries are much more numerous, while for basic iron there is an insistent demand. Both East and West Coast hematite is being well taken up, good contracts being placed. Although the position with regard to finished iron is by no means satisfactory, there is a rather better flow of orders to the bar mills, particularly for common and marked bars.

There is heavy pressure of business in basic steel billets, and some delay in delivery is reported. Wire rods, strip and bright drawn steel are in very active request, and structural steel requirements are now heavier than for some months past.

The market for iron and steel scrap is becoming more difficult, owing to the scarcity of supplies, particularly of basic steel and heavy foundry cast iron. Merchants are unable to accept all the business offering in these materials. Foundry cast iron fetches about 80s. per ton, and steelworks heavy cast iron about 62s. 6d. Heavy basic steel is quoted up to 59s. per ton.

*

Middlesbrough.—The fact that works are so busily engaged on Government orders has caused commercial users to realise that delay might be experienced in fulfilling their contracts and has therefore brought more buyers into the market.

Although the production of steel is being increased, quantities of semi-finished steel continue to arrive from the Continent, and it is understood that

supplies may be arriving in the Tees shortly from Australia.

There is still a very limited movement in the Cleveland foundry iron trade, although the shortage of iron scrap has brought more foundry owners into the market for pig iron supplies. The East Coast hematite position is improving slowly; current demand exceeds output. Heavy steel scrap remains very scarce and difficulty is experienced in getting sufficient supplies. Imports of foreign ore under existing contracts are maintained at about last month's levels. Blast-furnace coke is plentiful, although local consumption is increasing.

*

Glasgow.—Scottish steel works are taxed to the utmost to meet the many demands made upon them. Shipbuilders are now calling for fairly heavy tonnages weekly and, as work progresses on the large number of vessels now on the books of Clyde and other shipbuilders, pressure for this class of material will become greater. Users of semis are also making heavy demands. Re-rollers are all busy and obtaining maximum outputs from their plants, but are finding themselves handicapped to some extent by the difficulties of obtaining supplies sufficient to enable them to have reasonable stocks of material available. In almost every instance raw materials are being processed almost as soon as received at the works.

*

Cardiff.—The scarcity of steel bars is preventing the tinplate works from utilising fully the increased output quota under the pooling scheme, but the market is very firm and the unexecuted orders on makers' books now exceed five million boxes, representing nearly one-third of the current annual output capacity of the industry. Government orders are heavy but there is also an improved export demand, and for the unregulated market quotations are from 1s. to 1s. 6d. per box above the Cartel price. All the heavy branches of the iron and steel trade remain exceptionally active, but furnaces continue to be handicapped by the scarcity of scrap. A preliminary announcement concerning prices for the second half of the year is anticipated at an early date.

*

News from Abroad.—The steel demand on international markets for commercial and defence work has remained brisk. Although the political tension has relaxed, quite a number of consumers are anxious to build up stocks so as to be covered in case of emergency. Thus, Sweden has placed steel orders for air-raid shelters and is interested in much larger tonnages than for some time. The British demand for Continental semi-products and finished steel has further increased, and a supplementary quota of nearly 100,000 tons Cartel steel has been allocated, in addition to the regular supply under the agreement with the Cartel. South America, particularly Brazil and Argentina, has remained a keen buyer, all the more as Polish competition has diminished in these markets.

The Cartel has recently taken steps efficiently to counter American compe-

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tion in several markets, as the recent negotiations with the American group have not resulted in a complete elimination of price cutting. The Comptoirs have now decided to abolish the price regulations for the markets of Japan, China and Manchukuo and to lower the prices for these markets by 5s. to 20s. (gold) per ton. It is noteworthy that this reduction goes substantially farther than the unofficial rebates hitherto granted in these markets. Although in other markets outside competition is less disturbing, similar measures to curb competition might be introduced elsewhere, if they are successful in the Far East. It remains to be seen what will be the reaction to these measures of those Cartel members who are opposed to price reductions and who are even contemplating increases in some uncontested markets.

Textiles

Cotton (Manchester).—Prices have tended to advance, partly owing to the rise in raw cotton and partly because of the increase in the production costs of spinners and manufacturers. Numerous buyers, however, have not had sufficient confidence to place orders freely. There is still much uncertainty about the Washington Government's ability to carry through the export subsidy.

It has been a disappointing week for spinners and sales have been comparatively small. Most of the demand has been for coarse American counts and medium Egyptian numbers. Some spinners have complained of poor delivery instructions.

There has been more activity in piece goods, but orders have been given out very unevenly. Further contracts have been placed by the Government in heavy materials, and most makers are now busy, production being fully sold up to the end of September. Healthy buying has continued to take place for India. Numerous orders have been secured for South America, certain Continental markets and the Dominions. Fair purchases have been made for the home trade. The number of unemployed in the cotton trade on April 17th was 70,097, 3,272 fewer than a month ago and 37,800 fewer than a year ago.

★

Wool (Bradford).—The outstanding feature of the third series of London wool sales was the call for medium crossbreds, especially slipes for khaki. Wools, especially of 46-48's quality, have been in exceptional demand and realised from 10 to 15 per cent. more than at the close of the March series. While other wools did not register a similar advance, all qualities sold very freely, and the carry-over was exceptionally small.

The marked improvement in employment throughout the country is paving the way for a much better civilian demand for men's and women's fabrics than was expected six to eight weeks ago, and this is causing a larger quantity of machinery to be employed in both the woollen and the worsted sections. The most disappointing feature is the relatively low prices of merino wool and its products, for these are still selling at prices considerably below current production costs.

THE COMMODITY MARKETS

ALTHOUGH the upward movement in the prices of primary products did not go much further in the past week, numerous commodities were dearer on Wednesday than a week ago. The four principal non-ferrous metals, for example, were all marked up a little in price on a slight improvement in demand. The market in rubber also showed a firmer tendency and interest on the market is now centred on the meeting of the International Rubber Regulation Committee on May 16th, when the quota for the third quarter of this year is expected to be announced. Raw cotton prices have been irregular, but the tendency was upwards. Wheat has remained firm, but raw sugar prices have not risen further; the raw sugar position is discussed on page 390.

In the United States prices continued to advance. Moody's index of the prices of sensitive commodities (December 31st = 100) rose from 141.7 to 143.8 during the week ended last Wednesday.

Metals

Copper.—The market was comparatively quiet throughout the week and prices closed 7s. 6d. up at £42 1s. 3d. per ton. In the United States some of the leading producers reduced their price from 10.25 cents to 10 cents per lb. in order to stimulate demand further. Sales in America have been better of late and the new adjustment in the price should keep interest awake.

★

Tin.—Tin prices moved within very narrow limits this week and the standard cash quotation closed only 5s. higher at £225 10s. per ton. Buying by United States consumers has subsided and consequently the daily turnovers of the L.M.E. fell to low levels. The scarcity of spot supplies, however, continues to maintain the price level. A certain amount of interest is shown in the Anglo-American barter discussions, which are discussed on page 389.

★

Lead and Spelter.—Prices of both lead and spelter gained 5s. this week, lead closing at £14 12s. 6d. and spelter at £13 15s. per ton. There is a certain amount of demand for spelter for A.R.P. purposes and also the building trade shows greater interest in the two metals. On the whole, however, the state of the markets is not encouraging, as production still appears to be on the high side. In the United States stocks of spelter rose in April by 2,395 short tons to 130,380 short tons, due to the decline of nearly 5,000 short tons in deliveries.

Grains

WHEAT prices rose further in the early part of the week but with a slackening demand a reaction took place, which still left prices higher than a week ago. The May estimate of the United States Department of Agriculture places the coming winter wheat crop at 46,173,000 acres and 543.9 million bushels, a decline of 10 million acres and 142 million bushels compared with last year. Sales of Australian wheat and flour continued to be made to the Far East, and a considerable quantity of wheat has also been shipped to Spain from the Argentine. Plate maize is now being

shipped in large quantities, and in the absence of competition from America and the Danube region, prices have been well maintained, although a decline was noticeable in the middle of the week.

Other Foods

Provisions.—Colonial butters were reduced in price during the week, while Danish was unchanged. The trade in fresh-killed meat remains slow, except for calves, which sell readily together with chilled imported meat.

★

Colonial Produce.—Wholesale prices of refined sugar, after the previous sharp rise, have not altered in the past week. The futures market for raw sugar has remained steady for near positions, but there was a fall in the quotations for December delivery from 6s. 7½d. to 6s. 3d. per cwt.

★

Fruit and Vegetables.—The warmer weather has stimulated the demand for salad vegetables and for certain types of fruit. English and French forced strawberries are now arriving at Covent Garden in small quantities. Trade in oranges remains slack, pending the arrival next week of the new South African crop.

Miscellaneous Commodities

Oils and Oilseeds.—A much improved tone has appeared in the markets for both seeds and oils, as buyers have come forward for considerable amounts. A good business has been done in linseed from Calcutta and Bombay at rising prices. Plate linseed has sold freely to the Continent, and Egyptian cotton seed is noticeably dearer, due in part to the rise in freights. Practically all classes of vegetable oils are dearer in sympathy with seed prices.

★

Rubber.—The market remains lifeless, although the tone is steady; only minor fluctuations have taken place in prices and standard sheet on the spot closed on Wednesday ½d. higher at 8d. per lb. The Regulation Committee is meeting next Tuesday.

★

Furs.—The London general spring fur sales have now come to an end. The position in the closing week was more or less unchanged compared with the preceding week. The following table gives the prices (in shillings and pence per skin) of leading furs at the Hudson's Bay Company's recent sales:—

	Spring Sale, 1938	Winter Sale, 1939	Spring Sale, 1939
Beaver—Mackenzie Rv.	81	0 122	0 118
Ex. ex large	82	0 126	0 4
Ermine, York Fort, ex	4	0 4	0 4
Ex. large	4 11	0 4	0 4
Fisher—York Fort, 1 1 2	100	0 130	0 240
Dark	180	0 170	0
Fox Bastard—York Fort, 1 1 2	49	0 39	0
1 1 2 Dark	51	0 89	0
Fox Blue—Arctic Dark	165	0 157	0 110
Fox Cross—York Fort	230	0 77	0 75
Medium 1	155	0 132	0 107
Fox Red—York Fort	55	0 64	0
Medium 1	62	0 72	0
Lynx—York Fort, ex	195	0 235	0 244
Large	200	0 120	0 120
Marten—Mackenzie Rv.	94	0 126	0 124
1 Pale		0 127	0
Mink—York Fort, ex	55	0 45	0 56
Large 1 + 2 Dark			0 104
Musquash—Black, U.S.A.	5 7½	7 6	0 114
Otter—1 + 2, ex Dark	136	0 116	0 114
Shunk—York Fort 1	6	0 6	0 27
Wolf—York Fort, ex	41	0 29	0 44
Large 1	56	0	0
Pernian Lambi—S.W. Afr. H.B.C. Grade A	...	51	0 47

COMPANY MEETINGS

MARKS AND SPENCER, LIMITED

MR SIMON MARKS REVIEWS THE PROGRESS OF THE BUSINESS

IMPROVED VALUES IN MERCHANDISE

94 PER CENT OF MANUFACTURED GOODS BRITISH MADE

CO-OPERATION WITH SUPPLIERS

CAREERS OPEN TO EMPLOYEES

The thirteenth annual general meeting of Marks and Spencer, Limited, was held, on May 9th last, at Winchester House, Old Broad Street, London, E.C., Mr Simon Marks (chairman and managing director) presiding.

The Chairman, in the course of his speech, said:—
The net profit for the past year amounted to £1,782,000, an increase over last year of £179,500.

ALLOCATION OF PROFITS

After deducting income tax, National Defence Contribution and dividends already paid there is left an available balance of £1,099,800, which the directors recommend should be appropriated as follows:—

	£
Transfer to staff benevolent and pensions fund ...	25,000
Debenture redemption fund ...	12,500
Properties contingency reserve ...	93,000
General reserve account ...	342,200
Payment of a final dividend on the ordinary and "A" ordinary shares at the rate of 27½ per cent., thus making 42½ per cent. for the year ended March 31, 1939 ...	528,600
By carrying forward to next year's accounts ...	98,500

ISSUE ON BONUS TERMS

The directors further recommend that £192,200 from the general reserve account be capitalised, and that a distribution by way of bonus be made to the holders of the existing ordinary and "A" ordinary shares of the company in the proportion of one "A" ordinary share for every ten ordinary and/or "A" ordinary shares held.

RESERVES

The general reserve will stand at £2,150,000, the whole of which is invested in the business.

The freehold properties depreciation reserve has increased to £313,000, and the appropriation of £93,000 will bring the properties contingency reserve up to £300,000. Freehold, leasehold and leased properties now stand at £8,849,000, a net increase of £854,500.

Furniture, fixtures and equipment, after depreciation, stand at the sum of £824,500, being an increase of £95,100.

Cash with the bankers and in hand stands at £935,000.

A REVIEW OF PROGRESS

There has been a progressive increase in profit each year. In 1927 it was £88,000, and this year £1,782,000.

In that period many things have changed—character and size of premises, the range and quality of the merchandise, and what is of the greatest importance, a personnel trained to deal with the manifold problems raised by the development of the business as a whole. We have acquired a goodwill amongst the buying public, based upon satisfaction in their dealings with us over a long period.

It has been our purpose to supply our public with the best values in material, design and finish. A real transformation in values has taken place due to our collaboration with many of the foremost manufacturers and producers of the country, with whom we are happy to say we maintain the most cordial relationship. Over 94 per cent. of the manufactured goods we sold last year were British made. We have put at the disposal of the producer a real contact with the consumer who purchases his goods, and, we have

given the consumer the advantage of the economies in production which spring from large-scale demand.

Our business is one which is mainly concerned with supplying the necessities of life to a vast consuming public, in wearing apparel, footwear of every description, and foodstuffs. To-day we are amongst the largest distributors of food in the country.

DEVELOPMENT

Our principal development in recent years has taken the form of increasing the size of existing units rather than of increasing their number. Your board is satisfied that this new class of store holds out corresponding possibilities for developing the scope and the activity of our business.

The increase of counter space is nearly 10 per cent. over the previous year. We now have a selling counter space measuring nearly 44 miles. During the year we opened ten new stores, including three removals, and have extended 23 existing stores. One unit has been closed. The total number of stores in operation is now 234.

The coming year's development at present deals with four new stores, two being replacements, and 20 extensions.

FINANCE

We have made arrangements to borrow up to an amount of £2,000,000. We have so far taken up an advance of £500,000, at a rate of interest of 4 per cent. The board may utilise a favourable moment to make an issue of share capital to replace the loan, but at present have no such intention. We are, however, taking up in the near future a further sum of £500,000 on the existing terms.

NATIONAL SERVICE

To date about 4,600 of our staff, that is to say some 25 per cent., have been trained in first aid or anti-gas, as wardens, fire fighters, or decontaminators. Each of our stores has been organised to meet an emergency in so far as medical supplies, fire-fighting and rescue equipment are concerned.

I think it is proper at this meeting to express appreciation of the public spirit which has induced so many of our employees to take up this most important work.

An expenditure of £20,000 has already been incurred in carrying out our present measures. Further obligations will devolve upon the company, which will necessitate the expenditure of considerable sums in the coming year.

In regard to recruitment for the Territorial Army, we have for some time past given every facility to those of our employees who have volunteered for service. We allow them the necessary time off for training and to attend camp with full pay, in addition to their normal holidays with full pay.

WELFARE AND STAFF

I have in previous years given some account of the welfare work carried out by your company for the benefit of its staff, which now numbers 18,500. All these activities have been maintained and extended. We attach the greatest importance to the general well-being of our staff. There has been a progressive improvement both in working conditions and wages, and working hours have been reduced to an average of 44 per week. Welfare work will cost the company £122,000 this year, as against £108,000 last year.

An organisation like ours gives opportunities for advancement to employees with the right capacity, not only to the male members

of our staff, but also to the women. In practice the vast majority of vacancies in the higher ranks are filled from people in the lower ranks. There is a real career open to those who possess initiative and ability.

The group life assurance and pensions fund provides for our senior employees a pension on retirement and protection for their families in the event of death or disablement.

I am glad to report that the staff benevolent fund is now carrying out some of the beneficent purposes which it was designed to meet. Voluntary pensions have been arranged for a number of our older and sick employees who have deserved well of the company by years of loyal and devoted labour.

I take this opportunity, on behalf of the board, of thanking each and every member of our staff for the devotion and loyalty which they have shown to the company.

Mr Marks then moved the adoption of the report and accounts.

MR I. M. SIEFF'S REMARKS

Mr Israel M. Sieff, B.Com., vice-chairman, in seconding the resolution, said:—

The results of the last year's trading are ample evidence of the

success of our development policy, and the benefits which have come from the close co-operation between the manufacturer and ourselves.

I want to take this opportunity of adding my expressions of appreciation to our suppliers for their readiness to work along those lines of mutual understanding. Without their active interest in our policy and methods it would be difficult to obtain the values which are essential to maintain the goodwill of our public.

I would like to join the chairman in his observations on the devotion of all ranks of our staff to the interests of the company, during a rather difficult year of international tension. We can congratulate ourselves on possessing a band of loyal workers, who look to our business for their future and their career, and who therefore are most anxious to forward the progress of the company.

The resolution for the adoption of the report and accounts was carried unanimously.

Resolutions were also passed re-electing the auditors and the director who retired by rotation, also approving the proposed capitalisation of reserves and the bonus issue.

It was announced that dividend warrants and allotment letters in respect of bonus shares will be posted on June 2nd to shareholders whose names were on the register of members on May 1, 1939.

happy event of war, make good to those employees, who might be called upon to serve with H.M. Forces, the difference between their salary or wages and the pay and other benefits derived by them while serving.

NEW MILL AT NEWCASTLE

During the year the new mill at Newcastle had been completed, and it was now in full production. In London an extension of 16,000 tons to the silos had just been completed, bringing the storage capacity at that mill up to 38,000 tons. Extensions and improvements were also being effected at the company's other mills, in accordance with the directors' policy to keep all mills and factories up to date in every respect.

In contrast to the previous year, the trend in the wheat market had, during the year under review, been in one direction, namely downwards. The explanation was that supplies had been in excess of demand, and it was noteworthy that the tension in international politics had had little effect on prices. On the other hand, the supply and demand position in the maize market had been far more evenly balanced.

Increased deliveries in the company's animal and poultry foods continued to provide ample proof of their popularity. Their cereal basis, including freshly home-milled wheat feed, provided an ever-increasing appeal to the enlightened feeder of to-day. Deliveries of all proprietary products had expanded during the year.

FOOD DEFENCE PLANS

Sir Norman Vernon, as a representative of the millers, had been intimately concerned from the start with the Food Defence Plans of the Government. The company had also been prominent in assisting the Government in the purchase of the reserve supply of wheat and in arranging to store it, and in spite of the wholly unwarranted statements which had been made, it was true to say that neither the company, nor the other millers concerned, had received any remuneration for their services. The company was happy to have been able to do their share in that work of national importance.

The Millers' Mutual Association, founded in 1929, which was designed originally to continue for a period of ten years, was, by the unanimous wish of the members of the Association, to continue until 1949. The provisions of the Wheat Amendment Bill, now before Parliament, had, after considerable negotiation in which the company's representatives had played a leading part, been agreed by the millers and the Government. During the year the wheat quota had been raised to the high level of 6s. 6d. per sack. That was due to the reduction in wheat prices, which involved the Wheat Fund in being called upon to make good a larger deficiency than ever before.

In October last, Mr Edgar Baker, the deputy chairman, who had been a director of the company for 35 years, retired under the age-limit rule, and his place as deputy chairman had been taken by Sir Norman Vernon. As a result of the acquisition of the ordinary share capital of Hosegood Industries, Limited, Mr. Laurence Hosegood had been appointed a member of the board.

The report and accounts were adopted.

SPILLERS, LIMITED

SIR MALCOLM ROBERTSON'S SPEECH

The Right Honourable Sir Malcolm A. Robertson, chairman of Spillers, Limited, presided at the annual general meeting of the company, on the 6th instant, at Cardiff.

Dealing with the accounts, he said that the increase in the issued share capital of the company had been occasioned by two factors, viz., the acquisition of the ordinary share capital of Hosegood Industries, Limited, and the issue of further co-partnership shares to the staff, in respect of the bonus for the previous year. On the assets side of the balance sheet there was a reduction in the cash balances, as compared with the previous year. He had explained in the previous year that that figure had been increased as a result of the decision to realise a portion of the company's gilt-edged securities, in view of the uncertainty of the political outlook, but that re-investment had commenced as conditions seemed then to have improved. Such improvement received a severe setback at the time of the crisis in September last, and the market had been subject to the effect of the recurring political crises since that time. Accordingly, the depreciation on the investments at January 31st was a little greater than that at the corresponding date of the previous year, and a further fall in prices had since taken place. That depreciation was, however, covered several times over by the investment reserve.

INVESTMENT POSITION

The substantial alteration in the amount invested in subsidiary companies was accounted for principally by the sale of the company's interest in the British Oak Insurance Company, Limited, and the purchase, already referred to, of the ordinary share capital of Hosegood Industries, Limited. The company's holding in the British Oak Company was disposed of on terms considered satisfactory by the board, and that company was now owned by the Union Insurance Society of Canton, Limited. The acquisition of the controlling interest in Hosegood Industries, Limited, had materially strengthened the company's position in the West of England and South Wales.

The trading profit for the year reflected an increase of some £64,000, as compared with the previous year, but the company had been called upon to bear for the first time the full effect of the National Defence Contribution, and the increase in the provision for taxation resulted in the net balance of £422,000, being only £11,000 higher than the previous year.

In addition to the heavy burden of taxation which the company, in common with other industrial enterprises was called upon to shoulder as the price of national security, it had now become necessary to spend considerable sums on Air Raid Precautions; and it had also been necessary to take such steps as would enable the company's business—an essential industry—to be conducted in the event of national emergency with as little dislocation as possible. At the same time the company had done everything possible to encourage and assist its employees to join the Territorial Army, or other organisations connected with National Service, and the board had announced that so far as lay in their power, they would, in the un-

MORRIS MOTORS LIMITED

Gross Profit £1,751,181

THE Thirteenth Annual General Meeting of Morris Motors Limited was held at Cowley, Oxford, at 10 a.m. on Monday, the 8th instant. Viscount Nuffield, the Chairman of the Company, presided.

The Secretary read the notice convening the Meeting and the Auditors' Report to the Members.

The Chairman said:—

The Report and Accounts for the year ended 31st December, 1938, have been in your hands for some days, and may I therefore presume that it is your desire that they be taken as read?

There is no change in the manner in which the figures in the Accounts have been set out. It enables them to be most readily understood and, therefore, as in previous years, I do not propose to comment upon them in any great detail.

TRADING PROFITS

The results of the year's trading are clearly shown, and in the opinion of your Directors are eminently satisfactory, bearing in mind the difficult conditions encountered during the year. These difficulties are so generally understood and appreciated that I think it unnecessary for me to enlarge upon them, but I would make a brief reference to a hindrance of a special and non-recurring nature.

During the year, two entirely new models were introduced into the programme of Morris Motors Limited, an 8 h.p. and a 10 h.p. In the earlier weeks of the production of these new cars, output was restricted by our failing to receive supplies of essential materials in the quantities anticipated. These shortages caused delays which are wholly reflected in the Accounts now under review, and the volume in which these two models have sold during the first three months of this year has created a new record for each class.

The net profit on Trading and Interest received for the year ended 31st December, 1938, totalled £1,357,220, after making full provision for depreciation and obsolescence of Assets, and all contingencies. In accordance with the Company's usual practice, investments in Government Securities and Corporation Stocks have been valued at the market prices ruling at 31st December, 1938. This has resulted in a depreciation of £75,218, which has been provided for out of Reserves for Contingencies. These Reserves, including those of the Subsidiary Companies, now stand at £395,950, a figure which the Directors are satisfied is sufficient to cover all contingencies.

I would also like to draw the attention of the Stockholders to the Consolidated Statement of Assets and Liabilities, from which it will be seen that the Reserves of the Group and the undistributed profits of Morris Motors Limited amount in all to £5,418,419, which, in the opinion of the Directors, is ample evidence that the strength of the Morris Group has been satisfactorily maintained.

CURRENT ASSETS

Last year I was able to draw attention to the excellence of the liquid position. It will be seen from the Assets side of the Consolidated Statement of Assets and Liabilities that the value of the liquid Assets has been more than maintained, being represented by the Market Values at 31st December, 1938, of investments in British Government and British Dominion Stocks and English Corporation Stocks, together with advances secured by First Mortgages on London Freehold and long Leasehold properties, the Company's holding in 44 per cent. Debentures in Pressed Steel Co., Ltd., and Cash; together totalling—£5,338,992.

I will next recount the Directors' proposals for the distribution of profits. It will be seen from page 10 of the Report and Accounts that the balance of profit available after adding the amount brought forward from last year, and after deducting Income Tax, National Defence Contribution and dividend on Preference Stock, amounts to £1,016,964.

To this sum of £1,016,964, the Directors recommend that there should be added £100,000 to be transferred from the Dividend Equalisation Reserve Account, making a total available for distribution of £1,116,964; out of which the Directors propose to pay a dividend of 45 per cent. on the Ordinary Stock, less tax at 5s. 6d. in the £, absorbing £864,562, and to carry forward to the next year the sum of £252,402.

I think you will agree that the Board were wise in their decision last year to create a Dividend Equalisation Account, as it has enabled them to maintain a 45 per cent. dividend declaration on the Ordinary Stock of the Company, in spite of the inevitable fall in profits due to difficult trading conditions.

SALES

You will recall that last year I made specific reference to the burdens which had been created by all-round increases in prices of materials and labour awards, and to the decision not to pass the whole of the burden on to the buying public, but rather, on the other hand, to improve our products by incorporating the Overhead Valve Engine and other attractive features.

Although our profit margin has been affected by this policy, I am glad to say that its adoption has fully justified our expectation that a

considerably increased demand for the Company's products would be stimulated thereby. The delivery figures for the first three months of the present financial year created a new record in the history of the Company, and I am hopeful, providing the international tension eases, that the Company will enjoy a greatly improved year in 1939.

Once again it gives me great pleasure to take this opportunity of extending our thanks and gratitude to a distributor and dealer organisation which has contributed very substantially to a satisfactory year's trading.

OVERSEAS TRADE

Despite the fact that the latter part of 1938 was an extremely trying period for any organisation interested in the world's export markets, I feel that it is a matter for congratulation that our Subsidiary Company, Morris Industries Exports Limited, held its position as the premier British Motor Exporting Organisation.

During the months which preceded the September crisis, we more than maintained the steady increase which has been enjoyed year by year, and, in view of the unsettled conditions during the last few months of 1938 our export sales for the year are particularly gratifying.

Given a year of peace in 1939, I think we have every reason to anticipate that the activities of our Export Company will again show a substantial increase.

This forecast is substantiated by my personal experience during the Empire tour from which I have just returned. Both the new Eight and the new Ten have received a splendid reception overseas, and it is manifest that our Dominions are displaying an increasing desire for home-manufactured goods, provided that such goods are suited to their requirements.

At this point, I would like again to record my very real appreciation of the welcome extended to me during my travels. The hospitality, kindness and helpfulness which were showered upon me by all with whom I came in contact will find a treasured and permanent place in my memory.

EMPLOYEES' SHARE IN THE COMPANY'S PROSPERITY

The Stockholders will, I feel sure, be pleased to hear that the disbursements made during the year to and on behalf of the employees under the "Holidays with Pay" and other Benefit Schemes exceed £115,000.

RILEY (COVENTRY) LIMITED

You will have observed from the Directors' Report that our field of activity was expanded during the year under review by the acquisition of Riley (Coventry) Limited. This old-established firm, the products of which have always enjoyed such well deserved reputation, will continue to trade under its former name and preserve its individuality. Mr Victor Riley remains the Company's Managing Director.

GENERAL

Having concluded my observations on the affairs of the Company during the past year may I make a brief reference to current matters. To my mind, nothing can be gained at the present time by obstructive criticism of the Government in its methods of grappling with a task which is perhaps heavier than any which has previously arisen in our country's history. Under a leader who has amply proved his entire ability to discharge the grave responsibilities with which his high office is loaded, our Ministers are deserving of the highest praise for what they have done and are continuing to do, and I feel that it is their right to be convinced that they can count upon the utmost goodwill and courageous co-operation from all of us in their efforts for the future of our Empire.

Once again I am desirous of expressing the Board's appreciation of the loyal and enthusiastic co-operation of all those charged with the administration of the Company's affairs, and by the Staffs and Employees of the whole Organisation.

Before moving the formal resolutions, I wish to refer to the grievous loss which I, personally, and your Company, too, have suffered by reason of the death of our Solicitor, Andrew Walsh. Mr Walsh, who was my own solicitor for many years, had been closely associated with the affairs of the Company from its inception. His attainments were such that his value to us was by no means confined to the legal work that he always so ably discharged, and I know that all my co-Directors, who knew him well, together with very many of the staff of the Organisation, will wish to associate themselves with this tribute to his memory.

I will now move:—"That the Report, Balance Sheet and Accounts presented to the Meeting be and they are hereby received and adopted."

Mr Oliver Boden, the Vice-Chairman, seconded the resolution, which was carried unanimously.

All the retiring Directors were duly re-elected to the Board and the Auditors, Messrs. Thornton and Thornton, of Oxford and London, were re-elected for the ensuing year.

MORRIS MOTORS LIMITED Cowley OXFORD

of many crudes was cut from 10 to 15 cents a barrel in spite of a substantial reduction in stocks. The results for the year 1938 of the leading oil companies in America clearly reflect the less satisfactory conditions which ruled in the industry throughout the year. Recently, the outlook appears in one respect to be a little more encouraging, inasmuch as crude oil stocks have been reduced to a level substantially lower than has been the case for a considerable number of years. On the other hand, there appears to be little inclination so far to restrict refinery runs to a level in better relation to demand, and while this condition persists it is difficult to make any confident prediction regarding the immediate future of the industry.

The oil profits and other revenue earned by Trinidad Leaseholds, Limited, during the financial year to June 30th last showed a decline compared with the previous year's record level, but they were, nevertheless, considerably in excess of any other former year. That company paid dividends amounting to 27½ per cent., or a reduction of 2½ per cent. on the previous year's distribution. Much of the very heavy construction programme which had been commenced two years previously was completed, and the new plants included in this programme were, with one exception, brought into operation by the middle of last year. I am pleased to say that sales of "Regent" motor spirits continue to be very satisfactory. The Tribunal constituted to investigate wage conditions in the Trinidad oil industry awarded certain increases in pay over and above those already given by the oil companies in 1937.

The production of the Cumarebo field of the North Venezuelan Petroleum Company was well maintained, and satisfactory profits were earned. As already stated, the company repaid capital to shareholders to the extent of 6s. 8d. per share. Considerable geological survey work was undertaken during the year.

Uramar Exploration Company, Limited, acquired the whole of the issued share capital of the Caracas Petroleum Company, and as a result of this fusion of interests operations have been considerably facilitated. The prospects of the company, which now controls a large area, appear to be promising.

As mentioned in the directors' report, the issued capital of Guarico Oilfields (Venezuela), Limited, was increased for the purpose of providing funds for further drilling. The results of the initial work so far accomplished have been encouraging.

ANGLO-SPANISH CONSTRUCTION COMPANY

The Anglo-Spanish Construction Company, Limited, was unable during 1938 to realise any of its Spanish Treasury Bonds, which are held in Madrid, and no repayment of debenture capital was made. The debentures remain 65 per cent. repaid. Railway services were maintained without interruption by the Santander-Mediterráneo Compañía. Revenue showed a substantial increase, and an appreciable surplus over working expenditure was revealed.

For two and a half years our interests in Spain have been carried on under war conditions. The war is fortunately now over, and General Franco's Government has been recognised by His Majesty's Government. In the difficult period of reconstruction ahead it is to be hoped that once again the maximum possible co-operation between our respective countries will be evolved and developed, resulting in mutual economic benefits and thus contributing in our view to political stability.

SANTANDER-MEDITERRANEO RAILWAY

The Santander-Mediterráneo Railway, in which we hold such a large interest, was from the first day of the war entirely in Nationalist territory. The service rendered by a reduced staff, handling more than twice the pre-war traffic, has been warmly acknowledged in all quarters.

You will remember that during the period of the Republic all our efforts were unsuccessful in obtaining any payment of the outstanding sums due for construction. We have a large stake in Spain. I can assure you that no effort will be spared to press our claims and to derive the benefit which in equity alone is due to us from the provision of an essential service.

A DIFFICULT YEAR

The year through which we have just passed has been a difficult one for business, and the outlook for the current year, while so many national and international problems remain unresolved, is necessarily obscure. The disagreeable fact remains, however, and will be well within your knowledge, that since the close of the last financial year there has been a further substantial fall in all classes of securities. Under existing conditions you will probably agree with me that it would be unwise, as indeed it is impossible, to forecast the future.

The report and accounts were unanimously adopted.



FORD MOTOR COMPANY LIMITED ANNUAL MEETING

AT the tenth ordinary general meeting of Ford Motor Company, Limited, held on the 9th instant in London, the Rt. Hon. Lord Perry of Stock Harvard, K.B.E., LL.D., in the course of his speech said: "It is the unanimous opinion of the board of directors that the extremely conservative policies they have consistently followed have proved to be fully justified and there is no one who could advance any unfavourable criticism regarding the up-to-date condition of the company's investment in buildings, plant and machinery and its capacity to maintain the position which is synonymous with the name of Ford as leader of advanced design and mass production."

As explained in the directors' report, it was considered desirable, mainly for geographical and political reasons, to transfer the activities of the holding company from Luxembourg to a less vulnerable environment. A new holding company has been formed in the Channel Islands and has acquired, as at the end of March, for £3,000,000 payable in shares, the whole of the assets and liabilities of the Luxembourg Company, excepting surplus cash and loan due from this company. The liquidation of the Luxembourg Company is nearly complete. The Guernsey Company will function as did the Luxembourg Company.

The gross trading profit for 1938 was £1,416,929, £160,617 lower than in 1937, of which decline £136,749 was attributable to the blast furnace and ancillary plant, and only £23,898 to automobile business. The net profit of £400,985, plus £912,994 carried forward, provides £1,313,979 available for distribution, subject to tax.

The light car maintains its popularity. Last year 88.2 per cent. of new cars registered in Great Britain were of 15 h.p. or under and, with the increased horse-power tax, it would seem certain that the percentage (but probably not the total) of small cars will increase still further in the future.

In October, 1938, we introduced the new 10 h.p. "Prefect." It made an instant appeal, and will, we believe, be an established favourite for some time to come. Our larger models continue to attract their special markets. The introduction of hydraulic brakes and development of stream-lining have been new and attractive features. Your company's products stand comparison with any in the market to-day.

A fortnight ago the British motor industry received a blow unparalleled in its history; I refer to the announcement of the new tax of 25s. per horse-power. This enormous increase in the already crippling burden of taxation cannot but affect the industry adversely. We will be relatively less affected than the makers of more powerful cars. The principle of assessing tax on the basis of horse-power is not only unscientific, but also unfair. Many of the best authorities believe that the law of diminishing returns will ultimately demonstrate the unwisdom of such opportunist taxation.

The year 1938 was not an easy time for the farmer, and our tractor sales showed a decline. We fully maintained our share of the commercial market. The proportion of our 4-cylinder units sold has increased, particularly among the heavier type of commercial vehicle. The company's sales of industrial engine units have largely increased. The average percentage of British costs in our entire range of vehicles is 95.2 per cent. Our "Eights" and "Prefects" are 99.9 per cent. British.

Our total exports in 1938 declined as compared with 1937; nevertheless there were some welcome improvements in certain markets. Our "Eights" and "Prefects" are assembled in Australia, New Zealand and Eire, and these markets have been well maintained.

If and when the present war clouds roll away, provided there is adjustment in the incidence of motor taxation and a rapid provision of adequate roads, all indications point to a great revival in our industry. Sales deferred in the past years of uncertainty will add momentum to normal replacement demands.

The report was adopted, and a dividend of 5 per cent., less tax, declared.

Copies of the Chairman's Speech
in full may be obtained from

FORD MOTOR COMPANY LTD.
88 REGENT STREET, LONDON, W.1, and
DAGENHAM, ESSEX

IMPERIAL CHEMICAL INDUSTRIES, LIMITED

DIFFICULT TRADING CONDITIONS
COMPETITION IN OVERSEAS MARKETS
IMPORTANCE OF NYLON
LORD MCGOWAN'S REVIEW

The twelfth annual general meeting of Imperial Chemical Industries, Limited, was held, on the 11th instant, at Queen's Hall, Langham Place, London, W.

The Right Hon. Lord McGowan, K.B.E., D.C.L., LL.D. (the chairman), in the course of his speech, said:—Few of you will be without a clear impression of conditions at home in 1938. It was a year of trade uncertainty and political instability, culminating in the crisis last September. During 1938 world trade in general, and British activity in particular, received the backwash of the sharp industrial setback experienced by the United States in the closing months of 1937.

The channel of economic influence between the United States and the rest of the world lies in the great volume of raw materials which America consumes—some 40 per cent. of world exports in normal conditions. In 1938 the United States reduced her imports by no less than £225 millions below the level of 1937, and the sales to that country of the products of seven of the principal British countries overseas fell by £77 millions. Canada, Malaya, India, Ceylon, Australia, New Zealand and West Africa all lost heavily in purchasing power. It was not unnatural, therefore, that the United Kingdom exports to Empire countries decreased by £17 millions and to foreign countries by £33 millions.

REDUCTION OF EXPORTS

This fall was chiefly concentrated in the iron and steel industries and in textiles. Exports of cotton yarns and manufactures were almost £19 millions less; wool textiles nearly £9 millions smaller; and in manufactures of iron and steel there was a fall of nearly £7 millions. I may further note a decline of nearly £3½ millions in the exports of non-ferrous metals and their manufactures, and £2½ millions in chemicals, drugs, dyes and colours. Our own trade clearly reflected these conditions. It was also affected by the pronounced decline in the sales of motor cars, the registrations of private cars, etc., falling in the 1937-38 season by 14½ per cent.

The rayon industry was also depressed—home production fell by 11 per cent. These are merely examples of two major home industries which are considerable users of our products; but, interested as we are in almost all industry in the country, the general slackening off is reflected in the annual report which you have received. The explosives and metal groups benefited directly and indirectly from the Government's defence programme. The re-armament programme contributed to the maintenance of industrial activity in 1938, but our own direct participation, as I have said to you before, is comparatively small.

1938 ABROAD

In our export trade we have continued to experience many difficulties. There are still not lacking admonitions to British manufacturers to push and expand their export trade, but critics on these lines often forget the strict regulations of many importing countries. Licences to import or permits to acquire the necessary extrics. change for the remittance home of sales realisations are a constant barrier, not only to the expansion but to the maintenance of business. These documents, which can only be secured after compliance with a tangle of regulations, are often not obtainable at all because sterling exchange is not available, or, in other words, because the United Kingdom has not first bought a sufficient volume of the products of the country concerned. If this condition is not satisfied, no amount of sales effort is of any use. In short, exchange restrictions, quotas, clearing and payment agreements, continue to be the order of the export day.

THE SINO-JAPANESE WAR

Japan's competition in world markets has been materially affected by the demands on her domestic industries arising out of the Sino-Japanese war. As a consequence, our own exports have been on a higher level in many markets and have realised better prices. We are not inclined to regard this as a permanent phase, however, and expect to see the revival of Japanese competition in the near future. In Japan itself, the annual report records that our business has practically ceased. The trading capital that has thereby been released is, however, frozen in that country.

The war in China has reduced our business there by a half, and its continuance is likely to have further adverse effects. No one will doubt the necessity of upholding Britain's markets and interests in China against Eastern competition. The support which has recently been given by the credit guaranteed by the British Government has, I am sure, the entire approval of British concerns interested in that country. No doubt other means of assistance to a hard-pressed China can and will be found. They will be equally welcome.

The Civil War in Spain kept that market practically closed throughout 1938, while Palestine—almost another war area—gave us unsatisfactory results. In Italy, Roumania and Turkey, three countries with which the United Kingdom has clearing agreements, the slow progress of British purchases of their products puts a bar on the expansion of British exports unless more money is to be locked up in these clearings.

PROGRESS IN THE DOMINIONS

As last year, it is a relief to turn to the progress of our associated companies in the overseas Dominions. Canada was naturally affected by conditions in the United States, but did not suffer so severely. We were therefore well content with the results of our associated company there.

South Africa remained extremely active throughout 1938, so that African Explosives and Industries, our associated company, again had a good year. I paid a visit to South Africa in January and February, and had an opportunity on the spot of conferring with my South African colleagues on the board of African Explosives and Industries, Limited, on the future prospects of the company. I can assure you they are excellent in every respect.

Australian conditions generally remained very stable. The board of our subsidiary company there, Imperial Chemical Industries of Australia and New Zealand, was well satisfied with the year's results. Good progress is being made with the erection of the new alkali works at Adelaide, and work has commenced on a new synthetic ammonia plant. To provide in part for those developments, the Australian company last July made an issue of one million five per cent. preference shares of £1 each. It received a generous welcome from the Australian public.

India, in common with other primary producing countries, suffered last year from the fall in world prices for her products, with a consequential effect on the value of the rupee. On the whole, our exports to our subsidiary, Imperial Chemical Industries (India), Ltd., were satisfactory. That subsidiary promoted a new company there last March, which is now constructing factories in the Punjab and Bengal for the manufacture of alkalis. It has a capital of £697,500, of which £232,500 in preference shares was offered to and immediately subscribed by the public in India, with an option to subscribe at a later date £139,500 of ordinary shares.

From these facts concerning Argentina, Australia and India, you will gather that we have adopted the policy of enlisting the financial participation and support of local interests in our enterprise in these countries. It is mainly responsible for the increase of £1,093,000 in the "interest of outside shareholders," shown in the consolidated balance sheet. We believe this policy to be sound, and it is therefore one that we shall continue in the future as opportunities offer. National feelings, encouraged by Governments, have led these and other countries to insist upon the establishment of the chemical industry, rightly regarded as a basic necessity, within their own borders. Where we were concerned with the export of chemical products to such countries we have for some time recognised that when the demand had reached a point at which it was sufficient to justify the erection of a plant, it was wise to replace those imports by local manufacture. That step, however, has not been sufficient.

INCREASING BRITISH EXPORTS

Attention has been paid to methods by which British export trade can be increased, and rightly so, for depression in the export industries is the main factor in our heavy and serious unemployment problem. I would suggest that a bolder course might be pursued on export credit guarantees. The limits of liability have recently

company possesses very valuable estates, it is not hampered by debentures or preference shares, that its net cost per planted acre is much below the cost of replacement, that it has a very loyal and efficient staff, and its financial position is a strong one. Its own affairs were never sounder, and it has never been in a better position to benefit from any general improvement in the industries in which its capital is invested.

The chairman concluded by moving the adoption of the report and accounts.

Mr H. W. Horner seconded. A discussion ensued, and, after the chairman had replied, the motion was put and declared duly carried.

The retiring director, Mr H. J. Welch, was re-elected; the auditors, Messrs Turquand, Youngs, McAuliffe & Co., were re-appointed and the proceedings terminated with a vote of thanks to the chairman and directors, and also to the agents, visiting agents and staff in the East.

LICENSES AND GENERAL INSURANCE COMPANY, LIMITED

PROGRESS DESPITE DIFFICULT CONDITIONS

The forty-ninth annual general meeting of this company was held, on the 10th instant, at the registered office, 24, 26 and 28 Moorgate, London.

The Hon. Reginald Parker, the vice-chairman, who presided, in the course of his speech, said: It is satisfactory that despite international unrest we can point to progress for the period under review and realise that in totals we have gone beyond the previous year, both as to income and as to assets.

It will be subject for favourable comment to note that the number of policies issued in the life department during 1938 again exceeds that of 1937; the life fund shows a substantial increase. The evidences of 1939 so far mark a continuance of that progress.

In the fire account you will be pleased to see an increase of income of practically £8,000 and I feel confident in stating that a further advance will be seen in the coming year.

Of the personal accident account we can note a decided improvement. The employers' liability account has gone forward in income and in profit. Perhaps one might say a further word on the motor position. Here we show an increase of income, which is comparable with the increase shown for quite a number of years now, inasmuch as we seem to be able to make a yearly advance of a matter of £10,000. Claims are higher. Had it not been that several foreign agencies, formerly on very good behaviour, took the opportunity to make 1938 their bad year, the results would have been better. It is interesting to note that in spite of several years' successive income increase, the number of claims notified during 1938 actually reduced in volume. We are, therefore, able to view the future reasonably, and to express the thought that in this present year of 1939 we may see a fall in ratio.

There are two further factors in the accounts to which I must refer. One is marine, where in common with most underwriters a poor year has been experienced. We are advised that better results may be anticipated in respect of the 1938 and 1939 years of underwriting. We have nevertheless considered it wise to increase the fund by a transfer from profit and loss of £20,000 and so create a much stronger forward position.

The other matter is investment depreciation. The investment reserve, adequate last year, proving insufficient in 1938 with the added decline, we have brought into contribution a small portion of the general reserve.

With regard to the profit and loss, you will see the transfers made from the various revenue accounts. These bring in a resultant profit and loss balance of £26,184 12s. 9d., an equivalent of two years' dividend. The dividend will be the same as that paid for the last twelve years—a record of consistency which must be satisfactory to us all.

There is little more for me to say, excepting to register very definitely in your minds the confidence with which we view the future of your company. Despite the fact that the business world has been disturbed, we derive encouragement from the results of the opening months of the year, which lead us to believe that, with any degree of international comfort, 1939 should provide additional evidence of sound progress.

The report and accounts were unanimously adopted.

ALLIANCE ASSURANCE COMPANY, LIMITED

SATISFACTORY RESULTS

The annual general Court of the Alliance Assurance Company, Limited, was held, on the 10th instant, at the head office, London.

Mr Lionel N. de Rothschild, O.B.E. (the chairman), said that 1938 being the last year of the current quinquennium, the customary actuarial investigation of the financial position of the Alliance Life and Annuity Funds fell to be made as at December 31st last. The board had decided that the rate of interest to be assumed in the valuation of the life business should be 2½ per cent. instead of 3 per cent. as for many years past. In spite of the greater stringency in the method of valuation adopted, which included further strengthening of miscellaneous reserves, the opinion he had expressed a year ago that the results of the actuarial investigation would be quite satisfactory had been more than realised. A surplus of £2,461,112 was disclosed and a compound reversionary bonus of 38s. per cent. per annum had been declared on with profits policies in force on December 31, 1938. That was the same as was declared at the last quinquennial valuation, and in view of the difficult period, from an investment point of view, the still more stringent method adopted in the valuation and the substantial increase of the amount carried forward—from £223,337 to £354,812—he thought it would be agreed that it was a very satisfactory result.

The proportion of the profits in the life department accruing to shareholders amounted to £230,497, one-fifth of which sum, namely, £46,099, had been transferred to profit and loss account.

RECORD NEW LIFE BUSINESS

The new life business completed during the year amounted to £4,205,415, a record figure in the history of the company. That increase was due to a very large endowment assurance pension scheme.

The mortality experience was somewhat more favourable than in 1937. The premium income in the active Alliance Life Account had increased to £1,473,710 and the Alliance Life and Annuity Funds amounted to £22,508,744, an addition of £458,224 during the year.

In the Fire department the net premiums amounted to £2,211,252, being £35,152 more than in 1937. The claims, including contributions to fire brigades, had amounted to £769,148, being £23,359 more than in 1937, the loss ratio being 34 15s. 8d. per cent., which was extremely satisfactory. The result of the year, after increasing the additional reserve by £100,000, was a balance of £460,822, which had been carried to profit and loss account.

In the Accident department there had been a gratifying expansion in the business, the premium income amounting to £1,491,872, which was £65,116 larger than last year. The awards of damages to injured third parties were continually rising, and it was thought that the rates of premium would have to be increased.

The Workmen's Compensation business of the company had shown less favourable results than in the past, due in some measure to the increasing number of common law claims. The other branches of Accident business had shown satisfactory results, and there had been a welcome increase in the more profitable classes of business in that department. The surplus in the Combined Accident Account for the year amounted to £112,161. That sum, with interest, making a total of £175,903, had been transferred to profit and loss account.

MARINE POSITION

The Marine Premium Income was some £6,000 lower than in 1937. Hull premiums showed an increase, largely owing to the application of the Joint Hull Understandings. The position as regarded cargo business remained unsatisfactory, and it was hoped that underwriters would soon consider collective action to improve that business. The underwriting account for 1936 had now been closed and, after setting aside £11,585 to suspense account, the surplus, £73,355, had been carried to profit and loss account.

Turning to the profit and loss account, £100,000 had been allocated to reserve and £50,000 to the staff pension fund, and a slightly larger sum had been carried forward. In view of the many difficulties of last year, the results disclosed were extremely gratifying.

With regard to the assets, during 1938 they had experienced a further series of major international shocks, as a result of which practically no class of investment had been immune from depreciation. It was not surprising, therefore, that the margin between the market values and the book values of their Stock Exchange securities had again declined during the year; at December 31st last there was still a comfortable surplus.

The report was unanimously adopted.

CABLE AND WIRELESS, LIMITED

(The Operating Company)

FOUR MAJOR STEPS IN TWELVE MONTHS

MR EDWARD WILSHAW'S REVIEW

The tenth ordinary general meeting of this company was held, on the 18th instant, at Electra House, London.

Mr Edward Wilshaw, J.P. (chairman and managing director) said: My Lords and gentlemen, the results of the working of the company during 1938 show what is, in all the circumstances of that year, a very satisfactory profit of just over one million pounds. The dividend recommended is 3½ per cent., as against 3¼ per cent. paid last year, a difference of only £75,000.

The lower profit is mainly due to two causes, the reduction of rates on the introduction of the Empire flat rate scheme, and the contraction of world trade caused by disturbed international conditions. To gain a proper perspective, however, it would be well to look back to the years 1931 and 1932, when the profits were £75,000 and £80,000 respectively, as against the £1,000,000 this year.

The expenses show a reduction of £210,000, which is reflected in practically every item.

INCREASING EMPIRE TRAFFIC

The Empire flat rate was a big step designed to facilitate and develop Empire communications. Despite the fact that the introduction of the flat rate coincided with the beginning of a period of trade depression, it was followed immediately by an increase in the volume of Empire traffic practically everywhere, and this continued during a period when the volume of non-Empire traffic was falling. There seem, therefore, to be reasonable grounds for the belief that the flat rate scheme had the effect of diminishing the effect of trade conditions on Empire traffic, and it may be hoped that this in turn will diminish the effect of general world conditions on Empire trade.

It is gratifying to note also that since the commencement of this year this increase in the volume of Empire traffic has been more marked, and has shown a progressive increase each month, while decreases in the preceding year in respect of Empire/Foreign and Foreign/Foreign have been converted to an increase. In each of the first three months of this year the increase in the volume of Empire traffic was more than double that of the average for the eight months last year in which the Empire rates had been in force, and the traffic receipts for the month of March were only a few hundred pounds less than those for March, 1938, before the Empire rate was introduced.

EMPIRE FLAT RATE

Since the close of last year a further step has been taken by the introduction of a reduced Empire flat rate for Press traffic, which came into force on April 15th last.

These measures should help to stimulate those business and news activities which we already serve. There remains, however, the need to develop new sources of traffic which shall render us less sharply subject than heretofore to the effect of those recessions of world trade over which we can have no control, and in this connection the further step taken last week in introducing a cheap social message and introducing it by means of a free day was a phenomenal success.

Further, it should bring the component parts of the British Commonwealth of Nations nearer together and knit them more closely.

It is, of course, vital that the development of our service should keep pace with the wider facilities we are affording. Last September the company offered to install emergency wireless telegraphy and telephony sets at all cable stations within the Empire within its jurisdiction and where no wireless telegraphy or telephony existed. This equipment was also designed to communicate with ships at sea and aircraft. The company informed the Government that it was prepared to install these sets at its own cost and for use in case of emergency, provided the company was permitted to use them commercially.

These four major steps taken during the last 12 months have cleared and simplified a very complicated situation that had developed during a long period of years. Each of these steps is of major interest to our undertaking, and should also be of interest, since they will be of value, to the Empire as a whole and to each of its individual communities.

The relations with the Departments of his Majesty's Government and the Administrations overseas are of a most cordial character.

The report and accounts were adopted and the dividend was approved.

GUARDIAN

Assurance Company Ltd.

ANNUAL GENERAL MEETING— 8th MAY, 1939

Extracts from COLONEL LIONEL H. HANBURY'S Speech

LIFE DEPARTMENT

New life assurances were completed during 1938 for a net amount of £1,719,379 as against £1,815,725, for 1937.

Claims by death were substantially less than anticipated.

FIRE DEPARTMENT

The experience for the year was again very favourable. The net premium income amounted to £1,077,799, and the trading profit amounted to £171,642, representing 15.9 per cent. of the net premiums.

ACCIDENT AND GENERAL DEPARTMENTS

The net premium income for the year was £1,360,803, being £108,254 greater than for the previous year, and the trading profit amounted to £48,491, representing 3.5 per cent. of the net premiums.

MARINE DEPARTMENT

The premium income for the year amounted to £323,884 as against £330,753. After transferring £40,714 to Suspense Account in respect of 1937 claims, there was a loss of £10,886 which has been transferred to Profit and Loss Account. The fund at the end of the year was £527,888.

VALUE OF INVESTMENTS

Stock Exchange investments have been valued at or under middle market prices as at 31st December, 1938, less accrued interest, and at that time there was a margin in excess of a half a million pounds between the book values of these investments and their actual values.

PROFIT AND LOSS ACCOUNT AND APPROPRIATION

The balance on this Account is £207,713 after transferring £20,000 to Staff Pension Fund and £67,325 to General Reserve.

A dividend was declared of 11s. on each Ordinary Share leaving a balance to be carried forward of £109,129, as compared with £95,927 at the end of the previous year.

Changes have been made in the form of the Accounts. Interest and underwriting profits hitherto credited to the Fire, Accident and Marine Insurance Revenue Accounts are now carried direct to the Profit and Loss Account and the Additional Reserves in the Fire and Accident Insurance Revenue Accounts have been transferred to a General Reserve Fund, which, with the year's appropriations, amounts to £1,940,000.

ALL THE PRINCIPAL CLASSES OF INSURANCE TRANSACTION

ALSO

TRUSTEE & EXECUTORSHIP BUSINESS

Head Office:

68 King William Street
LONDON, E.C.4

YORKSHIRE INSURANCE COMPANY, LIMITED

RECORD LIFE BUSINESS

The annual general meeting of the Yorkshire Insurance Company, Limited, was held at York, on the 9th instant.

The Chairman (Lord Middleton) said that the year had unfortunately not brought about any lessening of our anxieties. We could, however, draw some satisfaction from the underlying determination of the people not to be stampeded but to preserve a calm judgment and support the Government in their efforts to bring about peacefully a more ordered state of affairs in the world.

Dealing with the life account, the chairman pointed out that the net new business secured amounted to £3,029,741, as compared with £2,855,127, and was again a record. The claims by death were higher, but the incidence of the claims was quite satisfactory. Notwithstanding the increase in the rate of income tax, the reduction in the net rate of interest on the fund was only 8d. per cent., whilst the management expenses ratio again showed a slight reduction. The life and annuity fund at the end of the year, after allowing £150,000 for depreciation of investments, amounted to £11,160,252, as compared with £10,780,646 at the close of 1937.

In the sinking fund account new policies were issued for £708,292, and the premium income showed a considerable increase, being £117,708, as against £68,290 in 1937. The fund at the end of the year was higher by £66,896.

The results in the fire account were again good. The loss ratio of 44.4 per cent., although higher than last year's ratio of 41.3 per cent., was still quite satisfactory. The profit was £120,702, and, apart from the exceptional record of 1937, was the best result for ten years.

Accident and general account premiums totalled £1,478,746, an increase on the previous year of £9,217. The underwriting profit represented 5.43 per cent., as against 1.62 per cent. in 1937.

The marine account premiums amounted to £437,201, an increase of £10,423 over those of the previous year. The amount of the fund at the end of the year was £594,026, being 136 per cent. of the 1938 premiums, and was more than ample to meet all liabilities.

The report and accounts were unanimously adopted.

JOHNSON & PHILLIPS, LIMITED

INCREASED PROFIT

The thirty-fourth annual general meeting of Johnson & Phillips, Limited, was held, on the 11th instant, in London.

Mr G. Leslie Wates, J.P. (the chairman), said that the figures for 1938 were not vastly different from those of the previous year. The profit was higher by some £4,500 at £205,638. The net profit was up by £7,700. The total income tax and N.D.C. paid during the year at home and in the Dominions had been approximately £50,000.

Last year he had debated at some length the question of their capital position and the relative merits of the policy of increasing their permanent capital or financing the business for the time being by bank overdraft. The crucial point was the Government's declared policy in relation to electricity distribution undertakings, and he understood that it was still the intention of the Government to proceed with their reorganisation. Accordingly, the board did not propose, for the time being, to make any issue of shares or debentures.

During 1938 they had been able to increase the output capacity of their engineering departments and might need to do so still further as the extra accommodation provided had already been overtaken. They had striven hard to maintain their export business and connections, and their overseas branches and agencies had been kept fully supplied.

Good progress had been made with their subsidiary electricity supply companies during the year. They now had 329 miles of high-tension line and 195 miles of low-tension line in operation. They had over 12,000 consumers, of whom 3,600 had been assisted with finance to enable them to wire their houses. The total of units sold during the year was in round figures 22,000,000. In 1934, they had had 5,944 consumers only, and had sold 8,600,000 units, so that it would be seen how substantially those companies had progressed during the last four years. He was glad to say that they were still progressing and putting on new consumers every day. Both Westmorland and Ringmer were agricultural areas, where their lines had to be taken over very considerable distances to give supply to villages and farms. That reduced the return on capital, but they considered they had a duty to perform and did not look merely at the financial results of extensions. They had practically 300 arms connected—a very gratifying figure.

The report was adopted.

CALCUTTA ELECTRIC SUPPLY CORPORATION, LIMITED

NEW ISSUE OFFER TO SHAREHOLDERS

Presiding at the annual meeting of the Calcutta Electric Supply Corporation, Limited, held, on the 8th instant, in London, Lord Meston (chairman) said that progress had been continuous and satisfactory. In 1937 they sold 348 million units. Last year they reached 365 million, and added over 100 miles of cable to their distribution network. Strikes and other troubles had the effect of reducing the corporation's sales of H.T. power. Otherwise the market for both domestic and industrial supplies was steadily expanding.

The accounts showed a capital expenditure of over £1,000,000 during 1938, mainly due to the new Mulajore station, and that meant realisation of temporary investments and the opening of a bank loan account. Income from sale of current rose by £90,000, in spite of large concessions in rates. The net result was that their divisible profits were £13,000 better than in 1937, so that they were enabled to recommend payment of the same dividend, allocating £25,000 to general reserve and an equivalent amount to the retiring gratuity fund. Ample provision had been made for the losses in selling their temporary investments, which had suffered from the political situation. As for the future, they required more capital for completing their development programme as well as for a new and important extension to the south of Howrah. They could not look forward to quite the same scale of profits as in their most prosperous years. In their new super-station they had given a hostage to fortune. They had no doubt as to its wisdom, but the expenditure would not give its full yield for some years, and the same was even more true of their costly interconnecting system. Although, therefore, they had maintained a 10 per cent. dividend this year, they could not hope to recommend a higher figure than 9 per cent. next year.

It was their intention to issue 475,000 new ordinary shares within the next few weeks, to be offered at par to the ordinary stockholders in the ratio of one new share for every £5 of stock held. The new shares would be converted into stock and rank *pari passu*, qualifying for dividends paid in respect of the full year 1939.

The report and accounts were adopted.

CALCUTTA TRAMWAYS COMPANY, LIMITED

INCREASED TRAFFIC RECEIPTS

The ordinary general meeting of the members of the Calcutta Tramways Company, Limited, was held, on the 9th instant, at 1 Queen Victoria Street, London, E.C., Sir Geoffrey R. Clarke, C.S.I., O.B.E. (chairman of the company), said:

The working of the undertaking for the year to December 31, 1938, has resulted in a profit of £112,113, after setting aside £80,000 to the depreciation fund. During the year the traffic receipts have shown a steady increase amounting to £12,950, helped, to a certain extent, by the shortage of rain during the monsoon, which resulted in the stoppages due to floods being less than in a more normal year.

On some of our routes, during office hours, we are running 50 cars to the hour, and we are still unable to carry all the passengers wishing to travel on our trams, although there is no doubt that the tramway service we provide enables us to deal with the transport of the very large number of passengers more expeditiously and more cheaply than would be possible with any other system of transport.

The mileage of the system has remained almost stationary for many years, namely, 37.7 miles of double track; the number of passengers carried has increased in the last 10 years from 73 to 106 millions annually, and the car mileage from 7,950,000 to 10,170,000.

Under present conditions, therefore, it is obvious that we are reaching saturation point on certain routes, and no great increase in our receipts can be expected. The only relief to the travelling public must come from the provision of alternative routes, and to this end we have obtained the consent of the Corporation and the Government to the installation of tramways on the Upper Circular Road from Shambazar to Sealdah and on the new road being built by the Calcutta Improvement Trust from Ballygunge.

The expenses of the undertaking have increased by £12,852, mainly accounted for by the cost of electric current due to the additional mileage run and the operation of the coal clause in our agreement with the Calcutta Electric Supply Corporation. Wages also show a considerable increase, largely due to a new system of grading adopted during the past year in our workshops.

The report and accounts were unanimously adopted.

MID-EUROPEAN CORPORATION, LIMITED

MR NORMAN HOLDEN'S REVIEW OF THE SITUATION

The fifteenth annual ordinary general meeting of the Mid-European Corporation, Limited, was held, on the 9th instant, at Winchester House, Old Broad Street, E.C.

Mr Norman Holden (chairman) said: The percentage of our investments in Germany, including Austria, is now 15.97 per cent., as against 16.76 per cent. last year and 33.84 per cent. in 1930; our percentage in the remainder of Europe is 13.09 per cent., against 14 per cent. last year and 29.36 per cent. in 1930. The total depreciation in the combined companies, including losses written off in Lothbury Continental Company, is £965,508, as against £827,159 last year. About 61 per cent. of the increase in depreciation is attributable to a more stringent method having been adopted in valuing investments which are quoted on German bourses. Under present conditions it is impossible to arrive at what is the true value of our investments in Germany. Our net revenue this year is, after debenture interest and income tax, £51,452, compared with £54,485. We have earned 4.30 per cent. (gross) on the ordinary, as against 4.47 per cent. (gross) last year.

As to the general situation, the important influences seem to be, first, international politics, and, secondly, uncertainty as to the effects of the heavy increase in Budget figures and their incidence on profits and earnings. My view as to the first is that after many unfortunate misunderstandings on both sides Germany and Great Britain are now beginning to understand each other.

As to the second cause of unrest, viz., the uncertainty of the incidence of taxation, I would make a plea to Government spokesmen to make up their minds whether they believe in the profit motive in economics or the socialistic and communistic theory of the inherent wickedness of the profit motive system. If they would do this, we might be spared a series of slogans that seems somewhat incongruous. "The people of this country will cheerfully carry heavily increased tax burdens." "No increased profits through or during war." "We can rely on English investors subscribing large amounts of new armament loans." "Wealth will be heavily taxed."

The report was unanimously adopted.

BARRY AND STAINES LINOLEUM, LIMITED

DIVIDEND MAINTAINED DESPITE DIFFICULTIES

The ordinary general meeting of Barry and Staines Linoleum, Limited, was held, on the 9th instant, at the offices, 6 Old Bailey, London.

Sir John N. Barran, Bart., chairman, reviewing the principal events of 1938, a year of exceptional difficulties, referred to the passing of the building boom, a general though not severe decline of trade in this country, and a far more decided decline overseas, especially in the United States. No dividend had been received from Canada or France, in which latter country economic and industrial unsettlement had been pronounced. Trade in Czechoslovakia had come to an abrupt stop. Elsewhere in Europe exchange, licence, and quota difficulties had increased.

He continued: But by far the greatest adverse influence has been the general political uneasiness in Europe, which culminated in the events of September last. The company, in spite of these facts, had almost achieved the previous year's turnover, and the fall in net profits had been due mainly to smaller profit margins, the absence of the dividends referred to, and writing down of some main raw materials which had fallen in value during the year. The directors, after a full review of all facts and figures, recommended the maintenance of last year's dividend of 12½ per cent. on the ordinary stock, after providing for a bonus to employees and drawing £15,000 from the carry-forward. This was amply justified by the financial strength of the company, especially the completion of the special reserve of £100,000, increase in the carry-forward by £20,000 in the previous four years, available for dividend equalisations, and the expansion of reserves and profit and loss balances by no less than £433,000 in the last six years.

The Kirkcaldy company was co-operating with others in the production, on a large scale, of anti-gas-proofed clothing, which would be distributed by British Protective Clothing, Limited, Manchester, and would in every respect be up to Government specification. The Runnymede Rubber Company was extending its activities, and had provided the flooring for the British Pavilion in the New York Exhibition.

The report and accounts were adopted.

F. FRANCIS & SONS, LIMITED

DIVIDEND INCREASED TO 10 PER CENT.

The thirty-eighth ordinary general meeting of F. Francis and Sons, Limited, was held, on Thursday, 11th May, at Southern House, London.

Mr John Ismay (the chairman), who presided, said:—I would like to point out that whilst this is only our second annual general meeting as a public company, 1939 is actually the seventieth anniversary of the inception of your business, which was founded originally by the father of your two present managing directors, and the history of your company shows a steady expansion over the whole of this period; and it was due to this continued expansion, both of your company and its wholly-owned subsidiaries, The Defiant Crown Cork Company, Limited, and The Defiant Enamelled Tile Company, Limited, that it was necessary to convert the company into a public one, in order to provide the necessary capital to enable further factory accommodation and the installation of additional plant and machinery to be carried out. These extensions have now been completed, and whilst the benefit of part of them are reflected in our accounts, in the case of the subsidiary companies, owing to delay in delivery of the plant, they did not get into regular work until close upon the end of their financial year and, therefore, derived no benefit, but actually suffered considerable inconvenience during the period under review.

We have every reason to be satisfied with the results of the past year, particularly in view of the exceptionally difficult trading conditions, of which you are all aware, due to circumstances over which we have no control. In proposing to increase the dividend to 10 per cent., we are still only distributing about 75 per cent. of the profits available for the ordinary shareholders, earned during the year, and we are increasing our carry-forward by nearly £5,000, after providing the necessary tax reservations.

With regard to the future, it is still impossible to forecast what may happen, but I am pleased to say that up to date the turnover, both for the parent company and the subsidiary companies, shows an increase over the corresponding period of the previous year and, unless anything untoward happens, we can confidently expect at least to maintain the dividend at the present rate.

The report was unanimously adopted.

ANGLO-AMERICAN DEBENTURE CORPORATION, LIMITED

The forty-ninth ordinary general meeting of this company was held, on the 11th instant, at Winchester House, London.

Mr Richard S. Guinness (the chairman) said that the immediate effect of the fateful events of the past year was only too apparent. Confidence and enterprise, so essential to well-being and progress, had been undermined. Capital expansion had been negligible, while profits and dividends had been restricted and a further general fall in the level of market values of securities had resulted. It was with satisfaction, therefore, that the Board was able to record the maintenance of their income over the past year. That, together with the fact that the average fall in the value of securities they held had been limited to under 4½ per cent., justified the statement that their investments were well spread and well selected.

Their gross revenue amounted to £147,407, an improvement of £559. They recommended that a final dividend of 8 per cent. on the ordinary stock be paid, making a total dividend for the third year in succession of 12 per cent. They were adding £3,760 to the carry-forward to bring that figure up to the substantial amount of £57,273.

The sources of their income were much about the same as in the past year. Over 60 per cent. of their total revenue was derived from fixed interest securities. Almost 62½ per cent. of their total revenue came from their holdings in the United Kingdom.

Markets had been so much influenced by political storms that quotations hardly reflected the intrinsic merits of a security. Thus the opportunities to vary their investments had been few but, when practicable, they had reduced their holdings in foreign fields and re-invested chiefly in the United Kingdom and in a small way in Canada, India and Africa. Their cash balances had increased, so that their resources were ample to take advantage of any improvement in the situation.

The report was unanimously adopted.

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

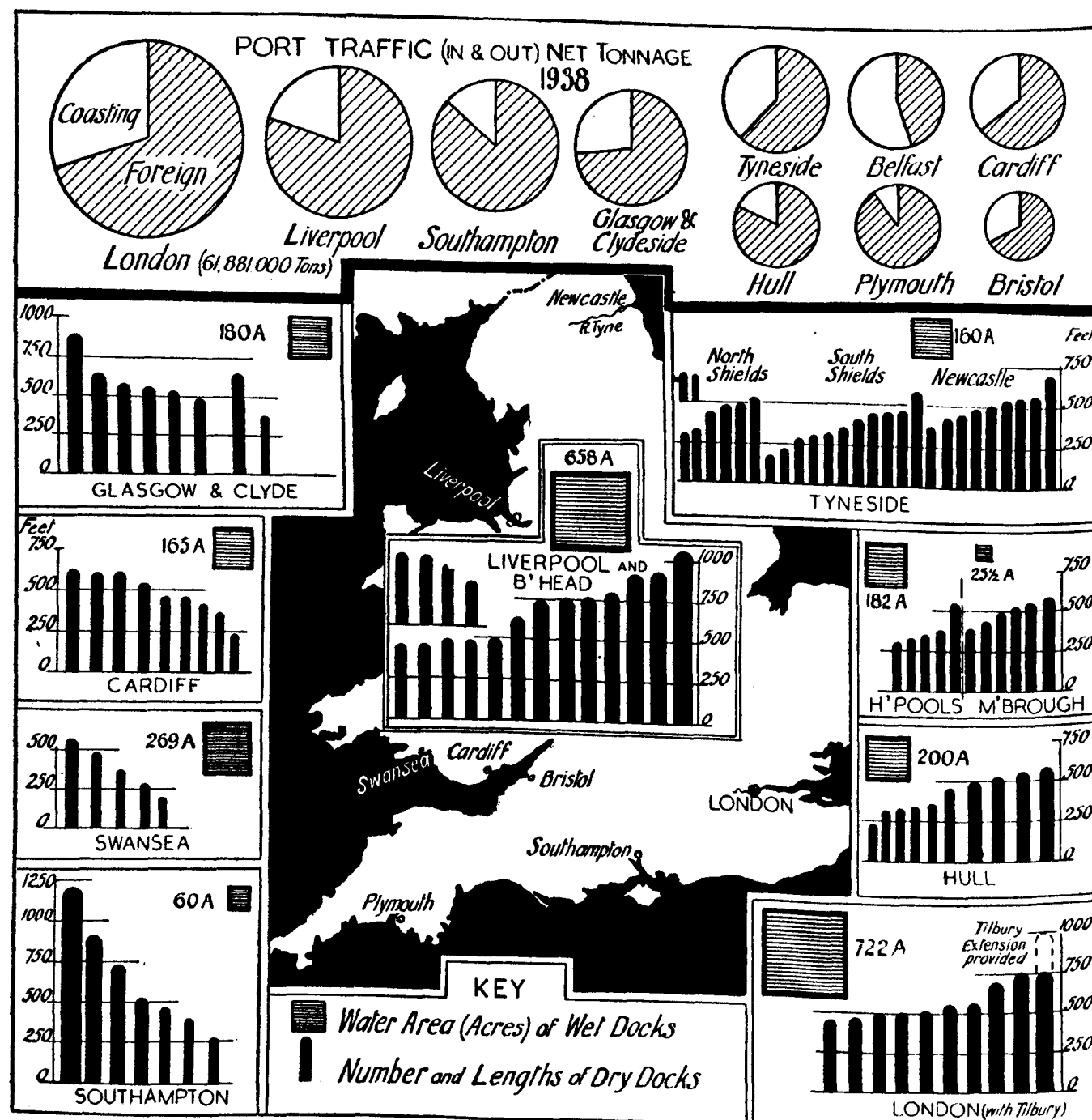
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Britain's Docks



In the above diagrams the amount of wet docks available (indicated by horizontal shading) is expressed in acres on a relative small scale, while the dry dock capacity (indicated by black shading), being expressed in feet for each dock, is made to bulk disproportionately large by comparison. This has been done, not only for convenience of representation, but also because of the key importance in any assessment of the capacity of British docks of the amount and location of dry dock space available. But it should be remembered that the acreage of wet docks is, of course, very much larger than that of dry docks.

Finance

GOVERNMENT RETURNS

For the week ended May 6, 1939, total ordinary revenue was £13,486,000, against ordinary expenditure of £32,640,000, and £245,000 issued to Sinking Funds. Thus, including sinking fund allocations, the deficit accrued since April 1, 1939, is £54,364,000, against £38,634,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	Apr. 1, 1938	Apr. 1, 1939	Week ended May 6, 1938	Week ended May 6, 1939
Ordinary Revenue	10,358	10,158	2,948	2,096
Income Tax	3,710	4,080	480	500
Sur-tax	6,830	7,540	1,500	2,360
Estate, etc., Duties	1,290	1,240	100	40
Stamps	640	1,990	100	470
Nat. Defence Cont.	70	170	30	70
Other Inland Rev.	22,898	25,178	5,158	5,536
Total Inland Rev.	22,898	25,178	5,158	5,536
Customs	21,494	24,167	4,343	4,574
Excise	10,000	10,362	700	684
Total Customs and Excise	31,494	34,529	5,043	5,258
Motor duties	3,920	3,872	860	862
P.O. (Net Receipt)	3,700	3,780	1,200	1,600
Crown Lands	150	200	...	...
Receipts from Sundry	275	267	213	208
Loans	739	689	7	22
Misc. receipts	63,176	68,515	12,481	13,486
Total Ordinary Rev.	63,176	68,515	12,481	13,486
Self-Bal. Revenue	6,200	5,870	900	950
P.O. and Broadcasting	6,200	5,870	900	950
Total	69,376	74,385	13,381	14,436

Expenditure	Issues out of the Exchequer (£ thousands)			
	Apr. 1, 1938	Apr. 1, 1939	Week ended May 6, 1938	Week ended May 6, 1939
Ordinary Expenditure	38,010	38,442	14,422	14,559
Interest & Management of National Debt	514	555	257	277
Payts. to N. Ireland	288	357	...	54
Other Consol. Fund Services	38,812	39,354	14,679	14,890
Supply Services	62,454	82,966	12,000	17,750
Total	101,266	122,320	26,679	32,640
Total Ord. Expend.	101,266	122,320	26,679	32,640
Self-Balancing Expenditure	6,200	5,870	900	950
P.O. and Broadcasting	6,200	5,870	900	950
Total	107,466	128,190	27,579	33,590

After raising Exchequer balances by £68,506 to £2,671,046, the other operations for the week (as shown below) raised the gross National Debt by £19,468,000 to about £8,342 millions.

WEEK'S CHANGES IN DEBT

NET INCREASES		NET REPAYMENTS, ETC.	
Treasury Bills	24,320	Publ. Dept. Adv.	8,700
Bk. of Eng. Adv.	4,500	Nat. Savings Certs.	300
Land Settlement	110	P.O. and Teleg.	450
Tithe Act	13	N. At. Shipping	25
	28,943		9,475

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to May 6, 1939, are shown below:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	122,320	Ordinary Rev.	68,515
Inc. in balances	172	Gross borr.	54,537
		Less—	
		Sinking Funds	560
		Net borrowing	53,977
	122,492		122,492

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1938						
May 7	560.0	218.6	35.9	8.0	885.4	317.3
1939						
Jan. 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	391.0	502.4	38.8	...	922.2	541.2
" 18	366.0	498.6	38.9	...	891.2	537.5
" 25	351.0	500.0	40.2	...	903.5	537.5
Mar. 4	346.0	509.8	40.2	6.0	902.0	450.0
" 11	351.0	503.2	45.9	...	900.2	519.1
" 18	356.0	502.2	43.4	...	911.6	545.6
" 25	366.0	502.2	43.4	...	920.3	...
" 31	382.4	...	27.9	...	932.2	545.2
Apr. 8	387.0	510.8	34.4	...	941.2	547.2
" 15	394.0	511.7	35.4	...	939.1	537.1
" 22	402.0	498.0	39.1	...	958.5	549.5
" 29	409.0	498.7	50.8	...	978.6	555.1
May 6	419.0	513.0	42.1	4.5	978.6	555.1

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

TREASURY BILLS

Date of Tender	Amount			Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted	
1938				
May 6	45.0	87.8	40.0	10 0.69
1939				
Jan. 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
" 17	40.0	73.8	40.0	10 1.32
" 24	45.0	57.9	45.0	14 7.44
Apr. 6	35.0	55.8	42.0	25 6.72
" 13	45.0	58.0	32.0	26 2.83
" 20	30.0	51.3	30.0	31 2.37
" 27	30.0	66.0	30.0	26 3.35
May 4	30.0	63.5	30.0	24 3.67
" 11	30.0	60.7	30.0	15 11.77

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 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 May 5th applications at £99 15s. 11d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted at about 37 per cent. and applications at £99 16s. 0d. for bills to be paid for on Saturday were accepted in full. £30.0 millions of Treasury bills are being offered on May 12th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
Sixteen weeks to—		
Apr. 23, 1938	10,845,101	8,133,825
Apr. 22, 1939	10,073,584	7,555,152
Week to—		
Apr. 23, 1938†	481,036	360,777
Apr. 15, 1939†	443,553	332,665
Apr. 22, 1939	575,282	431,461

† 5 days only.

BANK OF ENGLAND RETURNS

MAY 10, 1939

ISSUE DEPARTMENT

(£ thousands)		(£ thousands)	
Notes Issued:	495,893,566	Govt. Debt...	11,015,100
In Circul...	3,194,781	Other Govt. Securities...	287,579,628
In Banking Dept...	30,266,439	Other Secs...	514,459
		Silver Coin...	890,813
		Amt. of Fid. Issue	300,000,000
		Gold Coin & Bullion (at 148s. 5d. per oz. fine)	226,160,005
	526,160,005		526,160,005

BANKING DEPARTMENT

(£ thousands)		(£ thousands)	
Props. capital	14,553,000	Govt. Secs...	114,126,164
Rest...	3,194,781	Other Secs.: Discs., etc...	8,102,135
Public Depts.*	19,058,604	Securities...	21,244,518
Other Depts.: Bankers	101,356,380		29,346,653
Other Accs.	36,279,100	Notes: Gold & Silver Coin	30,266,439
	137,635,480		702,609
	174,441,865		174,441,865

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

THE WEEK'S CHANGES

Both Departments	Amt. May 10, 1939	Compared with	
		Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	495,894	+ 437	+ 13,703
Deposits: Public...	19,059	+ 8,570	+ 17,537
Bankers'...	101,356	+ 6,858	+ 13,413
Others	36,279	+ 762	+ 820
Total outside liabilities	652,588	+ 1,388	+ 10,400
Capital and rest	17,748	+ 15	+ 10
COMBINED ASSETS			
Govt. debt and securities	412,721	+ 2,150	+ 107,239
Discounts and advances	8,102	+ 73	+ 500
Other securities	21,759	+ 654	+ 2,099
Silver coin in issue dept.	891	+ 27	+ 882
Gold coin and bullion†	226,863	+ 47	+ 100,310
RESERVES			
Res. of notes & coin in banking department...	30,969	+ 435	+ 14,014
Proportion of reserve to outside liabilities—			
(a) Bankg. dept. only ("proportion")	19.7%	+ 0.4%	+ 9.0%
(b) Gold stocks to deposits and notes ("reserve ratio")	34.8%	+ 0.1%	+ 16.1%

† Revalued from Mar. 1, 1939, in accordance with the Currency and Bank Notes Act, 1939.

COMPARATIVE ANALYSIS*

	1939				
	May 11	Apr. 19	Apr. 26	May 3	May 10
Issue Dept.:					
Notes in circ.	482.2	485.0	489.1	495.5	495.9
Notes in banking dept.	44.2	41.2	37.1	30.7	30.3
Govt. debt and securities	199.7	298.5	298.5	298.7	298.6
Other sec.	0.3	0.7	0.7	0.5	0.5
Silver coin	0.0	0.8	0.8	0.9	0.9
Gold, valued at 3. per f. oz.	326.4	226.2	226.2	226.2	226.2
Deposits:					
Public	36.6	22.1	27.0	10.5	19.0
Bankers'	87.9	96.5	91.4	108.2	101.4
Others	35.5	38.8	37.6	37.0	36.3
Total	160.0	157.4	156.0	155.7	156.7
Bkg. Dept. Secs.					
Government...	105.7	102.0	107.2	111.9	114.1
Discounts, etc.	7.6	6.7	6.2	8.2	8.1
Other	19.4	24.2	22.3	21.9	21.2
Total	132.7	132.9	135.7	142.0	143.4
Banking dept. reserve	45.0	42.2	38.0	31.4	31.0
"Proportion"	28.7	28.7	28.3	20.1	19.7
Reserve ratio†	50.9	35.4	35.2	34.9	34.8

* 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—The latest returns of the Banks of Argentina, Canada, Egypt, Iran, Lithuania, Norway and Poland, appeared in *The Economist* of April 29th. Estonia, Finland, Greece, Japan, Latvia, Netherlands, New Zealand and Prague, of May 6th.

BANK FOR INTERNATIONAL SETTLEMENTS.—(Million Swiss gold francs of 0.29 grammes)

ASSETS	Apr. 30, 1938	Feb. 28, 1939	Mar. 31, 1939	Apr. 30, 1939
Gold in bars	21.1	51.1	31.0	30.0
Cash	20.6	11.9	23.6	18.1
Sight funds	19.6	12.5	32.7	31.0
Bills and acceptances:				
(a) Commercial bills	132.3	148.0	142.2	140.4
(b) Treasury bills	90.3	70.3	74.7	75.9
Time funds at interest	57.6	29.3	32.8	29.6
Sundry bills & invests.	293.3	271.5	258.7	249.5
Other assets	1.1	1.6	3.0	1.5
LIABILITIES				
Cap. and reserves	148.2	149.3	149.3	149.3
Long-term commitments:				
(1) Annuity trust	153.3	153.1	153.1	153.1
(2) Govt. deposits	106.1	102.0	102.0	102.0
Short and sight depts.:				
(a) Central banks:				
Own account	170.8	131.0	143.5	127.3
For acct. others	1.9	1.7	1.8	1.5
(b) Other depts.	2.4	4.6	4.4	3.6
Sight deposits—gold	9.8	9.8	9.7	9.6
Miscellaneous items	43.3	44.7	42.7	43.4

U.S. FEDERAL RESERVE BANKS
Million \$'s

12 U.S.F.R. BANKS	May 12, 1938	Apr. 13, 1939	May 4, 1939	May 11, 1939
Gold certifs. on hand and due from Treas.	10,641	12,717	13,120	13,199
Total reserves	11,077	13,102	13,491	13,568
Total cash reserves	427	376	364	360
Total bills discounted	8	1	3	4
Bills bt. in open mkt.	9	1	1	1
Total bills on hand	9	1	1	1
Industrial advances	16	14	13	13
Total U.S. Govt. secs.	2,564	2,564	2,564	2,564
Total bills and secs.	2,589	2,582	2,581	2,581
Total resources	14,305	16,447	16,795	16,812
LIABILITIES				
F.R. notes in circn.	4,133	4,394	4,465	4,459
Aggregate of excess mfr. bank res. over reqts.	2,480	3,880	4,080	4,190
Deposits—Member bank reserve account	7,560	9,528	9,872	9,967
Govt. deposits	1,361	1,015	926	959
Total deposits	9,292	11,057	11,362	11,447
Cap. paid in and surplus	309	311	311	311
Total liabilities	14,305	16,447	16,795	16,812
U.S.F.R. notes	82.5%	84.8%	85.2%	85.3%
U.S.F.R. BANKS AND TREASURY COMBINED RESOURCES				
Monetary gold stock	12,880	15,430	15,801	15,856
Treasury and Nat. Bk. currency	2,695	2,842	2,851	2,854
LIABILITIES				
Money in circulation	6,396	6,835	6,915	6,904
Treasury cash and deposits with F.R. Bks.	3,576	3,722	3,627	3,637

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

ASSETS	May 12, 1938	Apr. 13, 1939	May 4, 1939	May 11, 1939
Gold	462.5	603.0	635.7	637.1
Total gold reserves	2.7	0.6	1.1	1.5
Bills bt. in open mkt.	0.2	0.2	0.2	0.2
Total U.S. Govt. secs.	745.8	721.9	721.9	721.9
Total bills and secs.	753.2	726.6	726.4	726.8
Deposits—Member bank reserve account	3483.9	5102.8	5344.8	5419.1
Reserve to depts. and F.R. notes	87.5%	90.4%	90.9%	90.9%

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

ASSETS	Apr. 27, 1938	Mar. 29, 1939	Apr. 19, 1939	Apr. 26, 1939
Loans, total	8,587	8,191	8,124	8,100
Investments	12,257	13,388	13,684	13,675
Reserve with Federal Reserve banks	6,066	7,515	8,100	8,257
Due from domestic bks.	2,256	2,759	2,885	2,571
LIABILITIES				
Deposits—demand	14,598	15,991	16,619	16,742
Time	5,230	5,217	5,213	5,235
U.S. Government	585	629	628	624
Inter-bank	5,969	6,466	6,576	6,590

NATIONAL BANK OF BELGIUM
Million belgas

ASSETS	May 5, 1938	Apr. 27, 1939	Apr. 27, 1939	May 4, 1939
Gold	3,101	3,060	3,066	3,080
Silver and other coin	50	54	53	51
Foreign exchange, etc.	1,132	662	442	442
Bills and securities	566	747	979	987
Advances	45	146	150	147
LIABILITIES				
Notes in circulation	4,366	4,373	4,459	4,488
Deposits: Govt.	43	14	7	8
Other	398	192	135	122

REICHSBANK

Million Reichsmarks

ASSETS	May 7, 1938	Apr. 6, 1939	Apr. 29, 1939	May 6, 1939
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	5.4	5.6	5.8	5.9
Bills and cheques	5623.4	7778.4	7726.0	7473.8
Silver and other coin	188.7	120.8	111.4	122.8
Advances	42.5	37.8	54.8	48.5
Secs.: for note cover	417.9	324.4	476.2	476.5
Other assets	1130.0	1428.0	1816.6	1814.4
LIABILITIES				
Notes in circulation	5859.7	7816.5	28518.6	8252.0
Other daily maturing obligations	953.4	1059.8	1122.3	1218.8
Other liabilities	229.7	544.6	624.1	566.2
Cover of note circulatn.	1.31%	0.94%	0.90%	0.93%

BANK OF FRANCE.—Million francs

ASSETS	May 5, 1938	Apr. 27, 1939	Apr. 27, 1939	May 4, 1939
Gold	55,807	87,266	92,267	92,266
Bills: Commercial	11,090	9,815	11,331	10,629
Bought abroad	774	726	726	726
Advances on securities	3,878	3,397	3,362	3,441
Thirty-day advances	1,414	151	127	293
Loans to State without interest: (a) general	3,200	10,000	10,000	10,000
(b) provisional	40,134	20,577	20,577	20,577
Negotiable bonds	5,575	5,470	5,470	5,470
Sinking Fund Dept.	4,372	4,685	4,465	4,495
Other assets	98,960	120,303	124,666	125,553
LIABILITIES				
Notes in circulation	2,280	3,771	3,755	3,899
Deposits: Public	21,233	14,907	17,069	15,427
Private	3,769	3,107	2,835	3,219
Other liabilities	45.5%	62.7%	63.3%	63.7%

AUSTRALIAN COMMONWEALTH BANK.—Million £'s

ASSETS	May 9, 1938	Apr. 10, 1939	May 1, 1939	May 8, 1939
Gold and English stg.	16.01	16.03	16.03	16.03
Other coin, bullion, &c.	5.57	5.54	5.68	5.62
Call money, London	25.98	16.12	15.99	14.96
Secs. and Treas. bills	91.50	95.41	94.13	94.50
Discounts and advances	12.79	16.43	17.23	17.42
LIABILITIES				
Notes issued	50.28	49.53	48.53	48.28
Res. pm. on gold sold	7.75	7.75	7.75	7.75
Deposits, etc.	86.06	81.48	82.51	81.86

BANK OF DANTZIG

Million Danzig gulder

ASSETS	Apr. 15, 1938	Mar. 15, 1939	Apr. 15, 1939	Apr. 29, 1939
Gold coin and bullion	28.38	25.26	25.26	25.26
Danzig subord. coin	3.27	2.91	3.30	2.83
Balances abroad and foreign bills	3.41	2.60	3.35	4.46
Discounts	13.27	24.73	26.26	21.93
LIABILITIES				
Notes in circulation	35.40	41.42	37.61	48.32
Deposits on demand	12.50	15.36	21.59	19.12

NATIONAL BANK OF DENMARK
Million kroner

ASSETS	Apr. 29, 1938	Feb. 28, 1939	Mar. 31, 1939	Apr. 29, 1939
Gold coin and bullion	117.7	120.9	117.6	117.5
Foreign bills & balances	75.0	130.7	115.7	107.3
Home bills, securities and loans	273.5	371.2	391.5	338.6
Emergency fund	82.2	48.7	49.0	66.6
Advances to Treasury	40.8	—	—	—
LIABILITIES				
Notes in circulation	420.5	413.9	436.1	448.5
Deposits	68.8	88.3	85.1	63.8
Foreign liabilities	2.7	19.7	13.9	20.7

RESERVE BANK OF INDIA

Million rupees

ASSETS	Apr. 29, 1938	Mar. 31, 1939	Apr. 21, 1939	Apr. 28, 1939
Gold coin and bullion	444	444	444	444
Rupee coin	591	711	657	661
Balances abroad	47	144	124	124
Sterling securities	788	595	595	595
Indian Govt. rupee securities	324	323	373	373
Investments	71	66	67	69
LIABILITIES				
Notes in circn.: India	1,753	1,784	1,798	1,782
Burma	76	107	107	105
Deposits: Govts.	185	197	143	167
Banks	148	114	131	121
Gold and sterling liabilities	57.4%	50.1%	50.2%	50.1%

BANK OF JAVA.—Million florins

ASSETS	May 7, 1938	Apr. 1939	Apr. 1939	May 6, 1939
Gold and silver	136.71	138.53	137.54	134.92
Discounts, advances & other investments	70.79	75.12	74.80	79.40
Foreign bills	1.65	5.32	10.17	12.22
Other assets	52.90	67.47	70.36	71.67
LIABILITIES				
Notes in circulation	190.95	196.56	192.57	197.70
Deposits and bills	62.65	75.37	86.76	86.89

NATIONAL BANK OF HUNGARY

Million pengö

ASSETS	Apr. 30, 1938	Mar. 31, 1939	Apr. 23, 1939	Apr. 30, 1939
Metal reserve:				
Gold coin and bullion	84.1	124.1	124.1	124.1
Foreign exchange	70.7	87.4	103.6	102.2
Int. bills, wts., & secs.	471.4	505.6	466.5	512.3
Advances to Treasury:				
Long term	118.5	200.0	199.6	200.1
Czech-Kr. exch.	—	80.1	98.1	96.0
LIABILITIES				
Notes in circulation	585.4	888.5	823.0	895.6
Current accounts, and sight liab.	213.6	178.7	205.7	187.0
Cash certificates	69.7	99.0	99.0	99.0

NATIONAL BANK OF JUGOSLAVIA

Million dinar

ASSETS	Apr. 30, 1938	Mar. 31, 1939	Apr. 22, 1939	Apr. 30, 1939
Gold	1,821	1,916	1,916	1,917
Other foreign exchange	389	438	416	485
Discounts and advances	1,550	1,676	1,771	1,787
Government advances	2,240	2,229	2,229	2,229
LIABILITIES				
Notes in circulation	5,898	6,806	7,070	7,423
Sight liabilities	2,649	1,808	1,669	1,568

BANK OF PORTUGAL

Million escudos

ASSETS	Jan. 12, 1938	Dec. 14, 1938	Jan. 11, 1939	Jan. 11, 1939
Gold	917.3	918.4	918.6	918.7
Balances abroad	612.2	679.5	699.9	687.3
Discounts	327.2	438.6	486.2	485.1
Securities	120.6	120.6	118.0	118.0
Government loans	1041.6	1039.0	1038.3	1038.3
LIABILITIES				
Notes in circulation	2166.8	2199.4	2253.6	2215.8
Deposits: Government	341.9	367.5	389.4	437.5
Bankers	67.1	65.3	65.1	624.7
Other	27.1	29.0	36.1	38.3
Foreign commitments	54.0	163.1	190.2	185.4

NATIONAL BANK OF ROUMANIA

Million lei

ASSETS	Feb. 15, 1938	Mar. 18, 1939	Apr. 15, 1939	Apr. 15, 1939
Gold and gold exchange	18,306	18,351	18,388	18,414
Clearing and other for exchange	1,233	1,216	1,106	1,271
Commercial bills	10,573	10,491	11,825	11,769
Agric. & urban advcs.	1,743	1,646	1,629	1,629
Treasury bills issued agnst. losses on credits	4,699	4,735	4,648	4,654
State debt and adv. to Treasury	5,589	5,589	5,589	5,589
Secs. and participatns.	2,175	1,794	2,413	2,413
LIABILITIES				
Notes in circulation	33,982	34,672	39,555	39,201
Other sight liabilities	13,705	13,439	10,827	10,308
Long-term liabilities	3,872	3,942	4,767	5,657

SOUTH AFRICAN RESERVE BANK

Million £'s

ASSETS	Apr. 29, 1938</
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EXCHANGE RATES—cont.

NEW YORK

New York on	May 4, 1939	May 5, 1939	May 6, 1939	May 8, 1939	May 9, 1939	May 10, 1939
London:—						
60 days	467 ¹ / ₂	467 ¹ / ₂	467 ¹ / ₂	467 ¹ / ₂	467 ¹ / ₂	467 ¹ / ₂
Cables	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
Paris, Fr.	2 64 ¹ / ₂	2 64 ¹ / ₂	2 64 ¹ / ₂	2 64 ¹ / ₂	2 64 ¹ / ₂	2 64 ¹ / ₂
Brussels, Bel.	17 01	17 03	17 02	17 02	17 02	17 02
Switzerland, Fr.	22 44 ¹ / ₂	22 46	22 46	22 46	22 46	22 46
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
Berlin, Mark	40 13	40 12	40 13	40 13	40 13	40 13
Amsterdam, Guilder	53 37 ¹ / ₂	53 42	53 42	53 42	53 42	53 42
Copenhagen, Kr.	20 90	20 90	20 90	20 90	20 90	20 90
Oslo, Kr.	23 52	23 52	23 52	23 52	23 52	23 52
Stockholm, Kr.	24 12	24 12	24 12	24 12	24 12	24 12
Athens, Dr.	0 85 ¹ / ₂	0 85 ¹ / ₂	0 85 ¹ / ₂	0 85 ¹ / ₂	0 85 ¹ / ₂	0 85 ¹ / ₂
Montreal, Can. \$	99 530	99 530	99 530	99 530	99 530	99 530
Yokohama, Yen	27 32	27 32	27 31	27 31	27 31	27 31
Shanghai, \$	16 15	16 15	16 15	16 12	16 25	16 25
Buenos Aires, \$	29 04	29 04	29 04	29 04	29 04	29 04
Sao Paulo, \$	5 50	5 50	5 50	5 50	5 50	5 50

Usance: T.T. † Official.

IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended May 11, 1939

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
GOLD					
South Africa	1,995,545	£	Canada	6,016,982	7,385
S. Rhodesia	78,932	£	Sweden	261,588	2,624
Soviet Union	1,202,894	£	Netherlands	28,454	30,789
Poland	92,206	£	France	9,065	9,532
Netherlands	3,406,207	£	Syria	20,715,968	145,199
Belgium	430,360	£	Switzerland	27,045,581	145,199
Switzerland	671,595	£	United States	44,652	43,760
Total*	7,969,903	£	Total*	44,652	43,760
SILVER					
S. Rhodesia	118	£	Channel Is.	3,000	39,710
Hong Kong	42,819	£	Palestine	9,410	...
Australia	1,616	£	Bombay	4,050	...
Norway	4,400	£	Sweden	2,684	...
Netherlands	6,852	£	Poland	18,420	50
France	22,647	£	Germany	8,890	50
Japan	78,501	£	United States	44,652	43,760
Total*	78,501	£	Total*	44,652	43,760

* Including other countries.

MONTHLY STATEMENT OF LONDON CLEARING BANKS

(000's omitted)

Average Weekly Balance April, 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	£	£	£	£	£	£	£	£	£	£	£	£
Joint bank notes and balances with the Bank of England	44,541	1,797	7,998	2,998	42,210	9,629	46,708	3,254	32,740	33,275	3,811	228,961
Joint bank notes and balances with the Bank of England in course of collection on other Banks in Great Britain and Ireland	12,252	767	2,087	1,630	10,341	2,791	12,915	396	6,935	8,858	1,853	60,825
Joint bank notes and balances in transit	23,545	1,520	8,193	6,257	27,335	4,975	21,896	4,070	15,791	26,040	5,633	145,255
Joint bank notes and balances discounted	45,501	612	4,427	399	33,095	3,567	45,712	4,070	21,385	27,682	519	184,369
Joint bank notes and balances advanced to customers and other accounts	96,886	7,330	29,175	9,792	107,782	31,377	116,264	14,291	79,703	106,624	11,315	610,539
Joint bank notes and balances for acceptances, endorsements, etc.	203,785	11,400	30,309	10,236	167,251	47,204	213,544	16,570	143,508	134,007	14,708	992,522
Joint bank notes and balances in bank premises account	15,944	845	7,525	3,288	38,056	7,524	18,849	562	9,009	22,619	1,940	126,161
Joint bank notes and balances in affiliated banks and subsidiary companies	7,434	412	1,621	740	7,501	2,794	9,739	601	7,417	5,118	1,045	44,422
Joint bank notes and balances in other accounts	7,003	...	...	...	3,624	...	8,016	...	2,514	2,993	...	24,150
Ratio of cash to current, deposit and other accounts	456,891	24,683	91,335	35,340	440,762	110,557	493,643	41,214	319,002	367,216	40,824	2,421,467
Ratio of cash to current, deposit and other accounts	10.75	8.23	10.27	9.94	11.18	10.10	10.44	8.88	11.21	10.21	10.55	10.63
LIABILITIES	£	£	£	£	£	£	£	£	£	£	£	£
Capital paid up	15,858	1,000	2,976	1,060	15,810	4,160	15,159	1,500	9,479	9,320	1,875	78,197
Reserve fund	10,750	1,000	2,977	530	9,500	3,550	12,410	1,500	9,479	9,320	1,875	78,197
Current, deposit and other accounts	414,339	21,838	77,857	30,162	377,389	95,301	447,225	36,628	292,014	325,942	36,109	2,154,804
Acceptances, endorsements, etc.	15,944	845	7,525	3,288	38,056	7,524	18,849	562	9,009	22,619	1,940	126,161
Notes in circulation	...	...	...	...	...	...	...	...	...	...	...	...
Reduction of bank premises account	...	...	...	300	...	...	...	...	...	...	...	300
Ratio of cash to current, deposit and other accounts	456,891	24,683	91,335	35,340	440,762	110,557	493,643	41,214	319,002	367,216	40,824	2,421,467

OIL OUTPUTS

Anglo-Iranian Oil Company, Ltd.—Production in Iran for the months of May and February, 1939, amounted to 6,000 and 650,000 tons respectively, totalling 1,486,000 tons.

The British Burmah Petroleum Company, Ltd.—Output for April, 1939, 50,875 tons.

Attock Oil Co., Ltd.—Controlled output, April, 1939, was 58,962 barrels.

Phoenix Oil and Transport Company, Ltd.—The output of crude oil of the Phoenix Group for April, 1939, was 46,396 tons.

The Venezuelan Oil Concessions, Ltd.—Total output for week ended May 6, 1939, 1,266,615 barrels.

British Controlled Oilfields, Ltd.—Total output week ended May 6, 1939, 20,830 barrels.

Trinidad Petroleum Development Company, Ltd.—Output for week ended May 6, 1939, 58,561 barrels; output for April, 1939, 233,000 barrels; deliveries for April, including purchased oil, 246,973 barrels.

Kern Oil Company, Ltd.—Total output of the company and its subsidiaries during April, 1939, 187,271 barrels, or approximately 26,753 tons.

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended May 7 (£'000)				Aggregate Gross Receipts, 18 weeks (£'000)			
	Passenger	Merchandise	Coal & Coke	Total	Passenger	Merchandise	Coal & Coke	Total
L.M. & S.—	443	470	262	735	1,175	7,717	8,620	17,512
1938	430	505	274	779	1,209	7,530	8,146	16,885
1939	443	470	262	735	1,175	7,717	8,620	17,512
L. & N.E. (a)—	275	310	231	546	816	5,045	6,108	11,969
1938	277	317	242	559	836	4,949	5,642	11,289
1939	275	310	231	546	816	5,045	6,108	11,969
Great Western—	187	192	98	397	477	3,230	3,493	7,200
1938	186	215	106	391	507	3,190	3,458	7,155
1939	187	192	98	397	477	3,230	3,493	7,200
Southern—	281	52	20	353	5,027	1,091	602	6,720
1938	280	57	23	360	5,002	1,041	616	6,659
1939	281	52	20	353	5,027	1,091	602	6,720
Total—	1,186	1,024	611	2,821	21,019	13,312	12,426	36,757
1938	1,173	1,094	645	2,912	20,671	12,827	12,567	36,065
1939	1,186	1,024	611	2,821	21,019	13,312	12,426	36,757

(a) Week ended May 6.

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:—	504	551	116	61
18 weeks to May 7, 1939:—	28 00	30 61	6 44	3 38
Latest week compared with average 1927-30	34	20	30	7
Latest week compared with average 1927-30	156	191	77	24

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended May 5, 1939 (€'000)			Aggregate Gross Receipts, 18 weeks (€'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—	1.9	0.5	2.4	32.7	7.9	40.6
1938	1.9	0.4	2.3	32.9	7.8	40.7
1939	1.9	0.5	2.4	32.7	7.9	40.6
Great Northern—	9.1	7.8	16.9	154.9	156.0	310.9
1938	9.4	10.4	19.8	158.0	179.0	337.0
1939	9.1	7.8	16.9	154.9	156.0	310.9
Great Southern—	35.0	40.7	75.7	542.7	725.7	1,268.4
1938	35.0	45.6	80.6	536.7	737.4	1,274.1
1939	35.0	40.7	75.7	542.7	725.7	1,268.4

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														
Nitrate Railways	14	...	...	14	Placer Developmt.	60	12	June 10	60	Imp. Continental Gas	10	10	...	10
South Indian	2*	...	...	21*	Scot. Australian Mng.	12	...	June 22	60	Indian, etc., Invest.	12	...	June 8	13 1/2
West India Portuguese	3 3/8	...	...	3 3/8	Sons of Gwalia	20†	50	June 22	60	Jersey Trust	6†	64	June 1	6 1/2
BANKS					INDUSTRIALS									
Bk. of London & S.	2*	...	June 6	2*	A.C.E. Machinery	7 1/2*	...	June 1	...	Long Scottish Amer. Tst	210	22 1/2	June 1	22 1/2
Netherlands Bank	...	3	June 6	3	Anglo-Newfoundland	3 1/2†	6	July 15	8	Lyons (L.) and Co.	5†	10	May 30	20
Royal Bank of Scot.	17pa*	...	June 21	17pa*	Dev.	3 1/2†	3	June 30	Nil	Malkin Tiles	5†	...	...	4*
INSURANCE														
Ecclesiastical Ins.	...	5	...	5	Associated Biscuit	2 1/2*	...	May 15	12 1/2*	Mellows and Co.	17 1/2†	30	...	30
Pioneer Life	1/3 ps†	12 1/2	...	12 1/2	Associated Equipment	15*	...	June 1	10*	Met. Industrial Dwells	2 1/2†	4 1/2	...	5
TEA & RUBBER														
Alliance Tea	...	5	...	7	Atlas Steel	5*	...	May 24	5*	Met. Properties	3 3/4*	...	June 3	3 1/2*
Amalgamated Tea	...	7 1/2	...	10	Bass, Ratcliff, etc.	16†	(w) 28 1/2	...	85(z)	Moss Gear	...	12 1/2	...	12 1/2
Anglo-American Tea	...	10†	15	20	Beechams Pills	5*	7 1/2	...	7	Mowlem (John)	24*	...	June 15	21*
Bradwall Rubber	...	10†	15	20	Bengals Food	4†	...	...	4*	Nelson Financial Tst.	...	20	June 1	41*
Chubwa Tea	...	10†	15	20	Bentley's Breweries	5†	...	32 1/2(z)	...	Niddine Coal	6*	...	June 1	6*
Cons. Tea & Lands	7 1/2†	3 1/2	May 23	10	Boots Pure Drug	10†	25	...	12 1/2	Northern Amer. Tst.	2 1/2*	...	...	2 1/2*
Dalkeith Rubber	...	3†	6	8	Brit. Borneo Petroleum	10†	15	...	12 1/2	Osborn (Samuel)	5†	...	...	10
Galaha Tea	...	3†	6	8	Brookes (W. J.)	11†	13	...	5	Parkland Mng.	5†	7 1/2	June 14	15*
Hollywood Rubber	...	5	...	12 1/2	Burntisland Shipping	11†	13	...	5*	Phipps (P.)	5†	...	June 14	35*
Hong Kong Rubber	...	10†	20	...	Butler (W.) and Co.	(a) 45*	10†	15	...	Radio Rentals	3*	...	June 1	3*
Imperial Ceylon Tea	...	7	...	8	Callenders Cable	21*	...	June 1	21*	Radcliffe's Edible	20*	...	June 1	20*
Kanara Devan Tea	14 1/2†	17 1/2	...	10	Camperdown Trust	13 1/2†	17 1/2	...	15	Products	17 1/2†	25	...	22 1/2
Lebong Tea	...	5†	...	10	Cape Asbestos ord.	13 1/2†	22 1/2	...	20	Rolls-Royce	...	6	...	4
New Sylhet Tea	...	10†	15	June 8	Do. pref.	13 1/2†	22 1/2	...	20	Rotterdamische Lloyd	3†	4	...	7 1/2
Pathini Tea	...	...	...	15	Cawnpore Electric	7†	10	...	...	Second Guardian Tst.	5 1/2†	7 1/2	...	4
Peacock, etc., Rubber	...	5-56	May 26	3 1/2	Chesters Brewery	16†	24	...	25	Second Merc. Trust	3 1/2*	...	...	7 1/2
Palmadulla Rbr.	7†	10	May 25	17 1/2	Cockburn Trust	3†	...	May 23	3*	Simth & G. (S.)	7 1/2*	...	...	7 1/2
Sungei Chioh Rbr.	...	...	...	12 1/2	Criterion Restaurants	10†	15	...	15	Stroud Brewery	3†	5 1/2	...	5 1/2
Sylhet Tea	7 1/2†	10	June 6	12	Derident Stamping	14†	20	...	20	Swan Estates	...	25	...	15
Yatiantota Tea	...	2	May 31	3 1/2	Dutch Ford	10†	20	...	20	Weymann's Motor Bds	22 1/2†	30	...	10
MINING														
Boulder Perseverance	20†	40	June 16	40	East London Rubber	17 1/2†	25	May 30	20	Whites (Timothy)	22 1/2†	10	...	...
Bulolo Gold	\$1.50*	...	June 10	\$1.50*	Engineering Compa.	7 1/2†	12 1/2	...	12 1/2	Wiggins Teape	7†	10	...	pence
Gold Fields Australian	...	...	...	...	Finlay (James)	13†	20	...	25	UNIT TRUSTS	pence	...	May 13	...
Dev.	...	7 1/2	June 1	Nil	Fokker Aeroplane	...	3	...	6	Allied Investors	22 1/2†	...	May 9	45-2
Kenya Gold	...	10	...	10	Galloway (John)	...	3	...	25	British Industrs. (3rd)	11 d	...	June 15	...
Mount Lyell Mng.	21*	...	...	21*	Govt. & Gen. Invest.	3*	...	June 1	3*	New British Fixed	...	...	...	...
...	...	...	...	...	Green (J. W.)	4*	...	June 1	4*	(1) 5% paid free of income tax. (w) On 7,200,000 2% share. Absorbed £256,500 gross. (2) Absorbed £253,769 gross. (a) Paid on larger capital. † Free of income tax. (s) 8 1/2 per cent. paid free of income tax	...	...	...	...

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 May 10, inclusive				Prices, Year 1939 Jan. 1 to May 10, inclusive				Last Two Dividends				Name of Security				Price, May 10, 1939				Yield May 10, 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		High-est		Low-est	
(a) %		(b) %		(c) %		(d) %		(a) %		(b) %		(c) %		(d) %		(a) %		(b) %		(c) %		(d) %		(a) %		(b) %	
British Funds																											
Consols 2 1/2 % 1944-49 67 1/2 +1 3 14 3 32 1/2 15/- 6c Nil Brit. Overseas A £5 17/6 ... Nil																											
Do. 4% (alt. 1957) 104 1/2 +1 3 14 3 9 7 11 1/2 5b Chd. of India £5 7 3/4 ... 6 8 6																											
Conv. 2 1/2 % 1944-49 94 1/2 +1 3 3 0 12 1/2 10 7 1/2 3 1/2 3 1/2 Comm. Bk. of Aus. 10/- 11/6 ... 4 17 6																											
Do. 3% 1948-53 96 1/2 +1 3 7 3 52 1/2 48 6 5b District B. £1 fy. pd. 50/- ... 5 4 0																											
Do. 3 1/2 % after 1961 93 1/2 +1 3 15 1 61 1/2 31 1/2 3 1/2 En. S. & Aust. £5 1/2 66 3/4 +10 1/2 6 6 0																											
Do. 4 1/2 % 1940-44 104 +1 2 2 6 10 1/2 47 1/2 42 1/2 3 1/2 Hambros £10, £2 1/2 10 1/2 ... 4 10 2																											
Do. 5% 1944-64 108 1/2 +1 3 2 2 6 1/2 59 1/2 52 6 6 1/2 Lloyds & S. £12 1/2 48 1/2 +£1 4 7 6																											
Fund. 2 1/2 % 1956-61 84 1/2 +1 3 10 9 59 1/2 52 6 6 1/2 H. & S. £12 1/2 48 1/2 ... 4 8 0																											
Fund. 2 1/2 % 1952-57 90 1/2 +1 3 9 0 8 1/2 71 1/2 7 1/2 7 1/2 Martin £20, £2 1/2 8 1/2 ... 4 8 0																											
Fund. 3% 1959-69 91 1/2 +1 3 9 3 86 1/2 79 6 8 1/2 Midland £1, fy. pd. 82/- ... 3 17 0																											
Fund. 4% 1960-90 105 1/2 +1 3 12 0 6 51 1/2 5 1/2 5 1/2 Nat. Dis. £2 1/2 fy. pd. 5 1/2 ... 4 5 0																											
Nat. D. 2 1/2 % 1944-48 97 +2 3 1 0 30 1/2 20 11 1/2 4 1/2 Nat. of Egypt £10 27 ... 2 5 1/2																											
Do. 3% 1954-58 94 1/2 +1 3 8 8 34 1/2 71 1/2 8 1/2 N. of Ind. £25, £12 1/2 29 1/2 +1 6 5 1/2																											
Victory Bonds 4% 105 1/2 +1 3 16 0 60 1/2 71 1/2 8 1/2 N. Prov. £5, £1 pd. 66 1/2 +3 1/2 5 11 1/2																											
War L. 3 1/2 % af. 1952 92 1/2 +1 3 15 0 45 1/2 41 1/2 8 1/2 Roy. Bk. of Scotland 420 1/2 +3 1/2 5 4 0																											
Local Loans 3% 79 +1 3 15 7 16 1/2 14 1/2 10 1/2 St. of S.A. £20, £5 pd. 14 1/2 ... 4 14 1																											
Austria 3% 1933-53 95 1/2 +1 3 7 9 46 1/2 39 6 6 1/2 Union Dis. £1 42 1/2 ... 4 14 1																											
India 2 1/2 % 58 1/2 +1 4 6 0 91 1/2 73 1/2 9 1/2 West. £4, £1 pd. 83/- -1/- 4 7 0																											
Do. 3% 70 +2 4 6 0																											
Do. 4 1/2 % 1958-68 106 1/2 +2 4 0 0 26 1/2 23 1/2 40 1/2 50 1/2 Alliance £1, fully pd. 25 +1 3 12 0																											
Dom. & Col. Govts.																											
Aust. 5% 1945-75 103 1/2 +3 4 11 3 14 1/2 13 1/2 13 1/2 Atlas £5, £11 pd. 13 1/2 +1 4 2 18 0																											
Canada 4% 1940-60 100 1/2 ... 3 19 6 85 1/2 20 1/2 20 1/2 Com. Un. £1, 5/- pd. 9 1/2 +1 6 4 8 0																											
Nigeria 5% 1950-60 108 1/2 ... 4 2 9 29 1/2 25 2 1/2 2 1/2 Gen. Acc. £1, 5/- pd. 87 1/2 +2 6 3 16 11																											
N. Zealand 5% 1946 101 1/2 ... 4 0 9 11 1/2 26 3 1/2 3 1/2 L. & Lanc. £5 1/2 pd. 26 +1 1 3 2 6																											
Queens. 5% 1940-60 100 1/2 +1 5 0 0 20 16 1/2 12 1/2 12 1/2 N. Brit. & Merc. £1 pd. 18 1/2 +3 4 0 0																											
S. Africa 5% 1945-75 107 1/2 ... 3 16 6 13 1/2 6 1/2 6 1/2 Phoenix £1, fy. pd. 14 1/2 +1 1/2 4 2 9																											
Foreign Governments																											
Arg. 4 1/2 % Stg. Bds. 79 ... 5 13 3 94 7 1/2 82 6 150 1/2 198 1/2 Prudential £1 A... 34 1/2 +1 2 2 17 0																											
Austria 1930 5% 32 1/2 +2 12 16 6 11 1/2 7 6 10 1/2 10 1/2 Royal Exchange £1 86 1/2 +1 3 2 6 1/2																											
Do. 4 1/2 % 1934-59 58 1/2 +1 8 19 3 81 1/2 72 1/2 3 1/2 3 1/2 Do. £1, with 4s. pd. 86 1/2 +1 3 2 6 1/2																											
Belgian 4% (35) 1970 85 1/2 +2 4 10 0 13 1/2 13 1/2 3 1/2 3 1/2 Royal £1, 10/- pd. 8 1/2 +1 8 4 0																											
Bulgaria 7 1/2 % 20 +1 12 0 0 88 3 77 1/2 1 1/2 1 1/2 Sun Ins. £1 with 5/2 pd. 77 1/2 +1 6 3 12 0																											
Brazil 5% (1914) 18 1/2 ... Nil 8 1/2 7 1/2 10 1/2 10 1/2 Sun. Lf. Ass., £1 fy. pd. 7 1/2 ... 2 12 0																											
Chile 6% (1929) 10 ... 20 0 0 230 210 4 1/2 8 1/2 Anglo-Am. Deb. 210 1/2 +3 5 14 3																											
China 5% (1912) 36 1/2 ... 13 14 0 47 1/2 39 1/2 3 1/2 3 1/2 Anglo-Celtic Ord. 39 1/2 +1 2 8 17 0																											
Do. 5% (1913) 51 1/2 +7 21 6 11 1/2 7 6 10 1/2 10 1/2 Brit. Assets Trust 5/- 8 1/2 ... 6 6 8																											
Czechoslovakia 8% 37 1/2 +2 3 1 6 11 1/2 13 10 1/2 10 1/2 Charterhouse Inv. £1 11 1/2 ... 5 2 3																											
Denmark 3% 77 +2 5 3 11 21 1/2 19 1/2 10 1/2 10 1/2 Debenture Corp. Stk. 195 1/2 ... 8 1 9																											
Egypt Unif. 4% 11 1/2 ... 5 9 0 60 1/2 40 1 1/2 2 1/2 2 1/2 For. Am. & Def. 40 ... 6 10 3																											
Finch 4% (British) 35 1/2 +1 14 1 0 117 1/2 107 1/2 2 1/2 4 1/2 Guardian Investment 107 1/2 ... 6 10 3																											
Ger. Dawes Ln. 5% 25 ... 9 11 0 240 203 8 1/2 8 1/2 Ind. and Gen. Ord. 210 +5 5 14 5																											
Do. Young Ln. 4 1/2 % 25 1/2 +1 17 0 225 21 21 2/2 2 1/2 Invest. Trust Def. 217 ... 5 19 10																											
Greek 6% Stab. Ln. 26 +2 12 0 4 15 6 12 1/2 6 1/2 Lake View Iron 10/- 12 1/2 -5 7 10 1																											
Hungary 7 1/2 % 26 +2 17 6 4 237 1/2 214 3 1/2 8 1/2 Mercantile Inv. 218 ... 5 10 1																											
Japan, 5 1/2 % 1936-65 44 +1 13 0 9 217 1/2 80 2 1/2 4 1/2 Merchants Trust 191 1/2 ... 6 8 8																											
Do. 6% (24) red. 1959 43 +1 8 19 0 217 1/2 190 5 1/2 7 1/2 Metropolitan Trust 192 1/2 ... 6 8 8																											
Peru 7 1/2 % 1922 44 1/2 ... 10 0 0 4 1/2 3 1/2 3 1/2 Scotish Inv. 5/- ... 5 0 0																											
Rome 4% Con. 1922 50 ... 16 1/2 155 1/2 4 1/2 4 1/2 Scotish Mort., &c. 155 1/2 +1 5 2 2																											
U.K. & Arg. C. 3% 78 +1 3 16 11 195 183 9 1/2 3 1/2 Trustees Corp. Ord. 186 1/2 ... 5 7 3																											
Corporation Stocks																											
Birmingham 5% 1946-56 107 +1 3 16 0 180 164 4 1/2 4 1/2 United States Deb. 167 1/2 +2 5 19 5																											
Bristol 5% 1948-58 108 ... 3 19 6																											
L.C.C. 3% 76 +1 3 18 11																											
Liverpool 3% 1954-64 88 ... 3 15 3																											
Mid. 3 1/2 % 1957-62 98 ... 3 13 3																											
Public Boards																											
C. Elec. 5% 1950-70 106 1/2 +1 4 10 0 71 9 1/2 6 1/2 6 1/2 Ansell's Brewery £1 71 6 +2 6 17 9																											
Lon. Pass. Transport 107 1/2 +2 4 4 6 127 1/2 109 6 1/2 6 1/2 Barclay Perkins £1 25 1/2 +1 6 4 0																											
4 1/2 % "A" 1985-2023 114 1/2 +1 4 5 6 64 1/2 57 1/2 14 1/2 14 1/2 Bass Ratcliff Ord. £1 126 6 +3 6 0 0																											
5 % "A" 1985-2023 107 1/2 +2 4 11 6 73 56 6 12 6 1/2 Harrington & Co. £1 63 6 +2 6 0 0																											
5 % "B" 1965-2023 69 1/2 +5 5 15 11 94 10 1/2 86 1/2 15 1/2 7 1/2 Courage Ord. £1 60 6 +6 5 19 0																											
"C" 1956 or after 109 3 109 3 96 17 12 1/2 12 1/2 Distillers Ord. £1 89 1/2 ... 5 10 0																											
Met. W.B. "B" 3% 77 1/2 +1 3 15 11 87 69 6 71 1/2 20 6 1/2 Guinness Ord. £1 105 6 +2 6 0 0																											
P. of Lon. 5% 50-70 107 1/2 ... 4 2 0 34 6 28 6 3 1/2 5 1/2 Meux & Co. & All. £1 80 1/2 +2 5 17 0																											
British Railways																											
G.W. Ord. 30 1/2 +4 1 12 9 69 67 13 1/2 14 1/2 3 1/2 Mitchell & Butcher 75 6 +2 5 11 2																											
L. & N.E.R. Def. 29 1/2 +5 8 12 9 34 6 26 9 4 1/2 3 1/2 Simonds (H. & G.) £1 66 6 -1 5 6 5																											
Do. 5% Pref. Ord. 41 1/2 +2 Nil 68 3 56 12 6 1/2 Taylor Walker Ord. £1 30 7 1/2 ... 5 17 5																											
Do. 5% 2nd Pf. 13 1/2 +3 Nil 34 3 28 6 12 6 1/2 Watney Corbe Def. £1 63 -2 5 14 5																											
Do. 4% 1st Pf. 32 1/2 +6 Nil 19 10 1/2 15 6 6 1/2 4 1/2 Iron, Coal and Steel 18 9 ... 10 13 4																											
L.M.S. Ord. 14 1/2 +1 14 43 3 36 9 4 1/2 8 1/2 10 1/2 Babcock Wilcox £1 43 1/2 +7 1/2 5 16 0																											
4% Pf. 1923 58 +6 1/2 40 6 5 10 1/2 10 1/2 Baldwin & Co. £1 46 1/2 +6 6 13 3																											
Southern Def. 14 +1 14 34 1/2 26 6 3 1/2 9 1/2 Bolsover Col. Ord. 38 9 ... 6 8 0																											
Do. 5% Pf. Ord. 67 +5 7 9 3 28 1/2 25 1/2 12 1/2 12 1/2 Brown (J. Ord. 10/- 31 10 1/2 +1 10 1/2 5 13 0																											
Do. 5% Pf. 91 1/2 +6 5 9 3 9 1/2 6 3 1/2 11 1/2 11 1/2 Butterley Co. Ord. £1 26 3 -7 1/2 5 14 0																											
Dom. & Foreign Ry.																											
Antagonista Ord. 7 ... Nil 9 9 7 3 4 6 6 1/2 Cammell Laird 5/- 8 9 +9 5 14 0																											
B.A. & Pac. Ord. 4 +1 Nil 31 1/2 28 1/2 10 1/2 10 1/2 Colvilles Ord. £1 24 3 +6 6 12 0																											
B.A. Gt. Shdn. Ord. 9 +1 Nil 41 1/2 36 1/2 15 1/2 5 1/2 5 1/2 Consert Iron Ord. 6 8 9 6 +6 4 17 0																											
B.A. West. Ord. 7 1/2 +1 1/2 Nil 36 1/2 36 1/2 18 1/2 18 1/2 Dorman Long Ord. £1 32 6 +3 9 6 13 0																											
C. Arg. Ord. 9 +1 Nil 25 1/2 21 1/2 16 1/2 16 1/2 Do. Prof. Ord. £1 43 9 +1 8 4 0																											
Can. Pac. Com. 52 1/2 41 1/2 +1 1/2 Nil 31 1/2 26 9 7 1/2 7 1/2 7 1/2 Firth Brown £1 70 -2 6 5 15 0																											
Costa Rica Ord. 22 ... 9 1 9 27 6 20 9 10 1/2 10 1/2 Guest Keen & Ord. £1 24 1/2 +1 10 1/2 5 6 0																											
Nitrate Ry. £10 32 1/2 +2 7 0 0 34 1/2 29 3 10 1/2 10 1/2 Hadden Collieries £1 26 9 +4 1/2 7 15 0																											
San Paulo Ord. 26 1/2 +2 7 10 11 12 1/2 12 1/2 9 0 1/2 9 0 1/2 Lambert Bros. Ord. £1 33 1/2 ... 9 10 0																											
Banks and Discount																											
Alexanders £2, £1 pd. 55 1/2 ... 6 6 0 41 6 33 9 7 1/2 15 1/2 15 1/2 Powell Duffry £1 11 9 -1 8 5 0																											
Bk. of N. Zealand £1 26 3 +1 6 2 0 36 10 1/2 29 1/2 13 1																											

(a) Interim dividend.

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Deben- ture Interest	Amount Available for Dis- tribution	Appropriation					Corresponding Period Last Year	
					Dividend			Carried to Reserve, Deprecia- tion, etc.	Balance Forward	Net Profit	Divi- dend
					Prefce. Amount	Ordinary Amount	Rate				
Breweries											
Rowell (John) & Son	Mar. 31	£ 29,713	£ 24,951	£ 54,664	£ 2,500	£ 13,500	% 13½	£ 9,000	£ 29,664	£ 23,220	% 13½
Electric Lighting, etc.	Dec. 31	1,344	13,338	14,682	6,523	1,500	6	5,200	1,459	13,035	6
Bridgewater Electric	Dec. 31	4,523	84,029	88,552	14,000	20,700	10	45,000	8,852	85,757	10
Financial Land, etc.											
British and Chinese Corpn.	Dec. 31	19,896	Dr. 96,493	Dr. 76,597	...	...	...	Dr. 1,800	Dr 74,797	9,789	10
Greeff-Chemicals Holdings	Dec. 31	9,093	20,215	29,308	6,875	11,250	9	...	11,183	28,100	12½
Taylor (Chemists) Trust	Dec. 31	13,231	64,211	77,442	52,850	11,200	12-874	...	13,392	(a)	(a)
Warner Estate	Mar. 31	5,791	52,517	58,308	18,750	26,000	8	8,000	5,558	51,126	8
Hotels, Restaurants, etc.											
Criterion Restaurants.....	Mar. 31	13,949	16,695	30,644	...	16,875	7½	...	13,769	18,808	7½
Motor Cycle and Aviation	Dec. 31	2,752	18,905	21,657	5,437	1,473	2½	3,802	10,945	11,773	Nil
Simms Motor Units	Dec. 31	4,731	32,514	37,245	9,511	6,344	5	14,584	6,806	20,453	Nil
Iron, Coal and Steel	Dec. 31	80,925	117,395	198,320	16,478	50,177	15	25,000	106,665	105,758	15
Madeley Collieries	Dec. 31	128,926	235,055	363,981	21,315	165,204	27½	...	177,462	215,763	28½
Newton Chambers and Co.	Dec. 31	2,981	38,969	41,950	630	19,875	7½	17,686	3,759	38,494	7½
Pressed Steel Co.	Dec. 31	170,159	1,839,622	2,009,781	107,300	589,549	12½	1,133,388	179,544	1,752,895	12½
Ransomes and Rapier											
Stewarts and Lloyds	Dec. 31	2,874	7,736	10,610	...	6,000	10	1,533	3,077	12,798	15
Rubber	Dec. 31	10,275	3,298	13,573	...	...	...	2,785	10,788	12,071	4
Bandarapola Ceylon	Dec. 31	5,301	6,108	11,409	...	4,590	2½	1,611	5,208	16,205	7
Batang Consolidated	Jan. 31	1,317	4,337	5,654	...	1,774	2-08	2,000	1,880	7,648	4-16
Batu Caves	Dec. 31	13,374	11,069	24,443	...	7,250	5	2,000	15,193	21,233	10
Glen Bervie	Dec. 31	186	16	202	...	...	...	202	...	1,523	Nil
Klabang	Dec. 31	4,619	10,387	15,006	...	5,059	2½	5,000	4,947	19,126	5
Kuala Geh	Dec. 31	2,967	1,502	4,469	...	2,400	1½	812	1,257	7,422	4
Lawas (Sarawak)	Dec. 31	19,455	16,640	36,095	...	10,749	2½	5,000	20,346	48,511	8
Mahawale	Mar. 31	689	71	760	...	...	...	...	760	2,839	10
Rembau Jelai	Dec. 31	5,462	4,414	9,876	...	4,000	4	...	5,876	10,702	9
Sahang	Dec. 31	5,902	38,431	44,333	27,763	3,770	4-62	6,657	6,143	(a)	(a)
Tarun (Malay)	Dec. 31	12,293	37,360	49,653	6,280	25,731	12½ & 53½	5,170	12,472	(a)	(a)
Shops and Stores	Dec. 31	7,139	68,443	75,582	14,625	40,500	13½	13,080	7,377	(a)	(a)
Taylor (Chemists) London	Dec. 31	48,853	225,039	273,892	91,394	105,660	30	20,564	56,274	(a)	(a)
Taylor (Chemists) Midland	Nov. 30	21,181	19,311	40,492	3,710	15,900	15	...	20,882	25,738	20
Taylor Drug Co.	Dec. 31	6,088	13,116	19,204	6,000	7,500	6	...	5,704	19,931	10
Whites (Timothy) & Taylors	Dec. 31	33,391	30,512	63,903	...	23,800	20	6,755	33,348	32,693	22½
Tea	Dec. 31	1,262	1,196,310	1,197,572	...	975,000	3½	195,105	27,467	1,459,650	3½
Chubwa	Dec. 31	199,097	1,203,671	1,402,768	922,162	275,324	4	...	205,282	1,208,246	4
East India and Ceylon	Dec. 31	551,568	1,535,297	2,086,865	330,000	1,475,000	10	Dr 200,000	481,865	2,077,459	10
Standard Ceylon	Mar. 31	3,082	26,203	29,285	11,962	...	...	12,510	4,813	Dr 23,753	Nil
Telegraphs & Telephones	Dec. 31	18,311	154,727	173,038	15,000	56,351	(b)	81,390	20,297	127,240	(b)
Cable and Wireless	Dec. 31	32,566	36,189	68,755	19,772	11,006	5	5,000	32,977	40,093	6
Cable & Wireless (Holding)	Mar. 31	26,508	53,644	80,152	22,156	26,578	6	...	31,418	59,947	6
Textiles	Mar. 31	9,639	29,108	38,747	13,236	9,710	5½	6,000	9,801	33,169	5½
Coats (J. and P.)	Mar. 31	44,212	58,672	102,884	11,188	40,375	9	...	51,321	73,308	9
Hield Brothers	Mar. 31	24,492	52,650	77,142	33,094	8,825	2	10,000	25,223	61,483	2
Tramways, etc.	Mar. 31	64,302	28,271	92,573	11,615	11,616	4½	30,000	39,342	33,553	4½
Rangoon Electric Tramway	Apr. 5	5,640	11,568	17,208	...	9,063	5	2,500	5,645	11,341	5
Trusts	Mar. 31	24,654	24,231	48,885	16,641	6,656	3	...	25,588	32,037	3½
Alliance Investment	Dec. 31	2,948	6,847	9,795	2,500	2,747	4-58½	1,600	2,948	8,039	6½
Continental Union	Mar. 31	81,986	516,255	598,241	154,221	286,617	18-95d	72,919	84,484	445,941	85(c)
General Scottish	Apr. 30	70,877	447,371	518,248	21,484	356,791	7½	60,000	79,973	456,814	7½
Lake View Investment	Dec. 31	106,553	329,895	436,448	...	290,000	40	50,000	96,448	323,951	40
London and Holyrood	Mar. 31	4,830	31,826	36,656	...	21,342	12½	8,960	6,354	(a)	(a)
London and Provincial	Mar. 31	301	11,169	11,470	...	7,200	18	3,851	419	(a)	17½
Reserve Securities Trust ...	Mar. 31	68,402	456,958	525,360	20,000	303,120	30	131,104	71,136	558,243	35
Third Scottish National ...	Dec. 31	243,593	238,192	481,785	18,000	180,000	22½	...	283,785	136,248	15½
Other Companies	Dec. 31	6,480	2,200	8,680	...	...	...	...	8,680	6,663	5
Anandale and Son	Mar. 31	6,460	63,210	69,670	...	49,838	55	15,375	4,457	46,069	45
Beechams Pills, Ltd.	Mar. 31	88	(c) 190,526	190,614	23,615	154,063	25(g)	9,205	3,731	(a)	(a)
British Match Corporation...	Jan. 31	6,960	20,619	27,579	5,891	11,200	14	3,500	6,988	(a)	(a)
Cerebos, Ltd.	Dec. 31	2,003	47,166	49,169	2,538	21,750	30	22,500	2,381	46,781	30
Collett (J.), Ltd.	Dec. 31	20,688	61,041	81,729	24,982	15,788	3	10,000	30,959	60,820	3
Energen Foods	Mar. 31	4,207	30,786	34,993	5,800	24,650	68	...	4,543	(a)	(a)
Ever Ready Co. (G.B.)	Dec. 31	204,034	1,049,492	1,253,526	49,997	598,500	22½	387,882	217,147	(a)	(a)
Goodyear Tyre, etc.	Mar. 31	3,805	15,328	19,133	5,876	9,500	47½	...	3,847	(a)	(a)
Glanfield (G.) and Son	Mar. 31	48,148	127,204	175,352	...	88,648	32½	31,000	55,704	119,524	32½
Kitchen and Wade	Dec. 31	65,650	59,240	124,890	37,500	15,625	2	25,000	46,765	80,378	4
Macleans, Ltd.	Mar. 31	3,649	200,436	204,085	41,325	159,047	112½	...	3,713	198,261	3/3½f
Melbourne Hart and Co. ...	Jan. 28	2,033	4,383	6,416	...	2,719	6½	2,365	1,332	4,155	6½
Mellows and Co.	Mar. 31	25,748	99,337	125,085	14,137	84,825	32½	...	26,123	(a)	(a)
Parkinson and Cowan	Dec. 31	2,948	6,847	9,795	2,500	2,747	4-58½	1,600	2,948	8,039	6½
Prichard and Constance	Mar. 31	81,986	516,255	598,241	154,221	286,617	18-95d	72,919	84,484	445,941	85(c)
Reckitt and Sons	Apr. 30	70,877	447,371	518,248	21,484	356,791	7½	60,000	79,973	456,814	7½
Sherley (A. F.) and Co.	Dec. 31	106,553	329,895	436,448	...	290,000	40	50,000	96,448	323,951	40
Smith's Potato Crisps	Mar. 31	4,830	31,826	36,656	...	21,342	12½	8,960	6,354	(a)	(a)
Smithfield & Argentine Meat	Mar. 31	301	11,169	11,470	...	7,200	18	3,851	419	(a)	17½
Veno Drug Co.	Mar. 31	68,402	456,958	525,360	20,000	303,120	30	131,104	71,136	558,243	35
Wilson (H. and J.)	Dec. 31	243,593	238,192	481,785	18,000	180,000	22½	...	283,785	136,248	15½
Yeast-Vite, Ltd.	Dec. 31	6,480	2,200	8,680	...	...	...	...	8,680	6,663	5
Total Profits, 1939, in £000's:	Dec. 31	6,460	63,210	69,670	...	49,838	55	15,375	4,457	46,069	45
To May 6	Mar. 31	88	(c) 190,526	190,614	23,615	154,063	25(g)	9,205	3,731	(a)	(a)
To May 13	Jan. 31	6,960	20,619	27,579	5,891	11,200	14	3,500	6,988	(a)	(a)
	Dec. 31	2,003	47,166	49,169	2,538	21,750	30	22,500	2,381	46,781	30
	Mar. 31	20,688	61,041	81,729	24,982	15,788	3	10,000	30,959	60,820	3
	Dec. 31	4,207	30,786	34,993	5,800	24,650	68	...	4,543	(a)	(a)
	Mar. 31	204,034	1,049,492	1,253,526	49,997	598,500	22½	387,882	217,147	(a)	(a)
	Mar. 31	3,805	15,328	19,133	5,876	9,500	47½	...	3,847	(a)	(a)
	Mar. 31	48,148	127,204	175,352	...	88,648	32½	31,000	55,704	119,524	32½
	Dec. 31	65,650	59,240	124,890	37,500	15,625	2	25,000	46,765	80,378	4
	Mar. 31	3,649	200,436	204,085	41,325	159,047	112½	...	3,713	198,261	3/3½f
	Jan. 28	2,033	4,383	6,416	...	2,719	6½	2,365	1,332	4,155	6½
	Mar. 31	25,748	99,337	125,085	14,137	84,825	32½	...	26,123	(a)	(a)
Net Profit, 1939, in £000's:											
To May 6	No. of Cos.	955	41,962	130,499	172,461	26,710	67,486	...	33,775	44,490	142,939
To May 13	1,010	44,299	140,007	184,306	26,710	67,486	...	33,775	44,490	142,939	...

† Free of income tax. (a) No comparable figure. (b) One rupee and six annas per share free of income tax. (c) Absorbed £186,765. (d) Based on a capital of £1,512,363. (e) Thirteen months. (f) Absorbed £155,120. (g) Equal to 33½ per cent. for full year. (h) Absorbed £156,623.

Industry and Trade

COMMODITY STATISTICS

Coal

District	COAL OUTPUT ('000 tons)			
	Week ended		January-March	
	Apr. 22, 1939	Apr. 29, 1939	1938	1939
Northumberland	295.4	293.6	3,544.6	3,512.6
Durham	686.3	700.3	8,539.3	8,096.5
Yorkshire	979.5	970.6	12,106.1	11,885.9
Lancs, Cheshire and N. Wales	366.2	365.7	4,556.4	4,600.2
Derby, Notts & Leicester	737.0	672.0	9,455.4	9,539.0
Staffs, Worcs. and Salop	423.2	411.2	5,376.3	5,504.7
South Wales & Monmouth	790.6	813.9	9,900.2	8,869.3
Other English districts	125.8	125.5	1,471.4	1,411.9
Scotland	625.1	640.8	7,987.7	7,939.2
Total	5,029.1	4,993.6	62,937.4	61,359.3

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton

Variety	RAW COTTON delivered to Spinners ('000 bales)			
	Week ended		Total Deliveries	
	Apr. 28, 1939	May 5, 1939	Apr. 1, 1937-1938	Apr. 1, 1938-1939
American	22.6	20.8	989	793
Brazilian	6.8	6.1	233	233
Peruvian, etc.	3.3	2.8	95	98
Egyptian	15.4	6.8	277	262
Sudan Sakel	2.6	2.2	116	108
East Indian	11.3	25.1	288	316
Other countries	7.0	5.3	139	143
Total	69.0	69.1	2,137	1,973

Metals

SALES ON LONDON METAL EXCHANGE			
Metal	Week ended		From Jan. 1 to May 10, 1939
	May 3, 1939	May 10, 1939	
Copper	5,300	4,700	108,110
Tin	1,860	1,175	26,230
Lead	7,000	5,000	106,850
Spelter	5,550	2,150	69,320

U.K. STOCKS

BRITISH WHOLESALE PRICES

CEREALS AND MEAT				SUGAR (per cwt.)—cont.			
May 3, 1939				May 3, 1939			
GRAIN, etc.—				Crushed			
Wheat—				Granulated			
No. 2 N. Man. 496 lb.				Home Grown			
Eng. Gaz. av. per cwt.				TEA* (Auction Average) (per lb.)—			
Liv. May., per cental				N. India			
Flour, per 280 lb.—				S. India			
Straights, d'd London				Ceylon			
Manitoba ex store				Java			
Barley, Eng. Gaz., av. per cwt.				Sumatra			
Oats				Total			
Maize, La Plata, landed, 480 lb.				TOBACCO (per lb.)—			
Rice, No. 2 Burma, per cwt.				Virginia, stemmed and un-			
MEAT—				stemmed, common to fine			
Beef, per 8 lb.—				Rhodesian, stemmed and un-			
English long sides				stemmed			
Argentine chilled hinds				Nyasaland, stemmed and un-			
Mutton, per 8 lb.—				stemmed			
English wethers				East Indian			
N.Z. frozen wethers				Stemmed			
Lamb, per 8 lb.—				Unstemmed			
N.Z. frozen				TEXTILES			
Pork, English, per 8 lb.				COTTON (per lb.)—			
BADON (per cwt.)—				Raw, Mid-American			
English				Sakellaridis, F.G.F.			
Danish				Giza, F.G.F.			
Dutch				Yarns, 32's Twist			
Irish				40's Weft			
HAMS (per cwt.)—				60's Twist (Egyptian)			
Canadian				Cloth, 32 in. Printers, 116 yds.			
United States				16 x 16, 32's & 50's			
OTHER FOODS				36 in. Shirtings, 75 yds.			
BUTTER (per cwt.)—				19 x 19, 32's & 40's			
Australian				38 in. ditto, 38 yds.			
New Zealand				18 x 16, 10 lb.			
Danish				39 in. ditto, 37½ yds.			
CHEESE (per cwt.)—				16 x 15, 8½ lb.			
Canadian				FLAX (per ton)—			
New Zealand				Livonian ZK			
English Cheddars				Pernau HD			
Dutch				Slanzitz Medium, 1st sort			
COCOA (per cwt.)—				HEMP (per ton)—			
Accra, g.f.				Italian PC			
Trinidad				Manilla, May-July "J2"			
Grenada				JUTE (per ton)—			
COFFEE (per cwt.)—				Native 1st mks., c.i.f. H.A.R.B.			
Santos sup. c. & f.				May-June			
Costa Rica, medium to good				Daisee 2/3 c.i.f. Dundee			
Kenya, medium				May-June			
EGGS (per 120)—				SISAL (per ton)—			
English (15-15½ lb.)				African, May-July			
Danish (15½ lb.)				SILK (per lb.)—			
FRUIT—				Canton			
Oranges, Valencia, 12 cases I-II				Japan			
Jaffa				Italian, raw, fr. Milan			
Lemons, Naples				WOOL (per lb.)—			
Sicilian				English, Southdown, greasy			
Apples, S. African (var.)				Lincoln hog, washed			
Austrian				Queensland, scd. super combg.			
Grapes, S. Africa				N.S.W. greasy, super combg.			
Grapefruit, Jaffa				N.Z., greasy, half-bred 50-56			
Florida, Seedless, bxs.				Tops			
Pears, Australian				Merinos 70's average			
LARD (per cwt.)—				64's			
Irish, finest bladders				Crossbred 48's			
U.S.				46's			
PEPPER (per lb.)—				MINERALS			
Black Lampung (in Bond)				COAL (per ton)—			
White Muntok (in Bond)				Welsh, best Admiralty			
POTATOES (per cwt.)—				Durham, best gas, f.o.b. Tyne			
English, King Edward, Stirling				Sheffield, best house, at pits			
Wisbech				IRON AND STEEL (per ton)—			
SUGAR (per cwt.)—				Fig. Cleveland No. 3, d.d.			
Centrifugal, 96, prpt. shipm.				Bars, Middlesbrough			
c.i.f. U.K./Cont.				Steel rails, heavy			
Refined London				Tinplates			
Yellow Crystals				NON-FERROUS METALS (per ton)—			
Cubes				Copper			

* Weeks ended April 27th and May 4th.

† 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.

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Security and Peace

THE immediate international outlook is still obscure, but the outlines of policy for all peace-loving Powers are crystal clear. It is their first duty to make themselves strong by arms and alliances to resist fresh aggression. Yet this is only the beginning of wisdom, for the goal is not war but peace. It is a double step that is needed: to mobilise all resources to be ready for the menace that cannot be set aside simply by hope and persuasion; and, at the same time, to work out a plan for peace which will meet the rightful needs of all nations with equity.

These are the focal points of a new book by Sir Arthur Salter.* It is necessary for the working of Parliament that its Members should be party politicians. It is the only convenient device for the registration of broad shades of public opinion. But it is none the less a saving grace that occasionally there can come to Westminster men of detachment and independence. Sir Arthur Salter is an independent Member, a liberal scholar and a skilled administrator; and he can speak freely and fairly the mind of those critics who in the past few years have seen the fatal consequences of the Government's indifference to realities and have counselled the very policies which have now been forced upon the Government by the pressure of facts.

It is a strange and not very encouraging fact that, at a time when a complete revolution in British policy is required—and, with the Peace Front and conscription, in-

disputably begun—the men to execute the new programme should be, so to speak, the Bourbons themselves. Only two months ago, the Government's own policy was swept away by the wind that blew out of Bohemia. Yet it is Mr Chamberlain's Government unchanged that is now to put into practice their critics' programme. Public opinion has prevailed in a very odd manner. In default of a new Government, a new policy has been pressed upon the old one; and it is perhaps a victory for the unfettered criticism that is the essence of Parliamentary democracy that such a recantation has been possible. But it is a *pis aller*: new measures need new men and new methods; and it is precisely to the drafting of this programme that Sir Arthur Salter, with no party ties, brings the weight of authority.

The twofold needs of the present situation, preparedness and peace, are Sir Arthur's theme. It would be hard to dispute the main outlines of his platform for preparedness. Logically, he asks what have been the faults of the past few years. First and most important, there has been the personal disinclination of successive Ministers to realise the danger that has arisen in Nazi Germany. It is a sorry story, beginning with the procrastinations of Mr Baldwin and ending with the lack of vision that has hitherto characterised the Government who still enjoy office. It is a tale of men in authority hiding all that is unpleasant; a story of men of eminent talents becoming the victims of their own persuasions that all might yet be well; and of

* "Security." By Sir Arthur Salter. Macmillan. 390 pages. 8s. 6d.

the unwillingness of Ministers and, above all, of the Prime Minister himself, to pay heed to the honest protestations of their critics. Mr Chamberlain has earned the credit of an honest, able and industrious governor; he has won, too, the reputation of narrow sight. It is precisely his reluctance to believe the worst of any but his Parliamentary opponents that has caused British policy in a crucial period to be moulded in a vacuum according to premises that were never sound. And it is a tribute to the insight and information of those very critics that he has been constrained to-day, at the eleventh hour, to turn to their advice to shape the programme that may yet save England and Europe.

The other failures of the crisis years have resided in methods rather than in individuals. It is over two years since the Government decided that the need to take precautions against hostile attack was imperative. Yet, throughout that time, the measures taken have been hamstrung by what Sir Arthur Salter calls "professional departmentalism." The Air Ministry, being a junior service without traditions, was denied the priority in supplies which was essential, if Lord Baldwin's pledge of parity in the air with Germany was to be realised. The provision of anti-aircraft equipment was slowed practically to a standstill because it was not a long-standing function of the War Office to provide for ground defence. Air-raid precautions were lacking in speed of development because the Home Office had no tradition of providing for them.

In sum, indispensable measures of security have, until the last two months' change of temper, been erroneously conceived and inadequately executed. There is time yet to make right this deficiency: great headway has lately been made and it is in proposals for achieving this end that Sir Arthur Salter's book carries greatest weight. His central point, and it is unquestionably true, is that modern warfare is fundamentally a contest between the economic resources and powers of organisation of contending countries. Preparedness is a task of wholesale economic adaptation; and to carry out this gigantic duty the appropriate machinery is needed. Sir Arthur asks for an Inner Cabinet to decide upon strategic needs and economic possibilities: and he rightly lays down that such decisions can only be made if the Cabinet is furnished, not only with the present Committee of Imperial Defence which combines all the traditions and jealousies of the fighting services, but also with a Minister of Defence to decide between sectional claims, an Economic General Staff to assess the resources and adaptability of the nation and a Ministry of Supply.

It is in the last suggestion that Sir Arthur touches the nub of the immediate problem. He calls for a full-blown Ministry of Supply because, when it is necessary, even at the outset, to turn more than a fifth of the nation's resources to the needs of defence and war, it is needful to co-ordinate and organise departmental needs, in order to make the most of the resources that are available. Sir Arthur's Ministry of Supply would do more than deliver the goods for a laggard War Office: it would standardise production methods; it would bring in new industrial capacity; and it would turn over existing plant to serve Government uses. In a sentence, it would do all those necessary things which the fighting services themselves, lacking technical knowledge and industrial outlook, are wholly unfitted to perform.

It is not possible to end proposals for the machinery of preparedness with an outline of new departments. Personnel, too, is important. It is Sir Arthur's view that the Civil Service should be reinforced with industrialists, with scientists, with professional men, with specialists of all kinds and with eager and adaptable young people. The complete re-shaping of our economy to the needs of war, the movement of population, the transfer of businesses, the protection of plant and property and the entire

reorientation of the ways and means whereby in peace-time the national income is won are tasks for all to share in different degree, citizens, statesmen and bureaucrats.

But it is not enough to describe the measures and the methods which are needed. At the end we come back to where we started, the need for persons in authority who can win trust and confidence in all quarters. It would be desirable and consonant with tradition that we should now have a National Government drawn from all parties to serve the common weal. The extremely small poll in recent by-elections shows how little interest there is in the party fight. But the stratification of political parties that has come upon British politics since 1931 makes a full coalition impossible. Sir Arthur Salter proposes a *via media*. He suggests that there should be set up a Committee for Public Safety, composed of a score or so of leaders of all parties and groups, to be consulted and informed by the Government in the making of policy. It is hard to see how this suggestion would in fact cut the knot fairly and effectively. Such a Committee would lack the first requisite of democratic rule, which is responsibility; and it is far easier to agree with Sir Arthur's further proposal that in default of a new Government some adjustment of the present one might ease the present impasse.

Yet, even if the plans were made, even if men and the methods to make preparedness real and effective were found, only half of the job would be done. It is peace that we seek. To live in a state of siege, which is what preparedness means, can only be a temporary and brutal state. It was the Athenians and not the Spartans who gave birth to Western culture, and we need, on top of these urgent measures for security, a constructive plan for peace. We need a peace policy to unite and inspire us, to enlist the sympathy and aid of other peoples and to influence the mind of the German people towards reason and understanding. Sir Arthur outlines such a plan. It is a programme which would deny the myth of encirclement; and it is one which would place in the forefront the rights of all nations, including the Reich itself. Its basis would be economic. It would recognise, too readily perhaps, Germany's pre-eminent place in the economy of South-Eastern Europe. It would recognise, too, that Germans have at least a right to equal entry through an open door into all the colonies of the world. It would recognise, finally, the obligation of our own and other Governments to give special aid to countries less fortunately placed in their quest for raw materials. It would pose the problems of colonies, of raw materials and of frontiers as world problems to be solved equitably by world conference.

It is not a plan that bears much obvious reference to present facts. It is not possible to make concessions to aggressor States without guarantees of good will, and no such guarantees are forthcoming. But it is by such a plan that the peace of the world and the future of civilisation will be designed. If guarantees can be gained from the nations that suffered humiliation and loss and ill-treatment in the post-war years, then it is the duty and the responsibility of the so-called victors in the last infernal conflict to avert the next by making plain their readiness to make concessions as open handed as the needs of the case require. The League of Nations, which fell among thorns, had two tasks: collective security and the revision of the *status quo* to meet legitimate grievances. It failed in both because of the sovereign inhibitions of its members. The tasks remain to be done. Collective security for the moment means defensive pacts and preparedness; we can do nothing else until substantial disarmament provides safety against aggression. But to redress grievances means generosity and fair play; and, before the temper of war-mindedness arises in our midst, it is needful that we should attach our honour and our interests to the fulfilment of this greatest of the world's present needs.

No Change in Palestine

THE statement of policy on Palestine that has been issued as a White Paper this week cannot be taken in isolation from its antecedents. This is its excuse and, at the same time, its condemnation. The burden of a perverse past weighs heavily on every line of it; and for these unhappy past twenty-two years of Palestinian history all parties in Great Britain must shoulder responsibility; for all parties, as they have handled the Palestinian problem by turns, have with one accord persistently refused to face the facts and to take action that has become increasingly difficult the longer it has been delayed.

The most unpleasant fact is that, under the stress of the war of 1914-18, we enlisted the help of both Jews and Arabs by making to these two peoples certain promises in regard to Palestine which were morally incompatible, even if they were technically reconcilable by a lawyer's ingenuity. The hair-splitting over the interpretation of the texts is still going on; the controversy regarding the Hussein-MacMahon correspondence is touched upon in the present White Paper; but these legal jots and tittles are of no importance by comparison with the moral crux; and the moral impasse at which we have arrived is now admitted in the Government's confession that the policy of the Mandate is, after all, unworkable.

Great Britain in Palestine has been caught out by succumbing to one of the characteristic weaknesses of the present age—and perhaps of human nature at all times. We have tried to adjust our morally incompatible commitments to the Jews in Palestine with our commitments to the Arabs at large by sacrificing the Palestinian fragment of the Arab race. Could not this poverty-stricken Arab community be doped with the economic prosperity which Jewish immigration would bring? And if the Palestinian Arabs did not, after all, show themselves amenable, could not so small, backward and weak a people be safely ignored, while the establishment of a Jewish majority in Palestine was carried through? In short, we invited the Palestinian Arabs to show their teeth if they could; and now they have duly turned nasty to the extent that is sufficient to push us into changing our policy. What is obstinately refused to the weak is tamely conceded to the militant. It is an Anglo-Arab version of the story of *Mein Kampf*.

The Jews rightly say that their reasonable expectations are disappointed by the new British statement of policy. For, while it is true that we did always take care not to promise to turn Palestine into a Jewish national State, we did at the same time give the Jews reason to believe that we were going to install them as "first-class citizens" of a Palestine which was to be managed primarily in Jewish interests, subject merely to certain minimum guarantees for the civil and religious rights of the non-Jewish part of the population. This Jewish hope is now blotted out. In face of the, now at last acknowledged, alternatives of seeking to expand the Jewish National Home indefinitely by immigration against the strongly expressed will of the Arab people of the country, or permitting further expansion of the Jewish National Home by immigration only if the Arabs are prepared to acquiesce in it, the British Government have now publicly opted for the second choice. True, they have qualified this decision by providing for a strictly regulated continuance of immigration over a further period of five years; but at the same time a limit is set, not only in time but in numbers. This additional immigration is not to bring the Jewish element in the population up to more than one-third of the total; and then, at some later date—if possible, within not more than ten years from now—Palestine is to become self-governing. In that event the Jewish community in Palestine, however carefully its minority rights may be safe-

guarded, will find itself in the unenviable position of weakness in which the Arab community has found itself from 1917 till now.

It was only to be expected that this British policy should be vehemently rejected by the Jews; but it does not follow from this that it will be altogether acceptable to the Arabs; for an Arab, scrutinising the White Paper, will see the possibility of many a slip between the cup of self-government and the lip that is thirsting for a status which is already enjoyed by the neighbouring Arabs of Egypt, Saudi Arabia and Iraq. To the Arabs of Palestine, the policy of the White Paper does not bring any substantial satisfaction forthwith. For the next ten years, at least, something like Crown Colony government will continue; and, for the first five of those years, there will be some continuance of Jewish immigration, and perhaps of Jewish land-purchase, as well. The Arab will also be incensed at seeing one-third of the total 75,000 additional Jewish immigrants being admitted "as a contribution towards the solution of the Jewish refugee problem" in Europe. The Nazi wave of Anti-Semitism, he will point out, was not foreseen at the time of the Balfour Declaration. Why, then, should Palestine now be forced, without being consulted, to make a contribution, under this head, on a scale which Great Britain would be chary of assessing upon herself?

When once the Jewish hopes of a National Home in Palestine has been blighted, as they have been now, it might have been wiser for the British Government to concentrate all their efforts on behalf of the Central European Jews upon the enterprise of providing some alternative National Home in British territory—either in British Guiana or elsewhere. The additional 75,000 Jews who are to be pumped into Palestine will make no appreciable difference to the political prospects of the Jewish community there. A minority amounting to a full 33½ per cent. of the total population of the country will not really be better able to hold its own than one amounting to, say, 30 per cent. The unavailing increase in Jewish numbers is likely to be more than offset by the increase in Jewish-Arab friction which this continuance of Jewish immigration will almost certainly bring with it. It would have been better to make a clean cut now.

The Government cannot fairly be blamed for being unable to wipe out, at a stroke, the legacy of impolicy that has been bequeathed to them by their predecessors; but they can and should be censured for persistently ignoring the urgent warnings of a Royal Commission appointed by themselves. The Government were warned by the Commission that almost any immediate settlement would be less disastrous than further delay; that there could be no solution without immediate self-government for both Jews and Arabs; and that it would be a pernicious piece of self-deception for us to act any longer on the assumption that the Jews and Arabs in Palestine were going to coalesce into a single "Palestinian" nationality. In the new statement of policy, all these now lamentably fulfilled warnings have been ignored once again. All the remedies are postponed to future dates—the stoppage of Jewish immigration until 1944, the grant of full self-government until 1949 at the earliest. There is no provision for self-government for Jews and for Arabs, but only for certain "Palestinians"—a "coming race" who are not to be found in Palestine to-day and are not likely to have arrived by 1949. The Royal Commission proposed to solve these problems by partition. A reader of the White Paper can only point out that no alternative solution is offered there; and, meanwhile, nothing is gained by postponing all action to future dates and by reiterating the word

"Palestinians." An American mandatory for Europe might as well hope to make his French and English lions lie down with his German and Italian lambs by constantly calling them all by the sedative name of "Europeans."

The worst of our British policy is that it puts a premium on obstruction. The Arabs have now succeeded in bringing Jewish immigration and land-purchase to a halt. They have shown that you cannot make a Jewish national home in Palestine without Arab, as well as Jewish, goodwill. But what about self-government in Palestine? Will it not take Jewish, as well as Arab, goodwill to make that? In fact, does it not take two to make a "Palestinian"? It is all very well for the Government to say, as they do in the White Paper, that the process of giving the people of Palestine an increasing part in the government of their country

will be carried on, whether or not both sections of the population choose to avail themselves of the opportunity to participate in the machinery of government. The authors of the White Paper are themselves compelled, nevertheless, to envisage the possibility that, "contrary to their hope," circumstances may be found to require the postponement of the establishment of the independent State, even when the ten years' term has run out. In other words, they shrink from handing over the Jewish minority to a nominally "Palestinian" Government which might in fact be a purely Arab government because the Jews had boycotted it.

It looks as if the White Paper might produce the result of putting the Arabs in the Jews' shoes and the Jews in the Arabs'; but for the problem of Palestine this mere reversal of rôles will signify, in effect, "no change."

Agenda for Preparedness—IV

Collective Security for Trade

SINCE the Prime Minister's speech at Birmingham on March 17th the policy of this country has been the construction of a strong union of peaceful states in Eastern and Western Europe to resist any further aggression by the Axis Powers. Even if Mr Chamberlain had not compared his problem with that of William Pitt, the comparison must have occurred to every mind; for, though we are still chary of the words, we are in fact building a Grand Alliance. The methods, too, are those of Pitt, and our unique contribution, now as then, must come from our economic strength. Until that is mobilised, we shall fight with our right hand behind our back.

It is in this framework that the Commercial Agreement concluded last week between the British and Roumanian Governments must be regarded. The main provisions of the Agreement were summarised in *The Economist* last week. They include a credit for £5 millions at 5 per cent.; an undertaking to buy 200,000 tons of wheat from the next harvest "if available at world prices"; adjustments to the Payments Agreement designed, somewhat optimistically, to provide rates of exchange between the lei and the pound "such as to attract exports to the United Kingdom from Roumania without making the cost of United Kingdom goods too high for the Roumanian market"; and the foundation of a joint trading organisation to stimulate trade between the two countries.

If it is to be regarded as an ordinary peace-time commercial agreement, the terms of the treaty are unexceptionable and even generous to Roumania. But though normal commercial considerations cannot be forgotten, there has never been any pretence that the sending of the British Mission or the conclusion of an agreement were ordinary peace-time measures devoid of any political content. Regarded as cement for a Grand Alliance, the virtues of the Agreement are less apparent. It might be objected that the amount of the credit is small—considerably smaller than that granted to Turkey last year—and that it cannot be repaid without an increase in Roumania's exports. It might be said that a promise to buy 200,000 tons of wheat, if available at world prices, is of questionable value, since Roumanian wheat is never available at world prices unless the Roumanian Government subsidises it. To these objections there are answers. One is that since Roumania has not made up her mind, and is unwilling to make it up, on the question of resisting Germany's further expansion, it would be rash to go too far. The measures necessary to keep a country on the fence are obviously different from those necessary to support a country that has definitely come off the fence. And secondly, the new trading organisation presents a flexible instrument for according further assistance if it should become expedient.

In any case, however, the Roumanian Agreement provides only the beginning of an answer to the problem of giving economic aid to our new friends. Most of the data of the problem will be found in the latest of the admirable series of publications of the Information Department of the Royal Institute of International Affairs. This compendium of facts on South-Eastern Europe* has been prepared in collaboration with the London and Cambridge Economic Service and half of it consists of an interesting economic survey by Dr F. C. Benham. Dr Benham has been assiduous in the collection of facts, which can be more conveniently found here than anywhere else, though his opinions, paradoxically, tend to be delivered without supporting evidence. Study of the facts reveals the very large degree of economic integration that already exists between Germany and the Balkans, and this makes it necessary to be quite clear about the objectives of British commercial policy in this part of Europe before we intervene.

It should not be our objective to push Germany out of these countries' trade, or even to reduce the present volume of her dealings with them. It has always been recognised that Germany is inevitably the most important factor in the Balkan market. To try to change this state of affairs, if it were possible, would harm the Balkan countries and would certainly constitute that strangulation of Germany of which Nazi propaganda accuses British policy. Our aim must rather be to provide the Balkans with alternative outlets for their trade which, though inevitably smaller than the German outlet, are yet large enough to prevent German economic domination passing over into political dictation. These countries must be put into a position in which they can afford to say "No" to Berlin.

It should be apparent that this object cannot be attained by ordinary trading methods. As a result partly of their own currency policy, partly of the pervasion of German trading methods, the price levels of the Balkan countries are badly out of line with those of the world market. For example, between the lei and the pound there is one exchange rate (about 800 lei to the pound) that makes British goods saleable in Roumania. There is another rate (about 1,200 lei to the pound) that makes it possible to sell Roumanian agricultural produce without loss in London. But there is no rate (pace the official protocol, which sets this as the objective of the agreed policy) which achieves both results at once. Yet both must be done at once, for the only trade that a country with exchange restrictions can allow is bilaterally balanced trade. This dilemma has arisen from Germany's habit of bidding more than the world price for Balkan produce. German-Balkan trade

* "South-Eastern Europe. A Political and Economical Survey." (London) Oxford University Press. 203 pages. 5s.

flourishes because Germany subsidises it in this form. If British-Balkan trade is to increase we must meet Germany's terms.

Various devices can be adopted to postpone this dilemma or alleviate its incidence. But they will not relieve us from the ultimate necessity of facing the bedrock fact that Anglo-Balkan trade will not be increased until we buy more goods from the Balkan countries, and that we shall not succeed in doing that until we bid prices that are, if not equal to the German offers, at least competitive with them after allowance for the fact that we can offer free exchange.

What, then, are the goods that these countries have to sell? The following table (which has been mainly compiled from the Royal Institute's publication) shows the most important exports from six countries. The six are Turkey, with whom we have a newly-born alliance, Greece and Roumania, to whom we have given territorial guarantees, Yugoslavia and Bulgaria, who are not yet securely in either camp. Poland has also been added, though it should be remembered that her position differs in at least three respects from that of the other five states: the nature of her exports is different, her trade is not dominated by Germany, and her currency has not become so thoroughly entangled in restrictions and disguised depreciation.

	% of Total Exports		% of Total Exports
<i>Poland*</i> —		<i>Bulgaria</i> —	
Timber & products	17	Tobacco, sugar, &c.	41
Coal	16	Livestock & animal products	19
Livestock and meat	13	Fruit & vegetables	18
<i>Yugoslavia</i> —		Cereals	11
Wood for building	14	<i>Roumania</i> —	
Live animals	10	Petroleum	46
Maize	10	Wheat	16
Animal products (inc. poultry and eggs)	9	Timber	12
<i>Turkey</i> —		<i>Greece</i> —	
Tobacco	27	Tobacco	46
Cereals	13	Currants & raisins	12
Raw cotton	7	Olive oil	6

* Polish figures relate to 1937, others to 1938.

This table reveals the commodities chiefly in question. Apart from Roumanian oil and Polish coal (both of which sell freely on the world market), the important items are cereals (especially wheat), tobacco, animal products, timber and certain varieties of fruit. All these are commodities that Great Britain imports in large quantities. The dimensions of the problem are shown by setting the volume of the trade in certain commodities between Germany and the six countries in question alongside the volume of Great Britain's total imports of the same commodities. This is done in the table at the head of the next column.

Land Registration

LAND registration, the registration with the State of titles to land, is a subject about which public opinion has undergone a tremendous change. It has been one of the principal topics of conversation amongst lawyers for many years. Nowadays, most of them discuss it calmly, and are even willing to explain the case for and against it to any intelligent layman. But at one time it was a painful subject amongst lawyers, only to be mentioned after the port had gone the round and men could say what they really thought.

To some laymen, on the contrary, the whole idea, stripped of its technicalities, seemed most attractive. They had had experience, often bitter experience, of the extreme complexity of the land laws and the expensive delays involved in the transfer of titles to land. They heard that dealings with registered land through a centralised public Registry would be simpler, quicker and cheaper than anything that could be achieved under the system of private

Imports into Germany
(Old Reich) from
Poland, Roumania,
Yugoslavia, Bulgaria,
Greece and Turkey,
1938
(1,000 tons)

	1938 (1,000 tons)	Total Imports into United Kingdom from all sources, 1938 (1,000 tons)
Wheat	304	5,160
Barley	229	1,010
Maize	835	2,930
Meat and meat products	19	1,574
Lard and tallow	6	102
Eggs	20	192
Oilcake	13	603
Tropical and sub-tropical fruit*	77	1,151
Other fruit	201	957
Tobacco	49	157
Timber	643	10,067†
Mineral oil and products	451	12,048

* Citrus fruits, bananas, pineapples.

† 1937.

With the sole exception of tobacco (which is admittedly a difficult problem, owing to the fact that British smokers do not consume much "Turkish" tobacco), it will be seen that the total of German-Balkan trade is insignificant compared with British imports. If it is remembered, firstly, that the volume of Anglo-Balkan trade needed to serve as an insurance policy against German domination need not be anything like as large as the volume of German-Balkan trade, and, secondly, that measures of assistance may not be needed for all six countries included in the table, it should be apparent that, in general, the needed increase can be accommodated within the enormous international commerce of the United Kingdom without any substantial disturbance of British purchases from other countries. By the same reasoning, the fact that the total value of Germany's imports from these six countries, valued at the highest value of the currencies concerned, is only about £60 millions, suggests that the financial burden of subsidising an expansion of Anglo-Balkan trade (which would only have to cover a proportion of the value of a considerably smaller volume of trade) would not be very heavy.

As in so many other aspects of preparedness, the greatest difficulty in the way of granting substantial economic assistance to our newly-acquired and prospective allies—assistance without which they may not remain our allies for long—lies not in the technical details of the measures that would have to be adopted, intricate though they would be, but in our own unwillingness to depart from settled and established ways. Once the psychological handicap of our reluctance to undertake trade for any purpose other than an immediate profit is overcome, commercial policy provides a means of securing the Peace Front which will pay enormous dividends in political coin.

conveyancing. Above all, there would be the guarantee of the State for all titles that were registered. Future dealings would involve no trouble or anxiety; everyone, except the Chancery lawyers, it was said, must surely benefit by land registration.

This view was, of course, far too optimistic. Land transfer has never been a simple problem in this country, and it is never likely to be. Few would deny that the system of land registration has great advantages. But it is a complicated question—almost as complicated in its way as the old system of conveyancing. Yet all serious students of social or economic problems should understand the elements of land registration, and to do so they must know something of its history.

At the end of last century came the event which had been long dreaded by lawyers and long anticipated by the enthusiastic laymen. The first measure of compulsory registration was introduced. The Land Transfer Act, 1897,

gave a limited power of imposing compulsory registration of title by Order-in-Council. Advantage was promptly taken of this power, and Orders were made imposing compulsory registration of title in the Administrative County of London. That is to say, whenever any land or houses were sold in the County of London, the property would have to be registered at His Majesty's Land Registry, a large building at the south-east corner of Lincoln's Inn Fields. Subsequent dealings with that property would have to take place through the Registry. The lawyers looked glum, but refused to take the innovation too seriously. They prophesied that compulsory registration would not find favour, that the first experiment would also be the last.

But even lawyers may be wrong. For some years the County of London remained the only district in which registration of title to land was compulsory. But, ever since a great mass of new property law was passed in 1925, compulsory registration has been very much to the fore. Eastbourne became an area of compulsory registration in 1926, Hastings in 1929, both boroughs taking advantage of the so-called "local option" provisions of the Land Registration Act, 1925, empowering councils of counties or county boroughs to apply for an Order to make a compulsory area. So far only Eastbourne and Hastings have taken advantage of these provisions, but they are always available, and land-owners and other people who are supporters of compulsory registration should bear in mind that the power to introduce it does exist.

Which brings us to the most remarkable change of all. Laymen in general, and not merely a few enthusiasts, now take a serious interest in land registration, and some of them are impatient with its seemingly slow progress. This is not surprising. Everyone who buys his own house, whether it be large or small, is a "land-owner" and, as we have said, many land-owners have had bitter experience of the complications resulting from the system of "private conveyancing," in which all the transactions are usually carried out by lawyers. It seems natural to suggest that land should be dealt in as easily as stocks and shares, and that compulsory registration of title is the way to achieve that result.

NOTES OF THE WEEK

The Anglo-Turkish Pact.—The decision of the British and Turkish Governments to conclude a "definitive long-term agreement of a reciprocal character, in the interests of their national security," was announced simultaneously by the two Prime Ministers, in the Parliaments at Westminster and Ankara, last Friday, May 12th. Meanwhile, pending the completion of this definitive agreement, the two parties declare here and now that, in the event of an act of aggression leading to war in the Mediterranean area, they would be prepared to co-operate effectively and to lend each other all the aid and assistance in their power. The importance of this declaration leaps to the eye as soon as we envisage the unpleasant possibilities in concrete terms. If, for example, a German stroke against Danzig, which created a state of war between Great Britain and Germany, were to be followed by a German attack on Gibraltar or by an Italian attack on Corfu or Salonica or the Straits or Smyrna or Adalia, then Great Britain and Turkey would be found immediately standing shoulder to shoulder in defence of themselves and their friends (e.g. Greece and also Roumania, supposing that the German aggression on land were to extend to her as well as Poland). Recent international events, the Turkish Prime Minister remarked, had made it impossible for Turkey to remain neutral; she believed that her own security was now menaced, so she had made up

Unfortunately, it is actually not so easy as that. In spite of the recent attempts to simplify our law of land—attempts which have been successful, on the whole—it remains highly complicated, and is likely to remain so for a long time yet. The day is still far distant when land and houses can be dealt in as simply as securities on the Stock Exchange. The wise land-owner, in fact, should be grateful for the remarkable progress that has been made.

For it is remarkable. On January 1, 1937, Middlesex became a compulsory area, the preliminary move coming not from the county council but from the Lord Chancellor and the Privy Council. In June last year the Solicitor-General announced in the Commons that it was proposed to introduce compulsory registration in Croydon and in the County of Surrey generally. He added that the work of introducing compulsory registration was proceeding as fast as was practicable. Meanwhile, voluntary registration is proceeding quietly but efficiently all over the country. Between three and four thousand applications are made every year by land-owners, many of them in a small way. The vast majority are successful, and the property is duly registered.

Land registration is far more than merely "lawyer's law." If the layman is a county councillor, he will be concerned with any proposal for extension of the compulsory areas, as soon as it is made. If he is a Member of Parliament, he will be concerned with the proposals when it comes before the House for ratification. If he buys a piece of land or a house, he may find that it is in a compulsory area and that the deal requires registration. In fact, every responsible person is likely to come across the problem of land registration sooner or later.

But he should not expect too much. H.M. Land Registry is a highly efficient organisation, but it cannot perform miracles. Land registration may be cheaper than the older methods, in the majority of cases at any rate, but it must involve some expense. Finally, land-owners should realise that, even if every county in England and Wales were made a compulsory registration area, difficult problems in regard to land transfer would still arise. Lawyers would still be needed.

her mind to co-operate and, if necessary, to fight in alliance with, those equally anxious to preserve peace. The significance of this Anglo-Turkish Agreement can be gauged by its reception in different quarters. In the two countries entering into the agreement, the news has been received with universal and profound satisfaction. The agreement has also been publicly blessed, and this in warmly approving terms, in the Russian Press—a gesture which incidentally throws some welcome light on the tendency of Russian policy. On the other hand, the Axis Powers have not attempted to conceal their annoyance. The German Ambassador in Turkey, Herr von Papen, is known to have made unusually strenuous exertions to prevent the Anglo-Turkish negotiations from being carried through to success. The Turkish Government, however, believed themselves to be better judges of their own country's interests. The rather crude abuse and hectoring threats with which Turkey's decision has been castigated in Dr Goebbels' Press are hardly likely to convince Turkish statesmen that they have made a mistake.

Britain and Russia.—The negotiations for an Anglo-Russian alliance have been accompanied in the last seven days by three important events on the Russian side.

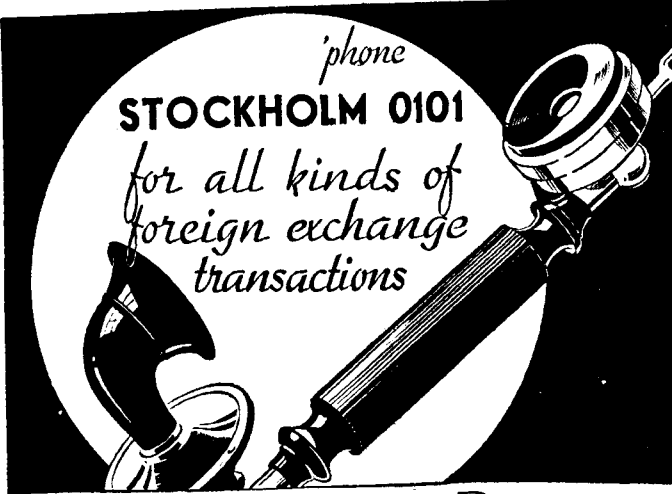
Only the first of these, the leading article in *Izvestia* for May 11th, is self-explanatory: both the Russian Note and the decision to replace M. Potemkin by M. Maisky, after the League Council's meeting had been specially postponed for a week, remain shrouded in that official air of mystery which has characterised the negotiations from the beginning. The *Izvestia* article is a notable exposition of Russian foreign policy, which seeks to explain the Kremlin's dislike of signing specific guarantees of Poland and Roumania, holding that in so doing the U.S.S.R. is placed "in an unequal position as regards security but with equal liability." What the U.S.S.R. wants, says *Izvestia*, is "a united pact of mutual assistance" concluded between Britain, France, the U.S.S.R., and Poland, or at least between the first three. "An arrangement should be made by which these, bound together on a basis of reciprocity by a pact of mutual assistance, should guarantee other Powers in Central Europe which are under menace of aggression." In this there is no reason to doubt the U.S.S.R.'s sincerity, however over-cautious its attitude may appear. It is to be presumed that the Soviet Note received in London on Monday was in the same sense as the *Izvestia* article and continued to combat the British thesis that a specific arrangement ought to precede a general one. The further point has arisen of British guarantees to the three Baltic Republics: the Kremlin argues that until these are made the British guarantees to Eastern Europe do not in fact cover the whole of the Russian frontier.

A Matter of Tactics.—Public opinion is meanwhile mystified. There is a general tendency to blame the British Government for the lengthy course of the negotiations. Others blame the Polish and Roumanian Governments. It is, in the circumstances, surprising that so few feel inclined to blame the Kremlin, especially after its juggling with personnel. In regard to Eastern European objections, it would not appear that those of the Roumanian Government, even if they have been proffered, can have had such influence as to prolong negotiations to their present length; how far the Polish Government is responsible cannot be estimated without knowledge of what passed during Colonel Beck's talks with Lord Halifax and M. Potemkin. But it seems very possible that the Polish objections would not now be as strong as a year or two, even a month or two, ago. Rather does it appear that a closer understanding between the two countries through a widening of commercial relations is in preparation. The objections felt by the British Government to an alliance are presumably matters of tactical expediency, for Sir John Simon has publicly stated that there is no objection in principle. It is possible, indeed, to have a good deal of sympathy with the British Government's viewpoint, since, with other things equal, a specific arrangement to attain a specific object is always preferable to a general alliance. The Kremlin's terms, however, leaving as they do far Eastern questions out of account, appear to meet the only main point at issue—namely, that East and West should combine in self-defence, and if so, they render objections of precedent and dignity on the one hand and doubts of Russia's military abilities on the other, of comparative unimportance. It would be a great pity if insistence on a point which, though perfectly justifiable, is confessedly purely tactical, should lead, at best, to further waste of valuable time or, at worst, to missing what will be our last chance of building a decisively strong Eastern Front. The British Government has some reason on its side; but it will have much more if it makes a minor concession to attain its major objective.

Militiamen.—The House of Commons has been seen at its best during the Committee stage of the Military Training Bill. When the Bill was first brought in, the

Opposition's dislike of conscription was raised to the pitch of indignant protest by its sudden and maladroit introduction. Since then, the Liberal party have agreed in conference not to oppose the Bill; and the Labour party, while still reflecting a deep-rooted distrust of compulsion (especially by the present Government), have contributed notably to the betterment of the Bill. The Government, too, have shown a due sense of responsibility in their anxiety to meet all reasonable criticisms and in their readiness to secure the economic position of the militiamen and to ensure the humane treatment of conscientious objectors. Each conscript will receive a written statement that his services will not be used in civil disputes. Every effort will be made to prevent bad employers from dismissing men liable for training before or after their six months' service; and, while the Government were unable to make identical provisions for the reinstatement of conscientious objectors drafted for six months into some work of national importance, the official attitude was made explicit in the statement that civil servants in this category would normally be re-employed. The increase of the militiamen's daily pay from 1s. to 1s. 6d. brings their net remuneration for short service not ungenerously close to that of the regulars, for whom soldiering is a career—and to whom the Bill has been of indirect benefit since they, too, are now to have special machinery and dependants' allowances at less than the present age limit of 26, to meet individual cases of family distress. While the problem of tiding over contractual and other obligations, which is peculiar to the militiaman as distinct from the long-term soldier, has not been solved in terms, the mood of the Government, no less than of the Opposition, has clearly been to make the utmost endeavour in administering the Bill to obviate all forms of hardship.

The Spirit and the Letter.—It has become apparent that the social, political and economic consequences of the militia scheme must depend to an unusual degree upon the skill and broadmindedness of its administrators. In every one of its three years the young men liable will be called up in batches of 20–30,000, and the onerous duty of spreading the calls in such a way as to minimise both hardship to individuals and dislocation in industry, trade and agriculture has been accepted. If there is still any major criticism of the Bill it is that to leave so much of its spirit to be translated into practice through the goodwill and common sense of departments and tribunals takes too readily for granted that to-day's open-minded tolerance would survive intact the temper and passion of days when war might be more obviously imminent. It is a sound rule in law-making that major objectives should, wherever possible, be stated in black and white. Some effort might even now be made to record, in the letter of the Bill, the Government's desire to give conscientious



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objectors the greatest possible consideration, as well as their intention to make impossible, even before barrack accommodation is fully completed, the evils of overcrowding, in tents or hutments, which took so heavy a toll of life and health and cheerfulness among the soldiers of the last war.

Evacuation.—It cannot be said that the confusion which persists about evacuation in case of war has yet been appreciably diminished. Almost certainly it reflects a similar confusion in Government policy. Mr Herbert Morrison's broadcast account of the official plan for evacuating children, mothers and blind people from London, and of the arrangements for registering all persons in these categories on Friday and Saturday of this week, gave no hint of the Government's wishes with regard to those children, mothers and blind people who have made private arrangements for their transport and lodging. And the leader of the London County Council was minatory about possible attempts by unregistered persons to "gatecrash" the official scheme. It would seem expedient, in view of the prevailing uncertainty, for all persons in the priority classes to be registered forthwith, whether they have made private plans or not. But the matter cannot be left there. The Government's shelter and evacuation schemes, when fully in operation, will probably provide adequate protection for something like four-fifths of the population. But several millions in vulnerable places will still be exposed to intolerable dangers; and in the restricted areas of these target zones special measures are imperative. A limited supply of reasonably bomb-proof shelters (possibly of the concrete pill-box kind) could be made available for the protection of essential workers in exposed sites, but it is quite certain that very many more people and enterprises will have to be removed from these areas because they cannot be properly protected there.

The choice to be made is not between evacuation and no evacuation; it is between organised evacuation and a panic flight. The latest bulletin of the Air Raid Defence League suggests the creation of a new priority class of "non-essential adults in the worst target zones." It is for the Government to speak at once. Is the private evacuation of children, mothers, etc., to be allowed? Is the voluntary evacuation of adults to be encouraged? The report that eight one-way roads out of London are to be reserved for voluntary evacuees is out of date; it is part of last year's plans, when the Government still believed that private evacuation would be possible, without any organisation, on the outbreak of war. It is their view now that road and rail facilities will be fully occupied, for at least 48 hours, by the official scheme. So long as the present uncertainty is allowed to last,

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there will be rising resentment. And the danger of panic if an emergency comes will be grave indeed.

Rolls-Royce for Clydeside.—The announcement of the decision to establish a new Rolls-Royce aero-engine factory on the Hillington industrial estate near Glasgow comes as a surprise to all but the very few people who have been concerned with the preliminary negotiations. These included Lord Provost P. J. Dollan, who may be presumed to have taken account of the possibility that a material slackening of re-armament would reduce the demand for engines of this type. The suggestion that such a development would produce a new and worse depressed area on Clydeside may be discounted to some extent, since the demand for aero engines in peace time would decline less steeply than that for the specifically destructive products of heavy industry. The present lack of diversity in Clydeside industry in any case requires new developments in the direction of light engineering. But it has been questioned whether an industrial estate like Hillington is the best place for a factory and aerodrome valued at £4,000,000 and supporting 10,000 specialists in a single branch of industry. So far factories built on such estates have been relatively small, but that is no ultimate reason why this should be so. The deciding factors should be the character of the product and local needs and facilities, rather than the scale of production as such. The Air Ministry and Rolls-Royce may be doing a permanent service to Clydeside in breaking through its former bias towards heavy industry and providing capacity for the production of aero engines which may ultimately be utilised for peace purposes.

France's Convalescent Finances.—M. Paul Reynaud has many merits as a Finance Minister, and one of them is that he never fails to see his fiscal and financial problems within their economic and psychological framework. The comprehensive report with which his measures were introduced last November (printed in full translation in *The Economist* of November 19, 1938) was an admirable example of this, and it has been succeeded this week by a further report addressed by M. Reynaud to the President of the Republic. The tale that M. Reynaud had to tell was one of success. This has been most striking in relation to the standing of the franc. From October 31, 1938, to January 31, 1939, the Exchange Equalisation Fund gained about 15 milliard francs (about £85 millions), and since M. Reynaud has stated that the inflow was not reversed even by the crisis of March, the gain may be presumed to be larger by now. The Exchange Fund, in fact, has sold 5 milliards of gold to the Bank of France to replenish its supplies of francs. This revival of confidence in the currency has had immediate effects upon the money market. Savings deposits have increased, interest rates have fallen (the short-term rates have been halved) and new loans have been floated, including the successful issue on Monday of this week of a Five per cent. 40-year Conversion Loan, the cash portion of which, amounting to 6 milliard francs, was subscribed in full at once. The yield of taxes is increasing; in the first quarter of 1939 the yield of indirect taxes was 21.4 per cent., and that of direct taxes 65 per cent., above that of the same period of last year. The Treasury, as a result, is in a comfortable position. In the wider economic and industrial sphere, improvement is much slower, but quite definite. Steel output, textile production and motor-car sales are all considerably higher. But the level of production in France is still low, whether it is compared with other countries or with French figures in past years. M. Reynaud has achieved remarkable success in his primary object of financial *assainissement*; the major attention should now be concentrated on the problem of production. The moral and economic recovery of France has already been an enormous reinforcement to the international policy of democratic strength and solidarity. It has helped to stem the retreat before the dictators. Its completion will help to turn the present stand into a renewed advance.

Daladier and Mussolini.—M. Daladier spoke in the Chamber at Paris last Thursday; Signor Mussolini spoke in Turin last Sunday; but the French Prime Minister's crystal-clear speech found no reply in the Italian dictator's rather turgidly nebulous oration. M. Daladier's points were all of them true and timely. He greeted the young Frenchmen under arms; he prophesied that a competition in standing nervous tension would be borne better by free peoples than in "countries of silence, constraint and servitude"; he underlined the outstanding fact that "only one international problem in reality is set before Europe, that of domination or collaboration"; he spoke of the financial, economic and moral revival of France, and of the solidarity of the French Empire; he hailed the free decision of the British people to introduce conscription for the common defence of the free peoples and of their ideals. Incidentally, he censured, in biting terms, the policy of our opponents. Does peace consist in invading the territory of other States, in constantly presenting fresh claims capable of bringing on a conflict, in condemning people to poverty, in imposing upon them unceasingly increased armaments, which would render useless the international collaboration that is offered them? On this last subject, all that Signor Mussolini had to say on Sunday was that the map had recently been changed in three continents, and not a square metre belonging to the democracies had been touched, so why were the democracies so excited? He went on to accuse the democracies of waging against the Axis "a white war, a war of economics." These words were uttered by the Duce at an exhibition of Italian autarky—i.e. of an Italian attempt to "cheat the foreigner" (in Signor Starace's classic description of the Italian people's enforced abstention from coffee) by refusing to do more than a minimum of business with him. On this showing, the democracies' "white war" (were it a fact) would be a form of collaboration with Italy in her economic policy. These, however, were not the really important words in the speech. The key-words were: "There are not in Europe at present problems so big and so active as to justify a war, which from a European conflict would naturally become universal." In those words the Duce was telling his countrymen that, if Italy went to war with France and England as Germany's ally, she must count on having America and Russia against her before the war was over. This was the meat; the rest was sauce to give the nasty gobbet a less disagreeable flavour.

The Tug-o'-War in Japan.—At Tokyo the civilian moderates who think that Japan has already bitten off quite as much as she can chew are still at grips with the military extremists, both the extent and the limitations of whose ambitions have been illustrated by the landing of troops on the international settlement island of Kiangsu, from which, later, they were forced by Anglo-American action to withdraw. Until lately, the civilians seemed to have been winning. Their success was registered in the inability of Messrs Ribbentrop and Ciano to announce that the coming military alliance was to be more than bipartite. Evidently the moderate element in Japan has been able to insist that the co-operation between Tokyo and the Axis shall not be carried to the length of definite military commitments of world-wide scope; and there is still no sign that this important decision of Japanese policy is going to be reversed. All the same, the Japanese pendulum seems to have been swinging in the other direction during the last few days. The reasons for this are obscure, and may be various. There is the oscillation in the internal balance of power, in Japan, between the several political forces; there is the fear of Japan's being left out in the cold if Italy and Germany now move much closer to one another without Japan's moving in step with them; and finally there is the Russian factor. The bogey of a Russo-German *rapprochement* at the expense of Japan as well as of the Western Powers made a momentary appearance in the Japanese Press, to be promptly dispelled by news of the progress of the Russo-British negotiations; and at Tokyo on May 8th the Foreign Minister, Mr Arita, declared that "Japan cannot treat lightly an *entente* between Britain and Russia, even if it does not apply to the Far

East." The answer surely is that, if Japan is anxious to see the *rapprochement* between Britain and Russia remain within the narrowest possible limits, her best way of working towards this end will be to refrain from any increase in her own commitments to the Axis Powers.

Scandinavian Independence.—It is always valuable to have an outsider's opinion. In refusing the German offer of non-aggression treaties Norway, Sweden, and Finland have confirmed an estimate of what would be the worth of those guarantees which had already been formed by the non-neutral world. If non-aggression treaties with Germany meant in fact what they meant in theory, then there would be no reason for the Scandinavian States, anxious to strengthen their neutrality, to reject the offer: in reality acceptance would be more likely to weaken Scandinavian independence of action, given the German view that a small country departs from "non-aggression" whenever it refuses to do Germany's bidding. For the proof of this, in an analogous case, it is necessary only to realise that the German Government denounced the German-Polish non-aggression pact for the sole and simple reason that the Poles subsequently had concluded a defensive alliance with Britain. As the Polish memorandum to Germany of May 5th made clear, "negotiations in which one country formulates demands, while the other is to be under obligation to accept them without any change" are not compatible with any State's interests. It is to be admired that three out of the four Scandinavian States (Denmark, having no choice, has agreed to open negotiations) have had the courage and the good sense to remain unquestionably neutral.

The Regent on the Rack.—The inconclusiveness of the negotiations which have been going on for some weeks past between the Croats and the Yugoslav Government (the Serbs) will not surprise, though it may disappoint, those acquainted with the character of the negotiators and the nature of their differences. The ground of disagreement has shifted from the general and constitutional issues to the more precise, and thus more ticklish, determination of federal boundaries and privileges. The first fine flush of enthusiasm for an early agreement has melted with the weeks of bargaining and the two parties are now at grips in that spirit of tenacity which is their more natural mode of expression. It is fairly sure that neither side is wholly to blame for the present deadlock, just as it seems unlikely that the Croats' accusation that the Regent was solely responsible for it was justified by the facts. For no man more than the Regent would be happier to see the business well settled: in Belgrade he is nagged by the Serbian oligarchy, outside Belgrade the continuance of deadlock

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does nothing to improve the Crown's popularity. And meanwhile his troubles have been made more heavy by the insistence of the Axis Powers upon a policy of more than friendship; even while he was visiting Mussolini in Rome the remains of the Balkan Entente, which his own enforced policy of neutrality had helped to invalidate, were forming up behind the Western Powers. The distress which this must cause him can be measured by the widespread disappointment in Yugoslavia that they too cannot move in the same direction. Despite the official denial, the report that the Yugoslav Government protested to the Turkish Government against concluding an alliance with Britain without first consulting its fellows in the Balkan Entente, has a ring of the real truth. For whilst it is virtually certain that the German Government is applying diplomatic pressure to Yugoslavia, the protest may also have been a means of explaining away to home opinion the unwelcome course of events. In the past twenty years Yugoslavia has more than once claimed, and not without reason, to be a leader of the Balkan countries; and now, when fateful decisions must be taken, Yugoslavia has no longer the freedom of making up her own mind. On no one more than Prince Paul will this fact be better impressed.

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Airways Merger Terms.—The terms offered to shareholders of Imperial Airways and British Airways (which are discussed in an Investment Note on page 447) represent a reasonable compromise to a tangled problem, with the balance of advantage slightly in favour of the shareholder. It has long been clear that, sooner or later, Imperial Airways would be reconstituted as a public board. Hitherto it has been a company operating ostensibly as a private enterprise, but effectively as the chosen instrument of the Government's civil aviation policy, with the financial assistance which that policy involves. It would be fairer to regard the history of Imperial Airways as a warning for future reference than to re-open the story in an attempt to apportion blame for past mistakes. Many of its troubles have arisen merely because an attempt was made to graft on to the form of a commercial enterprise a scale of air transport which could not possibly have been contemplated in 1924 when the company was formed. The Empire Air Mail services and the Atlantic services are beyond the scope of any privately financed undertaking. Hence there is logic in the replacement of Imperial Airways and British Airways by a public corporation, financed on terms only available to the Government. In truth, Imperial Airways was a hybrid, for although it paraded in the garments of private enterprise—whose gaiety attracted buyers of the shares up to 67s. 6d. in 1936—it was wholly dependent upon subsidies to pay dividends and to maintain its capital assets. The steady increase in the rate of dividend paid between 1934 and 1937, from 6 per cent. to 9 per cent., in effect represented a payment from public funds to equity investors who undertook no fundamental equity risk. Two conclusions stand out from the company's history. First, where the Government (or the taxpayer) is the effective risk-bearer, shareholders in subsidised concerns should be subject to a form of dividend control. Alternatively, where the scope of a new public enterprise is clear from the start, and its cost falls upon public funds, financial economy suggests that it should be capitalised in the cheapest possible way—by the use of the Government's credit.

* * *

Trade with Aggressors.—There are several Members of Parliament who believe that the sale to Germany of certain raw materials which are essential to armament manufacture is inconsistent with the British Government's policy of preparing to resist any future Reich aggression. At the back of their mind is the fact (which is incidentally borne out by the figures presented by Sir George Schuster on page 435 of this issue of *The Economist*) that Germany is heavily dependent for some vital supplies upon British

countries. The present position is that the export of war material, finished or in the rough, that is, actual armaments, is carried on under licence; and no licences have been given in the last six months for sales to Germany, Italy or Japan. Raw materials, on the other hand, which are used for war and industrial purposes alike, can be freely traded, and it is sales of nickel, copper and brass that have lately aroused protest. It is not easy to decide what is and what is not legitimate commercial policy in a state of near-war; but it is very doubtful, to say the least, whether any attempt to impose even a limited blockade in peace-time would be either justifiable or expedient. It would certainly be a species of encirclement. The only good ground for limiting sales of essential materials abroad would be the possibility of a short supply here; and it might be reasonable, too, to impose some sort of quantitative limitation, or rationing, so that buying countries could only obtain the equivalent of their average purchases over a period of normal years. Control of both imports and exports will, admittedly, be imperative very soon; but it will be to serve and eke out the needs of our own economy, not to starve the requirements of others.

* * *

Nor is it only in the case of raw materials that these questions have arisen. The Government's recent plans to help shipping stimulated shipbuilding, but their intention to build up the merchant fleet, with the need for a war reserve in mind, has since been partly frustrated by the sale of seaworthy vessels abroad, sometimes to aggressor countries. The wish of the Board of Trade that official approval should be sought for such transactions has had no binding force. Here, where the very core of national security is concerned (for we have fewer ships to bring food for four million more people than in 1914) the Government have taken action. This week a Supplementary Estimate of £2,100,000 was put before the Commons to enable the Government to purchase a reserve of merchant ships; and the Bill which is to empower the Board of Trade to make these purchases will place a legal obligation on shipowners to offer their vessels to the Bable before they attempt to sell them elsewhere, at home or abroad. Here is a case where Government intervention was imperative, on the ground of a dangerous shortage; but it offers no precedent at all for the widespread control of trade for purely political motives.

* * *

Stopping Taxation Loopholes.—The Finance Bill published this week contains no mention of arms profit limitation, contrary to some forecasts. But there are several formidable clauses which aim at the reinforcement of existing statutes for preventing the avoidance of tax. It will be recalled that the Chancellor's Budget Speech anticipated such safeguards against the avoidance of tax through the exploitation of the one-man company. The Finance Acts of 1936 and 1937 have stopped the loopholes to some extent, and last year the Chancellor, in effect, put the taxpayer on good behaviour and threatened retrospective action if avoidance continued. Hence the taxpayer who is affected by the avoidance clauses in the present Finance Bill has at least had good warning. Section 19 of the Bill proposes an amendment of Section 105 of the Income Tax Act, 1918, to require from employers particulars of payments made after April 5, 1938, to employees in respect of expenses, of payments made on behalf of employees, and of payments made for services rendered, whether they arose in the course of employment or not. The clause also provides that, on request, any person carrying on trade or business shall make a return of payments exceeding £15 to any individual who is not an employee which are in the nature of commission for services rendered. This provision specifically covers payments made in the formation, acquisition, development or disposal of a trade or business.

Farming on the Dole.—The Government's new subsidies for sheep, barley and oats, announced in the House of Commons by the Minister of Agriculture on Thursday, are a sad retrogression from the high level set by its two previous actions in the agricultural world. The subsidies for lime and basic slag and for the ploughing up of second-rate pasture land were both measures which helped farmers to help themselves by improving the fertility of the land. But these newest subsidies are frankly doles. The simultaneous occurrence of a drastic fall in the prices of barley and sheep and a poor sugar-beet crop has undoubtedly severely affected the East Anglian arable farmers, whose financial returns in 1937-38, according to the latest survey made by the Cambridge School of Agriculture, were lower than in any year since 1932. But the Government's proposals are designed, not as temporary measures to meet accidental circumstances, but as a long-term policy. The basic yield of oats used in calculating the oats subsidy is to be raised from 6 to 14 cwt. per acre, with a maximum payment of £2 6s. 8d. per acre, or of £1 per acre for farmers who have received payments from the Wheat Commission; similar arrangements have been made for the barley subsidy. The Exchequer will also make good to farmers any deficiency below 10d. per lb. for sheep sold for slaughter, this standard price to be reduced progressively if the sheep population rises above 27 millions. The best that can be said of these measures is that they place the burden of supporting agriculture visibly on the purses of the taxpayer and not invisibly on those of the working-class household; and the standard price for fat sheep is, in fact, a fairly low one. On the other hand, only in one year—1932—in the last decade has the sheep population exceeded the basic number of 27 million, and the steady decline in arable land sheep and in the average age at slaughter makes it doubtful if a sheep population of this size is now economic.

Limited Access to Mountains.—The Access to Mountains Bill, which is now enjoying a smooth passage through the House of Lords, contains a quite remarkable crop of snares and reservations. While it is true that every possible step must be taken to preserve wild and open country from overcrowding and disturbance, it is equally essential to recognise that this end is best obtained by careful planning with the collective rights of the whole public always in view. No such end can possibly be the desire of the supporters of the dog-in-the-manger type of enclosure which is encouraged rather than discouraged by the present Bill. Originating as a measure to facilitate access to mountains and moorland it has actually developed in its passage through the Commons into a measure restricting such access. Access is to be granted by orders made at the request of the owner of land concerned, or by local authorities, or by organisations likely to be benefited. This procedure is unnecessarily expensive and cumbersome and can hardly be expected to have the effect of throwing open more land, since most of the owners will resist applications, local authorities will be unwilling to make them, and other organisations such as associations of rambles will be unable to face the legal expenses. Further, the Bill actually makes trespass a definitive offence—a principle entirely new to English law. In fact this measure, in its present form, is obviously more concerned with the feudal prejudices of landowners than with the rights of rambles, who are among the most considerate and appreciative of the townsmen who seek recreation in the country, and whose presence on moorlands involves far less interference with the enjoyment of others than the hordes of cars on or near the roads. Legally it is still not too late to prevent the passage of this Bill in its present form, but the House of Lords is hardly the body to rescue the community from the landlords. So the work must be done all over again—a tedious and expensive process, but one which must be faced.



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Daily Express, 16th January 1939

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THE WORLD OVERSEAS

Poland under Arms

(By a Correspondent in Poland)

TAKEN in its political context, Colonel Beck's reply to Herr Hitler's speech of April 28th is of decisive importance to the development of Polish foreign policy. In Poland to-day its stout refusal to negotiate under threat finds an echo in every department of life, from the individual boycott of German goods, of German newspapers, of German films, to the absorption of scraped-up savings in the Air Defence Loan (of which the Jews subscribed only 7 per cent.) and the loyal declarations of the Ukrainian leaders. It is surprising to find how completely political energies have been taken up by the idea and realisation of national defence, to the extent of inhibiting, not simply the official programme of domestic reform, but also the dissatisfaction of the Opposition parties themselves.

Having taken its stand, the Polish Foreign Office is now in process of working out the details of its political strategy, of which the main lines were laid down in the Foreign Minister's speech. The British guarantee (which "should be regarded as a pact concluded between the two Governments"), the pact with France ("one of the most essential elements in the political structure of Europe"), friendly relations with Russia (left unsung), and the development of better relations with Germany, against which, as everyone said, no doors were slammed, are the important parts of that strategy. The only one which is not clearly defined is that with regard to Russia, for although officially Polish-Soviet relations rest on a non-aggression treaty and, latterly, on the commercial accord of some months ago, it is problematical how far Colonel Beck discussed with M. Potemkin the immediate questions of peace or war. If, as many in Warsaw suspect, those discussions were as frank and full as ninety minutes would allow, then one can only question how far it is still true that the British Soviet negotiations are being held up by Polish objections. The old distrust of Russia is no longer as strong as it was, and although it might reappear under appropriate circumstances, at the moment it is a pallid flame compared with the new distrust of Germany.

War Potential

The strategic aspect of Poland's relations with foreign Powers increases in relative importance with every worsening of the international situation. In a war against Germany the Poles would have to fight on an arc reaching from East Prussia to Western Slovakia: even if they were successful in holding Krakow and invading East Prussia, it is probable that they would be compelled to retreat eastwards to a line forming a chord of that arc. In that retreat they would lose the industrial areas of Kattowitz, Sosnowitz, and Teschen: an unspoken admission of this was made two years ago, when the Polish Government, in collaboration with the general staff, began to move the armaments factories eastwards to the so-called Strategic Triangle, marked on the map on page 465.

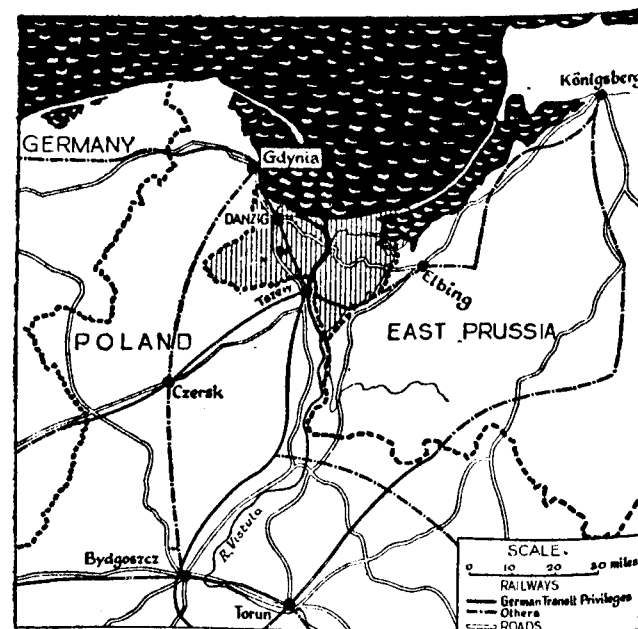
The best answer to the question "Will the Poles allow the passage of the Russian Army?" is that the Poles stand in no need of soldiers. The following table shows why:—

Per 1,000 inhabitants (1936)

	Live-births	Deaths	Natural Increase
Poland	26.2	14.2	12.0
Germany.....	19.0	11.8	7.2
England and Wales ...	14.8	12.1	2.7
France	15.0	15.3	-0.3
Italy.....	22.4	13.7	8.7
Roumania	31.5	19.8	11.7

Roumania apart, this means that the Poles have the youngest population in Europe. What they need are the mechanical sinews of war, and even here they are better placed than is often supposed. It may be true that they would require material assistance within the first few weeks of a European war: but it is claimed, by those in a position to know the facts, that within a year from now, given adequate and continuous supplies of raw materials, they will be manufacturing all the armaments they need except for certain specialised branches of artillery. The immediate pressing need is there-

fore the provision of raw materials and of aeroplanes, for although five aeroplane factories are in full production, an optimistic estimate would scarcely place the monthly total of new machines as high as 150. But it is worth noting that the latest Polish bomber ("Los") is claimed to have a maximum speed varying with the power of its Bristol Pegasus or Gnome-Rhône motors of between 260-320 m.p.h. and a range when fully loaded with bombs of over 800 miles, and thus can stand comparison with the latest German and British types (see *The Economist*, April 15, 1939).



As things stand, the Polish general staff has three advantages with which to offset its lack of munitions and mechanised striking power: the nature of the country, and the absence of roads along which tanks and armoured cars can advance, favour the use of cavalry: its army is composed of peasants whose needs are few and powers of resistance great; and the fact that Poland cannot, because of the scarcity of big objectives, be knocked out by attack from the air.

Danzig is a problem on its own, and one which may be crucial. No one in Poland is disposed to ask whether Danzig is worth a war, for they do not need a map to tell them that their communications with Gdynia can be defended only so long as the Danzig territory remains demilitarised. Negotiation should be feasible on the condition that the Reich Government is able to guarantee that the territory shall remain demilitarised, but not otherwise. It is clearly seen that the danger point will have been passed on the day that the Danzig Senate—all-powerful in a Free City which has already banned Polish newspapers, introduced the Nuremberg anti-Semitic laws, and declared the specifically Nazi nature of its government—votes itself a part of the Third Reich and appeals to the Fuehrer's fatherly goodness. If the Polish forces concentrated on Tszew then march into Danzig, whom will world opinion brand as the aggressor? The Polish Government would be wise to prepare itself by efficient propaganda against that day.

Financial Help Wanted

Economically, Poland is in a tight corner. Although during his visit to London, and since his return, Colonel Beck is understood to have made no request for financial assistance, there is in Warsaw a general feeling that either Britain or France ought to be ready at very short notice to bear part

of the burden of Poland's national defences, crushing in the real sense of that word, and, looked at from any point of view, it is difficult to see how the Entente Powers can do otherwise. Even without the precedents of help given to Turkey, Roumania, and Greece, the maintenance of an Eastern front is going to cost a great deal more money than the Polish Government can afford.

The first item on the bill is for foreign exchange, with which the Poles may sufficiently arm themselves. Given a plentiful supply of raw materials, the need for finished armaments is then broadly restricted to aeroplanes, tanks, and certain branches of artillery. The Germans themselves, with a striking lack of success, have already tried to fill this gap; the German-Polish commercial agreement of October 18th last was designed to supply Poland with machinery and equipment to the value of 120 million zlotys over a period of four years, but six months of the agreement have proved to the Poles that the terms on which the credit was granted are nothing like as good as they seemed. Deliveries from Germany have now fallen to a pace so slow that the agreement is regarded as virtually a failure; and the prevailing attitude to business with Germany was well brought out in Wednesday's *Gazeta Polska*, which announced that "the greatest care must henceforth be exercised in arranging export transactions with the Reich." Poland is not interested, the paper stated, "in presenting merchandise to Germany. We must be paid in goods that we need."

The agreement with Russia is a very different matter. With goodwill on the Russian side there exist conditions for a large extension in the amount of trade passing between the two countries, and the authorities in Warsaw are not without the hope of writing those conditions into the agreement.

Shortage of Cash

Apart from this urgent need for raw materials and for certain capital goods, there is the domestic shortage of cash. In normal times of peace the Polish Government spends, directly and indirectly, about 55 per cent. of its Budget on national defence; at present the proportion is higher than that. On top of this great outlay there is emergency expenditure on the mobilisation, variously estimated at between two and three million zlotys a day (at current rates, from £80,000 to £120,000). Unless financial help is forthcoming from abroad the Government will be able to keep up this level of expenditure during the coming months only by imposing fresh economies on what is already one of the poorest peoples in Europe. Meanwhile private firms are running into difficulties through the shortage of money in the banks (on which the recent Air Defence Loan is one more, and perhaps the final, drain) and through the caution which has prevailed on the London money market since September. In spite of this, the note circulation is soaring upwards, and there are signs that the National Bank may have to apply for powers to lower its proportion.

Help for Poland will therefore have to be of two kinds; and the sooner it is made the more it will benefit the Poles. The first kind must be the provision of raw materials and capital goods or the means to purchase these; and the second the easing of the internal economic situation by the tactical application of financial backing at those points where it is most needed.

Each of these problems, serious as it is in its way, must be qualified by the consideration that the Polish Government has behind it a nation united as never before and possessing a very high morale. This spirit of what might be called reticent belligerence showed very clearly in Colonel Beck's speech: Poland to-day is no longer sitting on the fence, but, having climbed down with a surprising dignity, is leaning against it looking towards Germany. Those who would accuse Poland of dangerous bellicosity should take notice that one foot is still placed on the bottom rung.

May 18th.

All-round Economic Improvement in France

[FROM OUR PARIS CORRESPONDENT]

IN April, exports further improved, in both volume and value, principally owing to increased exports of raw materials. At the same time, imports were still lower than a year ago.

In the first four months of this year the import surplus was no more than 4,843 million francs, against 6,255 millions in the corresponding period of 1938.

Relatively low French prices and increased hours of work have been the chief factors in this improvement, though it has been helped by recent trade agreements. In the first quarter of 1939 exports to democratic exchange countries rose by nearly 30 per cent. (principally to the United States, Switzerland, Holland and, most of all, the Northern countries), while exports to the totalitarian States fell by 16 per cent.

(Millions of francs)

	IMPORTS		
	April, 1938	March, 1939	April, 1939
Foods	1,002	1,031	1,157
Raw materials	2,276	2,276	2,253
Manufactured goods	610	685	715
Total	3,888	3,992	4,425
	EXPORTS		
	April, 1938	March, 1939	April, 1939
Foods	366	405	437
Raw materials	703	884	910
Manufactured goods	1,287	1,591	1,687
Total	2,356	2,880	3,034
Import Surplus	1,532	1,112	1,091

The increase in exports is very opportune at a time when it is imperative that heavy military charges should be spread over increased activity and rising income.

The Balance of Payments

If reductions in income from freight and interest on capital invested abroad are taken into account, as well as the progress of the tourist industry, it seems that the French balance of payments recovered its equilibrium in 1938. This is what MM. Rist and Schob conclude in the *Revue d'Economie Politique* for 1939:—

(In millions of 1928 francs)

	Credit	Debit
Commercial deficit (colonies included)	—	6,500
Freight receipts	1,000	—
Insurance receipts	350	—
Remittances of foreign workers.....	—	200
Tourist receipts	1,500	—
Interest receipts.....	3,750	—
Total	6,600	6,700

Increased Industrial Activity

The monthly index of industrial production rose further in March. It was 92, against an average of 82 in 1938, 88 in 1937 and 85 in 1935. This is the highest figure since the forty-hour week (for which a forty-five-hour week has just been substituted) was first generally introduced.

INDICES OF PRODUCTION (1928=100)

	March, 1938	October, 1938	February, 1939	March, 1939
General Index ...	84	81	90	92
Mines.....	96	93	95	98
Chemicals.....	96	94	106	108
Paper	157	157	175	167
Textiles	81	86	94	167
Leather	70	73	76	77
Metallurgy	73	66	79	81
Metals	83	72	85	89
Automobile	88	99	110	110
Building.....	59	62	67	73
Gas, electricity	133	122	126	73
Miscellaneous	109	103	111	110

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This renewed activity is due in great part to the war industries. One remarkable item, however, is building: this index has bounded up to 73, as a consequence of the repatriation of capital, the rise in the price of landed property and in rents and the new legislation to stimulate new building. This revival is especially welcome because building has been slack for a long time.

Record Car Output

Yet another industry that has gone ahead is the motor car industry. New records were achieved in the first quarter of this year with the production of 62,607 private cars and 7,075 commercial vehicles, against 48,063 and 6,496, respectively, in the same quarter of 1938.

Thus, the recovery in production is not solely the result of armament activity. And the general advance in activity has made necessary an improvement in coalmining. Daily output of coal has increased from an average of 1,234 kgs. in 1937, 1,221 in 1938 and 1,225 in March, 1938, to 1,265 in March this year. A third of the ground lost since 1935 in coal production has been recovered, and the improvement is a natural consequence of the abolition (by the decrees of November last) of previous legislation about overtime, limitation of the use of machinery, etc.

Nor should it be forgotten that the improvement in foreign trade and production, though obvious, is not as spectacular as the recovery that has taken place in monetary stability and credit conditions. The revival of the money market has just been underlined by the rapid subscription of the Reynaud Loan. And all these improvements lend additional support in turn to the whole structure of credit and business.

A Delicate Task

Nevertheless, France has scarcely got out of a difficult period of monetary and social troubles, which impoverished her severely. And though re-armament—which now employs 6,000 undertakings, against 2,500 in 1938—stimulates actual production, international tension, on the other hand, is hardly conducive to any appreciable advance in consumption.

Finally, France is a country of peasants and thrift, a country with relatively few wage-earners. It is not adapted to the violent ups and downs of the great industrial economies. It must go ahead slowly and quietly. This is why the immense effort that is now being put forward is being constantly held in control to prevent the balance of the liberal order from being upset. A monetary expansion, for instance, must be carefully adjusted to production lest it should provoke a dangerous rise in prices. Thus, the fresh monetary effort in the Reynaud decrees of November was counterbalanced by an increase of the hours of labour. The April decrees take a fresh step in both directions by the creation of the National Defence Bonds and the issue of a loan, on the one hand, and by the generalisation of the forty-five-hour week, on the other—in addition to other measures designed to mobilise the unemployed, to tighten up unemployment assistance regulations, to provide for refresher technical courses, and so on. These measures will have only a limited effect. The registered unemployed do not now exceed 384,000 in number, of whom 100,000 are women and more than a third of the rest men incapable of resuming work by reason of their age or other disabilities.

The problem of maintaining the huge re-armament effort on liberal lines is not a simple one. But the progress registered in only five months, a progress which M. Reynaud has just emphasised in his official report, suggests that the ways and means will be found to ensure the success of the task undertaken.

May 17th.

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Trade and German Foreign Policy

[FROM OUR BERLIN CORRESPONDENT]

THE temporary slowing down of the Third Reich's campaign against Poland for the annexation of Danzig and the creation of a corridor through the Corridor may be attributed to the strong resistance of Poland now backed by the Western Powers. But, while the efforts of Great Britain, the United States and the Vatican for finding the basis for a peaceful solution of the Polish problem drag along slowly, the two dictator States, Germany and Italy, have consolidated their strength by making a firm military pact.

The Milan Agreement was part of the preparations for a new drive to secure satisfaction for the "natural claims" of the two seemingly never-satisfied nations. Despite Great Britain's growing opposition to aggression, political circles in Berlin are still convinced that in the end the Western Powers will give way, if only Germany and Italy apply sufficient military pressure, and leave Poland to its fate, just as they did Czecho-Slovakia. The view expressed in some quarters in both France and Britain that Danzig is not worthy to be the occasion of an international conflict has strengthened this belief in Germany and lent encouragement to the Nazi policy of ruthless demands.

A German success at the expense of Poland would have a very marked effect upon the balance of power in Europe. Danzig and the Corridor are, of course, less important to European strategy in themselves than were Austria and Czecho-Slovakia. But, just as the inclusion of Austria and Czecho-Slovakia in the Reich lessened considerably the political influence of the Western Powers in Eastern Europe and the Balkans, so might the annexation of Danzig and the Corridor signify the end of this influence. East and South-Eastern Europe would then be left to the complete political and economic mastery of Germany. However small its territory and population, Danzig represents probably the last rampart of the Western Powers against the advance of the Third Reich.

Germany's political expansion is already—and quite naturally—resulting in growing German economic influence in South-Eastern Europe. Germany's exports to Hungary, Roumania, Yugoslavia, Bulgaria, Greece and Turkey increased from Rm. 190.6 millions in 1933 to Rm. 675.7 millions last year for the old Reich alone; and the 1938 figure for Greater Germany was Rm. 797.3 millions. Since Germany now has the most important industrial districts of Czecho-Slovakia, German export pressure on the Balkans will increase, though it must be remembered that armaments will now absorb a considerable share of Czech industrial capacity, so that exports from Czech districts are not likely to be maintained at their former level.

The most important German exports to the Balkans—which in many cases compete there with English products—are textiles (woven and spun goods, artificial silk, cotton threads and piece-goods, silk goods, wool thread and woollens), motor vehicles, aeroplanes, rubber goods, paper, coal, coke and industrial goods such as machinery, electrical apparatus, locomotives, iron and steel goods, steel tubes, instruments, chemical and pharmaceutical products.

In the first quarter of 1939, German foreign trade has been perceptibly under the influence of recent political changes. Total exports declined from Rm. 1,360 millions to Rm. 1,262 millions, but exports to Northern and Eastern European countries actually increased. Exports to the four Northern States rose from Rm. 148.7 millions to Rm. 159.3 millions, and exports to South-Eastern Europe from Rm. 169.4 millions to Rm. 190.5 millions; while exports to the West European countries fell from Rm. 387.4 millions to Rm. 321.4 millions and exports to the United States and South America also declined considerably.

★ ★ ★

Standstill Agreement.—The standstill negotiations which began in Berlin on May 3 came to an end to-day. The new agreement consists mainly of a prolongation of earlier arrangements. The total of standstill debts at the end of February amounted to Rm. 777 millions. Great Britain, with Rm. 437 millions, was the largest creditor. The United States with Rm. 205 millions came second, and Switzerland was third with Rm. 67 millions. Between March 1, 1938, and February 28, 1939, the volume of standstill credits was decreased by Rm. 208 millions.

May 16th.

Turkey and the Axis

[FROM OUR ISTANBUL CORRESPONDENT]

LATELY, almost all the Turkish Press has expressed the general resentment felt in this country at the wanton aggression against other people's independence which has brought Germany to the door of the Balkans and Italy into their very heart. The Axis moves marked the end of the illusion commonly current with the man in the street that Turkey could manage to keep out of a possible war, or, at least, to maintain herself, so to say, on its fringe. There is general satisfaction that Turkey is now strong, and a number of military measures, such as the calling-up of the latest class before its time, have been generally welcomed.

How deeply public opinion was affected by the German-Italian threat on the Balkans may be inferred from the fact that pro-German propaganda, which had been very active, became for a time completely silent. Now it has assumed more insinuating forms; it makes great play with the traditional rule of Turkish foreign policy that this country is not concerned with foreign ideologies, but only with Turkish interests. This is to emphasise that the Turks are not in any ideological or political disagreement with the Axis; and, at the same time, to lay stress on the importance of Turco-German economic connections.

The prices at which transactions between Turkey and Germany are carried on have little relation to world prices; for a wide number of articles they are calculated to make it hard for other countries to compete with Germany. On the average, Germany purchases Turkish goods at about 60 per cent. above the world price level, and sells her own goods at about 30 per cent. in excess of world prices.

This clearly represents, to some degree, a measure of loss for Germany and a source of profit for Turkey. But it is not simply this advantage that compels Turkey to cling to German trade: it is the impossibility that the Turkish exporter experiences in seeking non-German buyers at prices corresponding to Turkish internal ones, and the Turkish Government cannot face a policy of extensive price deflation. The man in the street with some knowledge of trade wonders why the democratic countries which are apparently so desirous of political co-operation with Turkey do not make an effort to assist Turkey to extricate herself from these difficulties by buying more Turkish goods at higher prices, bearing themselves the cost. That cost has been calculated as follows (on the basis of 1938 figures):—

Total purchases of Turkish goods by Germany, Austria and Czecho-Slovakia ...	£T69,000,000
At world prices this would represent about ...	£T43,000,000
The excess paid by Germany thus amounts to ...	£T26,000,000
Total Turkish purchases of German goods ...	£T77,000,000
At world prices this would represent about ...	£T59,000,000
The excess paid to Germany thus amounts to ...	£T18,000,000

Thus, on this basis, the total German subsidy to Turco-German trade amounts to

£T8,000,000

The recent increases of Germany's share in Turkish foreign trade are, of course, more or less proportionate to the extent of Germany's territorial aggrandisement. The following figures relate to 1938:—

	Exports from Turkey	Imports to Turkey
Germany	47.0 per cent.	42.9 per cent.
Austria	0.5 "	1.2 "
Czecho-Slovakia ...	3.9 "	3.4 "

From this, the ordinary merchant in this country derives the impression that German economic influence and its political consequences might be counteracted at a cost of less than £1,500,000 per annum (£T58 = £). But some kind of organisation is necessary, and, since measures to increase Turkish sales to Great Britain are urgently needed, this ought to be done as rapidly as possible.

May 12th.

Uncertainty in the United States

[FROM OUR NEW YORK CORRESPONDENT]

PRODUCTION in April appears to have dipped below the March level. In part this is seasonal. In part, again, it reflects the coal strike in two ways: the production of soft coal has been cut about two-thirds; and reports are beginning to appear of curtailment (usually imminent rather than actual) in manufacturing enterprises unable to secure fuel. Beyond this, the dip appears to be somewhat greater than might have been seasonally expected.

There seem to be no signs of real weakness. Primary commodity prices, though sagging somewhat during a period when there has been much talk about business slackening, have not been really weak; and, indeed, over the past year or more, and particularly in the last nine months, fluctuations in primary commodity prices have been relatively narrow. To-day Moody's index of prices is almost precisely where it stood a year ago. This is in marked contrast to the wide oscillations of the index of production and the still wider movements of the index of share values—both of which, in the opinion of your Correspondent, have rather exaggerated the fluctuations in the economy as a whole.

The inflow of gold, which, since late last summer, has continued in amounts even beyond those to which we had become accustomed, has again become a theme of close discussion. For one thing, imports in the six months ended March were of the order of \$2,000 millions—far above current production. Secondly, because of these imports, excess reserves in the banks are now above \$4,000 millions, with every prospect of their rising in the not distant future, when the Treasury draws upon its general fund, either by drawing upon its deposits in the reserve banks or by monetising gold in the general fund. Thirdly, the situation has gained interest from recent discussions about extending the President's discretionary power over the value of the dollar. These three aspects of the question give rise to hours of discussion in financial circles; and the discussion goes on to include the general question of the future of gold in monetary systems and the specific question of the sterling rate, pegged for some time now at \$4.68.

The Role of Gold Imports

The statistical consequences of this gold inflow on our credit system are set out in some detail in *The Economist's* Banking Supplement (published with this issue), and it is necessary here to do no more than repeat that only a part of the recent incoming gold has as yet been fully monetised. Incoming gold is initially received into the general fund of the Treasury; the next step is to issue it to the reserve banks in the form of gold certificates, the Treasury being credited with a deposit, which is also part of the general fund. The third step is, of course, actual expenditure from the fund.

During the first half of the current fiscal year the Treasury borrowed in excess of its current expenditure; in the second half it is borrowing less and reducing its cash balances. As these are largely in the form of unmonetised gold or deposits with the reserve banks, deficit expenditures are directly and rapidly increasing excess reserves. Excess reserves were considered a problem when they were much smaller than now; yet there is every statistical prospect that the present figure of \$4,000 millions will increase to over \$5,000 millions within a short time.

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On the other hand, the current rate of flow is in excess of current output. In other words, a previous accumulation or reserve of some sort is being drawn against. Conceivably this is the mere transfer and sale of privately accumulated gold in London—a transaction, so to speak, within the gold market and implying no strain on the exchange rate. On the other hand, it is also conceivable that it is the medium of a great movement of capital, originating outside of the gold market and using gold merely as a vehicle. In this case it would be analogous to a movement of gold under the old gold standard.

May 5th.

Reconstructing Polish-Russian Trade

[FROM A POLISH CORRESPONDENT]

THE history of trade between Poland and Soviet Russia can be divided into three quite separate periods. The first lasted from 1924 to 1930, when the Soviet economy was in a state of disorganisation caused by the Revolution and the process of changing the old capitalist structure into a Socialist economy. At that time Russian imports from abroad consisted of consumption goods, like sugar, textile materials, coal, metal products and so on. Poland had an export surplus, the balance being passive only in 1927-28, when large quantities of corn were imported from Russia.

At the end of the first period, that is, after 1930, the character of Polish exports to Russia underwent an important change. In consequence of the first Five Year Plan Russia's industry was greatly expanded, so that the Russian Government began to limit imports of consumption goods and to increase imports of engines, machinery, plant and iron.

The second period lasted for four years, that is, from 1931 to 1935. The course of Poland's trade with Russia during those years was as follows:—

POLISH TRADE
(in thousands of zlotys)

Year	Imports from U.S.S.R.	Exports to U.S.S.R.	Export (+) or Import (—) surplus
1931	36,039	125,257	+ 89,218
1932	19,343	29,051	+ 9,708
1933	17,697	59,945	+ 42,248
1934	17,740	25,477	+ 7,737
1935	14,942	11,086	— 3,856

On the Russian side, trade was solely in the State's hands, and for the most part Poland's rôle was to meet Russia's more sporadic needs rather than to satisfy the Soviet's regular requirements. A crisis came in 1935. There were various reasons for this. The most important was the question of granting credits to Russia. Russia requested 18 months' credit from Polish suppliers, which was an impossible condition. Poland's refusal to grant such credit led the Russians to place their contracts elsewhere, with other countries of better financial standing.

In the third period from 1936 to 1938 Polish-Russian trade fell away and there was a consistent surplus of imports into Poland.

POLISH TRADE
(in thousands of zlotys)

Year	Imports from U.S.S.R.	Exports to U.S.S.R.	Import (—) surplus
1936	16,200	9,010	— 7,190
1937	14,499	4,415	— 10,084
1938	9,850	1,403	— 8,447

Some decision had to be taken. Either Poland had to give up any prospect of a reasonable trade with Russia or a more able basis for that trade had to be found. The Polish Government chose the second alternative, and the result was trade agreement signed on February 19th this year.

The current year will be a trial period for the reconstructed trade with Russia. Upon it depends the future of Polish economic relations with the Soviets.

May 12th.

A Dismal Irish Budget

[FROM OUR DUBLIN CORRESPONDENT]

THE Minister for Finance introduced his eighth Budget in a speech of insipid gloom. Opening on a note of warning about the rapid growth of deadweight debt, he devoted the main portion of his speech to an explanation and justification of the unpalatable increases of taxation that he felt coerced to impose, and ended with a passage of unrelieved despair about the financial consequences of a European war. The change of tone from his other Budget speeches was very remarkable. Whereas in earlier years he was at pains to prove that the increase of debt was exaggerated by the Opposition, on the present occasion he made no attempt to minimise the gravity of the situation. Moreover, he indicated that further increases might be expected on account of borrowing that would be necessary in connection with housing, land settlement and the relief of unemployment.

It is impossible to disagree with the Minister's disclaimer of full responsibility for the exceedingly unpleasant message which he had to deliver to the Dail. As he said, it was not he who devised the elaborate schemes of expenditure for which he had to find ways and means. The Opposition are always calling for more and more expenditure, and the policy of the Minister's own colleagues is in its very nature expensive for the taxpayer. Actually the Budget probably made the best of a bad job. Expenditure on defence has arisen as a result of the European situation and even the most hostile critic of Mr de Valera would not accuse him of any share of guilt for the international tension which has led to re-armament. Old-age pensions have become more burdensome largely as a result of the change in the age-grouping of the population. It is difficult, perhaps, to justify increased outlay on education in a community marked by a rapid decline in the number of children. However, the fact remains that the social services, both for old and young, are becoming more costly, and the reversal of this tendency is neither possible nor desirable. The Irish citizen has no reason to hope for a diminution in the rate of growth of national expenditure, except, it is to be hoped, on defence.

Having made ample (possibly too ample) allowance for over-estimation in the supply services and having charged to capital account as many objects of expenditure as he decently could, the Minister had to find £1,180,000 from the proceeds of new taxation. This problem he solved by raising the standard rate of income tax from 4s. 6d. to 5s. 6d. in the pound and by increasing the duties on petrol and tobacco. The increase of income tax may have been a necessity, but it was an unfortunate one. Already indirect taxation and the cost of living were higher in Eire than in Great Britain and Northern Ireland, and the only fiscal advantage enjoyed by the resident in Eire was the lower income tax which has now disappeared. It is significant of the small additional taxable capacity of the country that the increase of a shilling in the standard rate should yield only £850,000 in a full year, and any further increase would unquestionably yield less. The taxable capacity of the direct taxpayer has been completely exhausted, and any future increases of revenue will have to be derived from indirect taxation which must necessarily hit the poor. Unless there is a substantial improvement in the national income during the next twelve months the problems presented by next year's Budget will be formidable indeed.

Meanwhile there is the more immediate problem of further borrowing. The Budget provides for £2,000,000 of capital and non-recurrent expenditure to be defrayed from borrowing, the finance accounts disclose that there are outstanding over £3,000,000 of Exchequer bills and ways and means advances which will presumably be funded, and the housing and land settlement programmes will call for abundant supplies of new capital. The Banking Commission reported categorically that savings in Eire were not keeping pace with investment and that much of the public expenditure of a capital nature was being financed by the realisation of external assets. While the strong creditor status of Eire prevents the emergence of any acute financial stringency such as might arise in debtor countries, it may at the same time mask the development of dangerous tendencies. It is comforting to know, as is clear from his Budget speech, that the Minister for Finance is alive to the perils of the situation, and it would be still more comforting if one could be sure that his orthodoxy was fully shared by all his colleagues.

May 12th.

Books and Publications

Dictatorship Dissected

IF a nineteenth-century Liberal were to revisit the world to-day nothing would surprise him more than the emergence of autocratic governments. Fifty years ago it was axiomatic among political thinkers that the tide of democracy was rising everywhere, and that it was only a matter of time before the last remnants of tyranny would perish. In the last ten years the political tide has set in the reverse direction, and in one country after another dictatorships have sprung into existence. A movement so widespread and so vigorous must command attention; even the most hostile critic of the dictatorships must be impressed by their virility and by the enthusiasm with which they are supported.

Mrs Spearman has performed a very useful service by the publication of her very interesting and illuminating analysis of this central phenomenon of modern politics.* The various dictatorships are shown to have arisen for different reasons, to be based on different philosophies and to have developed on different lines. Nevertheless they all exhibit certain common characteristics:

illegality, personal rule, the violent enthusiasm of at least a section of the people, the exaltation of the State and a depreciation of individuality, together with a worship of the personality of the dictator, invariably accompany modern autocracy.

The rise of a dictatorship is always evidence of a crisis of some kind, either the dissolution of long-established dynasties or the breakdown of democracy. The revival of autocracy contains two problems: the problem, essentially political, of the seizure of power, and the sociological problem of the change in public opinion which sanctioned its seizure. The dictatorships, once they have been set up, tend to develop on different lines. Mrs Spearman divides the European autocracies into three groups: first, the totalitarian governments of Germany, Italy and Russia; secondly, the Catholic dictatorships in Portugal and, for a short time, in Austria; and thirdly, the personal dictatorships, based on popularity or military success, in Poland and Yugoslavia. There seem to be three chief factors which influence in different degrees the evolution of different kinds of dictatorship—the kind of crisis, the kind of dictator and the national tradition.

Less is known by English readers about Portugal than about many of the other autocratically governed countries, and the description of Dr Salazar's regime is therefore especially useful. The experience of Portugal proves that a dictator in favourable conditions can govern without repression or cruelty. The secret of Dr Salazar's success is that he has accepted the Catholic morality, already strongly planted among the peasantry, as the basis of legislation. In Portugal, nationalism is not a very live force nor is the population educated up to the adoption of socialism, with the result that "there existed no other possible basis for a national revival than Catholicism." The Salazar government therefore has never been embarrassed, as Hitler and Mussolini have been, by a conflict between the ideologies of Christianity and the totalitarian State.

The fact is, as is shown very clearly by Mr Stewart,† that the modern State finds it increasingly difficult to reach a basis of accommodation with organised religion for the simple reason that it is evolving a religion of its own. It will be interesting to observe whether General Franco will follow the example of his Iberian neighbour or of his Fascist friends, in his attitude towards the place of the Church in Spain.

Mrs Spearman devotes a chapter to dictatorial economics in which she demonstrates that dictatorship must in practice, if not in theory, entail considerable interference with economic freedom. Too much independence of employers and trade unions might threaten the stability of the regime; a government that has come into power in a crisis must usually pursue an active programme of social improvement;

* "Modern Dictatorship." By Diana Spearman. Cape. 272 pages. 10s. 6d.

† "Dictatorship and Democracy." By W. D. Stewart. King. 121 pages. 7s. 6d.

and the very capacity to control economic life is a temptation to the exercise of such control. The corporative system is criticised on the grounds that it produces the evil of monopoly without its efficiency and that it raises costs.

In actual practice dictatorships have pursued much more disastrous policies than any democracy, and, even when their economics have not been disastrous, they have not been particularly successful.

The ultimate safeguard of democracy is the power to dismiss the government.

The question "Is Modern Dictatorship Successful?" forms the title of Mrs Spearman's last chapter. The price of dictatorship is shown to be partial or total loss of liberty, and its alleged advantages as a type of permanent government (apart from periods of crisis or revolution), namely, responsibility and continuity, are not admitted. (It is a pity that the discussion of this subject on page 263 is obscured by a serious misprint which completely inverts the author's meaning.) The practical conclusion for democratic readers to draw is that dictatorship is full of danger and that its approach can best be prevented by improving the working of our free institutions; as Mr Stewart puts it so truly, "if democracy is to survive it must be strengthened in its own rights and in its own merits."

Shorter Notices

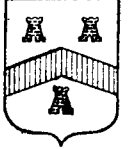
"National Reserves." By L. St. Clare Grondona. Allen and Unwin. 190 pages. 7s. 6d.

As Mr R. F. Harrod points out in the preface which he contributes to this scheme for establishing commodity reserves, Mr Grondona has brought together three main ideas.

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The steps proposed to prevent wide oscillations in the price of primary products would not only buttress the purchasing power of primary producers, but would also facilitate the establishment of strategic reserves; and the scheme would require the fixing, not of prices, but of a reasonable range of movement in prices. For the details and implications of the scheme, which have been very fully thought out (with a very shrewd perception of the reasonable criticisms that might be levelled against it), the reader is referred to the text, supplemented by 34 pages of appropriate statistical material. But the general idea is that a Corporation should be formed, sponsored by the Government but administered by practical experts. It should initially, in weak markets, buy up commodities, which may be surplus to world requirements, at a price fixed a year in advance, at some percentage, say 10 per cent., below a reasonable average, called the *datum*. This *datum* could be varied, always at one year's notice, thus imparting flexibility. The Corporation would sell normally, in strong markets, at a similar percentage above the *datum*. As Mr Harrod hints, the scheme as outlined may be too ambitious, and a moment's reflection will suggest a number of points that would require the closest scrutiny and investigation. Problems might arise in the initial creation of reserves and in the precise relation, not only between their commercial and strategic objectives, but also between the reserves and ordinary market operations. The scheme, Mr Grondona admits, might even necessitate processing cartels and further ramifications of control. But the fundamental idea of fortifying the purchasing power of primary producers is one to which no exception can be taken. It is one which embraces the proposals submitted last year by Professor Keynes to the British Association; and it offers a plan of action to solve a problem which is peerless in its complexity and world importance.

"Prix et Production en Agriculture." Jules Milhau, Institut Scientifique de Recherches Economiques et Sociales. No price stated.

A study of the elasticity of demand for certain horticultural crops in France, and the consequent possibilities of increased production. After a rather sketchy chapter on the general theory of elasticity of demand, the author analyses the market trends for cherries, peaches, nuts, beans and potatoes, and shows that the abrupt changes in relative price levels which occurred in 1929-33 had a very marked effect on the conditions of demand for these products. The importance of these and other studies on the demand for particular commodities lies in the fact that State intervention to secure a larger home production is only likely to be successful if demand is relatively elastic, so that the larger output can be absorbed without a marked fall in price.

Books Received

- New Zealand Official Year Book, 1939.* (Wellington) Census and Statistics Department. 994 pages. 7s. 6d. net.
- The Evolution of the British Empire and Commonwealth.* By Sir John Marriott. (London) Ivor Nicholson and Watson. 388 pages. 12s. 6d. net.
- Central Banking.* By M. H. de Kock. (London) P. S. King. 354 pages. 15s. net.
- The International Grain Trade.* By A. A. Hooker. (London) Pitman. 170 pages. 7s. 6d. net.
- Soviets in the Arctic.* By T. A. Taracouzis. (London) Macmillan. 546 pages. 32s. 6d. net.
- World Finance, 1938-1939.* By P. Einzig. (London) Kegan Paul, Trench, Trubner and Company. 307 pages. 12s. 6d. net.
- America Reborn.* By R. L. Woods. (London) Longmans. 376 pages. 15s. net.
- The Journal of Reparations.* By Charles G. Dawes. (London) Macmillan. 21s. net.
- An Approach to a Price Theory for Changing Economy.* By M. Abramovitz. (London) P. S. King. 158 pages. 10s. net.
- Conservatism the Only Way.* By R. Northam. (London) The Right Book Club. 276 pages. 2s. 6d. net to members.
- Prices and Wages in England from the Twelfth to the Nineteenth Century.* Vol. I. Price Tables: Mercantile Era. By Sir William Beveridge. (London) Longmans. 756 pages. 31s. 6d. net.
- The Home Market, 1939.* Edited by M. A. Abrams. (London) Allen and Unwin. 152 pages. 12s. 6d. net.
- The Organization of the English Customs System, 1696-1786.* By E. E. Hoon. (London) D. Appleton. Century Company. 322 pages. 18s. net.

GERMANY'S WAR MATERIAL IMPORTS

By Sir George Schuster, K.C.S.I., K.C.M.G., M.P.

PUBLIC interest has been increasingly turned during recent months to German trade and trade policy, to the effects of German policy on competition with our own trade, to the evidence which the trade figures supply of German preparation for war, and to the extent to which she possesses or controls essential commodities. As figures for isolated commodities may be misleading, the tables which accompany this article have been prepared to provide a convenient and comprehensive survey of the whole position as a general background to which reference can be made on particular questions. This has been the object, rather than to interpret the figures, or use them as a basis for making recommendations as to policy. Attention, however, will be directed in the concluding paragraphs to certain "high lights" in the picture presented and to certain broad conclusions.

Explanatory Notes

1. The tables have been prepared to provide a basis for comparison between:—

- (a) Germany's pre-war position—for which the year 1913 is taken.
- (b) Germany's position at the commencement of the Nazi regime (1933).
- (c) Germany's position during the period since 1936, when the effort of war preparation has been progressively intensified.

Figures for these years have been given of Germany's total imports and also of imports from certain selected countries, viz., the countries of the British Commonwealth, the democracies on Germany's western front (France, Belgium and Holland, with their colonies), Russia and the U.S.A. These have been selected because, if there were any economic "encirclement" of Germany, it is through these countries that (owing to their geographical position or political alignment) such a policy could most directly be applied.

2. The commodities covered are those given in *The Economist* note of April 15th, with the addition of pyrites, flax, jute, etc., coal and coke, together with wheat and maize, butter, lard, oil-seeds, and all other oils and fats. The commodities chosen are the main ones which can be regarded as connected with Germany's strategic programme. Steel and machinery have not been included, but the imports of these products are relatively small (compared with those of the crude ores and metals); and, in any case, the domestic exports from Germany far exceed the imports. Imports of ships (for breaking up) and of motor cars and engines of all descriptions have also been excluded.

3. The figures for 1913 represent the imports into pre-war Germany, i.e. including not only the Saar but also Alsace-Lorraine and those parts of Germany which were ceded under the Peace Treaties. Imports into Germany in the post-war years include imports into the Saar only since the date of its return to Germany, while, as regards the other territories now omitted, it must be remembered in making comparisons with pre-war figures that their import needs as parts of Germany are now excluded, but that materials taken from them which formerly figured as part of Germany's internal trade are now included in her imports. The boundary changes of 1938-39 have further complicated the picture: imports from Austria are included only up to the end of 1937, those for 1938 and 1939 being merged in internal trade. With the acquisition of Sudetenland last October, the ceded areas bordering Austria have come under the Austrian Customs, and those bordering Germany under the German Customs, so that imports into Germany since September include imports into the German-Sudeten regions. Figures which are only taken to the end of February, 1939, do not show the effects of the acquisition of Czechoslovakia in March.

The German colonies given to Britain and her Dominions and to France are, for purposes of comparability, included in the British and French Empires respectively in 1913 as well as in the post-war years.

4. Whereas the figures given in *The Economist* on April 15th represented imports less exports, the attached statistics are all

gross imports, since re-exports cannot be deducted on a country of origin basis. The country of origin shown in the German import statistics may mean country of production or of consignment or of purchase, or, more important still, country of clearing.

INCREASED ACCESS AND AUTARKY

The first point of major importance illustrated in the tables is that, in spite of what is often said about the freezing up of international trade or Germany's difficulties of access to raw materials, nevertheless, for all the important commodities covered by the tables—with the few significant exceptions dealt with below—the quantities which Germany imported in 1938 were substantially—and in some cases enormously—in excess of the imports of 1913.

The significant exceptions are wheat, textile fibres, and coal. These "exceptions," when examined, go far to "prove the rule" which can be derived from the trade figures as a whole; viz., that Germany has not had the slightest difficulty in access to raw materials, and that such difficulties as she has had in her trade have been the result of her own deliberate policy with its two-fold purpose: first, of concentrating her import power on materials essential for creating an enormous equipment for war; and, secondly, of making herself, in the case of certain essential commodities, as far as possible independent of supplies from sources which would be cut off in war. In the case of wheat, the reduction of her imports was due to her policy since 1928 of agricultural self-sufficiency, a condition which, as regards grain, she had practically reached by 1933 on the basis of normal harvests. Increasing imports of wheat and maize during the last three years have been for the purpose of building up war reserves.

In the case of the textile fibres—wool, cotton, flax and jute—the quantities imported in 1938 represented about two-thirds of those in 1913, and the reduction has, as is well known, been due to Germany's policy of developing the manufacture of synthetic fibres.

In the case of coal, Germany's 1938 imports were only one-third of the pre-war figure. Here, again, the reduction has been due to the deliberate policy of self-sufficiency, based on the exploitation of her own brown coal resources and the development of scientific methods for the utilisation of coal.

Smaller and less significant reductions of imports of zinc ore and lead are again the result of the development of internal resources. The only other decrease, compared with 1913, is in lard and dripping, and against this there must be set much greater increases in imports of other fats, or fat-supplying materials (butter, "other fats and oils," oil-seeds and nuts).

On the other side of the picture, 1938 shows very substantial increases compared with 1913 in imports of all metals and ores: imports of copper are up by 50 per cent., imports of copper ore are twenty-five times greater, imports of iron ore are nearly 70 per cent. higher, and of iron (pig and scrap) 250 per cent. higher. Again, mineral oil imports (refined and crude) are four times greater than in 1913, while rubber imports, in spite of synthetic production, are over three and a half times greater.

PURCHASES FROM PEACE FRONT POWERS

The second point of major importance brought out by the tables is the enormous quantity of Germany's imports drawn from the potentially "encircling countries," i.e. the

countries shown separately in the tables. In 1938 these countries supplied

- (i) between 40 and 50 per cent. of Germany's imports of the following commodities: wheat, oilseeds and nuts, "all other oils and fats," cotton, iron ore, lead ore, zinc ore, chrome ore and zinc;
- (ii) between 50 and 75 per cent. of the following: maize, wool, flax, jute, etc., coal, mineral oil (crude and refined), aluminium;
- (iii) 75 per cent. and over of the following: rubber (90 per cent.); manganese ore (85 per cent.); copper ore (80 per cent.); nickel ore (100 per cent.); iron: pig iron (80 per cent.); scrap (93 per cent.); copper (77 per cent.); nickel (75 per cent.); tin (92 per cent.); and coke (96 per cent.).

It is not the purpose of this article to suggest that the British Empire and the other named countries should combine to impose economic sanctions in peace-time on Germany. But the figures bring out two points with striking clearness:—How amazingly little justification Germany has for claiming that she has not access to raw materials, since she has drawn these enormous quantities of materials required for war preparation from the very countries which might have been expected to combine to prevent her building up power to threaten their way of life; and the great bargaining power that the British Empire and the other named countries would possess if they were to combine to use it for the establishment of a progressive international policy of peaceful trading.

BUILDING UP WAR RESERVES

The third point of major importance brought out by the tables is the intensification of Germany's effort to build up war equipment and reserves of essential commodities during the past two or three years. Under practically all headings there are very substantial increases since 1936, which are specially remarkable in the case of wheat and maize, and of all metals and ores (especially pig iron and scrap, copper, aluminium and nickel ore).

(a) Wheat, Maize, and Rye.

A short reference has already been made to Germany's policy as regards wheat imports, and the tables show the great increase in imports of maize since 1936. As regards wheat, the figures given in the tables do not bring out the full position, in order to appreciate which it is necessary to take into account the figures of home production. The figures on a crop-year basis (i.e. August 15th to July 31st) for home production and net imports are given in the following table (based on the reports of the Wheat Advisory Committee):—

GERMAN WHEAT POSITION			
Production		Net Imports	
Harvest Year	Millions of Bushels	Crop Year	Millions of Bushels
1909-13 (5-year average).....	118.1	1909-13 (5-year average).....	68.0
1932.....	183.8	1932-33.....	5.0
1933.....	205.9	1933-34.....	4.6*
1934.....	166.5	1934-35.....	10.1
1935.....	171.5	1935-36.....	0.3*
1936.....	162.7	1936-37.....	31.8
1937.....	178.6	1937-38.....	45.6
1938.....	214.7	1938-39 (Aug.-Mar.).....	29.9

* Net exports.

Notes.—(a) Figures above include Austria since 1936-37.
(b) Imports in the first three months of 1939 in metric tons amount to 121,793 tons. This does not include 100,000 tons of Argentine wheat recently purchased in a barter arrangement.

It will be seen that Germany's own wheat crop for the seven years 1932-1938 averaged 183.4 million bushels, and that her wheat consumption for the five years 1909-1913 averaged 184.1 million bushels. Therefore, apart from the effect of the recent inclusion of Austria, it looks as if she had attained an average state of self-sufficiency.

With regard to the stock position the following table shows the amount of wheat and rye in first and second hands (i.e. farms, mills and warehouses) on April 1, 1939. These apply to Germany, ex-Austria and Sudetenland:—

	April 1, 1938	April 1, 1939
(Metric tons)		
Wheat.....	1,750,000	3,313,000
Rye.....	2,094,000	4,347,000

The fact that all normal storage facilities were filled up and improvised storage had to be found for grain arriving in the closing weeks of 1938 suggests that very substantial quantities of cereals are held in reserve in Germany. It has been stated in trade circles that Germany has a reserve of grain equal to at least one year's requirements.

(b) Iron Ore and Iron (Pig and Scrap).

Taking the two headings iron ore and iron ore containing manganese together, German iron ore imports for 1938 were 9.6 million tons higher than in 1913. In this comparison the loss of Alsace-Lorraine must be taken into account; but it is still more notable that iron ore imports in 1938 were nearly 19 million tons higher than they were in 1933 and 34 million tons more than in 1936. Towards these last-mentioned increases the British Empire, France and Belgium with their Colonies have contributed 9 million and 800,000 tons. From these three sources Germany in 1938 drew about 45 per cent. of her supplies.

GERMAN IMPORTS OF IRON ORE (INCLUDING IRON ORE CONTAINING MANGANESE)
(Thousands of metric tons)

	1913	1933	1936	1937	1938
British Empire.....	178	224	442	1,200	1,718
France (and Colonies).....	4,428	1,240	8,499	7,829	6,856
Belgium (and Congo).....	127	49	826	2,020	1,979
Total of above countries.....	4,733	1,522	9,767	11,049	10,553
Total German imports from all sources.....	14,024	4,571	20,353	23,129	23,613

The figures for pig iron and scrap afford the most notable examples of intensive increase in 1938 and in the first months of 1939. Imports in 1938 were nearly four times as great as in 1936 and showed an increase of 1.15 million tons, of which increase no less than 1.04 million tons came from the British Empire, the United States, France, Belgium, and Holland with their Colonies.

GERMAN IMPORTS OF PIG AND SCRAP IRON
(Thousands of metric tons)

	1913	1933	1936	1937	1938	Jan.-Feb., 1939 (At the annual rate of)
British Empire.....	117	56	60	82	189	(491)
France and Colonies.....	54	33	122	110	254	(455)
Belgium and Congo.....	100	111	127	215	405	(682)
Holland.....	51	162	93	52	119	(132)
U.S.A.....	1	10	4	188	476	(472)
Total of above countries.....	323	372	406	647	1,443	(2,232)
Total German Imports.....	460	432	458	648	1,611	(2,422)

(c) Other Metals and Ores.

It is under these heads that some of the most notable increases in the last two years have occurred, and in many cases the chief part of the increase has come from the countries named in the tables. The following increases in imports for 1938 over 1936 may be noted.

Copper.—Increase 163,000 tons, an increase of about 85 per cent. Of this increase 109,000 tons came from the named countries.

Copper Ore.—Increase 171,000 tons, an increase of about 35 per cent. Of this increase 151,000 tons came from the named countries.

Manganese Ore.—Increase 196,000 tons, an increase of about 90 per cent. Of this increase 109,000 tons came from the named countries. (In this case 1937 was the peak year.)

Aluminium.—Increase 12.6 thousand tons, an increase of about 200 per cent. Of this increase about 11,000 tons came from the named countries.

Nickel Ore.—Increase 16,500 tons, an increase of over 90 per cent. The whole of this increase came from the named countries. This increase and the still greater proportionate increase in the first months of 1939 have been the subject of special comment. In this case, however, the whole of the increase represents supplies from a new source in the Dutch Indies, which is understood to be a very low grade ore.

(d) Mineral Oil.

Much is written about Germany's reliance on Roumanian supplies, but it is interesting to note that, over the last few years, she has been drawing increasing proportions from the U.S.A. and the Dutch Colonies. As regards refined mineral oil, total German imports in 1938 (3.64 million tons) were about 400,000 tons more than in 1936, but imports from the U.S.A. and the Dutch Colonies (2.52 million tons) were nearly 700,000 tons higher.

IMPORTS OF ESSENTIAL WAR MATERIALS, FATS, ETC., INTO GERMANY (PRE-1938 BOUNDARIES)*—YEARS 1913, 1933, 1936-38 & JAN.-FEB. 1939

(Figures taken from "Monatliche Nachweise über den auswärtigen Handel Deutschlands".)

Commodity No.	(All figures are in thousands of metric tons)	TOTAL ALL COUNTRIES †						TOTAL COUNTRIES SPECIFIED ‡					
		January–December					Jan.–Feb.	January–December					Jan.–Feb.
		1913	1933	1936	1937	1938	1939	1913	1933	1936	1937	1938	1939
1	Wheat.....	2546.0	770.3	74.1	1219.0	1267.7	67.7	1994.1	654.9	33.4	312.5	565.2	11.6
2	Maize.....	918.7	254.1	171.8	2158.9	1895.4	32.0	280.7	15.8	1.1	36.1	1144.4	21.4
3	Oilseeds and nuts.....	1747.4	2290.7	1661.4	1670.3	1846.4	340.6	849.5	703.2	839.0	767.4	810.6	156.1
4	Butter.....	54.2	59.1	75.4	86.8	92.3	13.0	51.6	16.9	10.9	14.1	16.1	2.8
5	Lard, suet, dripping, etc.....	134.1	78.6	32.0	34.3	42.0	6.9	128.1	62.2	3.8	2.5	4.7	1.5
6	Marine oil (not hardened).....	55.6	188.5	118.3	125.3	120.2	10.8	10.8	56.4	1.9	11.3	18.0	10.1
7	All other oils and fats.....	94.6	141.2	197.8	211.2	238.1	43.0	74.5	82.0	99.3	90.2	101.3	18.7
8	Wool.....	245.2	197.9	125.4	128.2	166.1	31.3	169.5	154.0	64.1	73.8	87.4	21.7
9	Cotton.....	583.5	473.3	325.0	349.6	352.8	53.0	512.9	399.5	180.7	177.0	131.2	19.6
10	Flax, jute, etc.....	358.2	213.4	197.8	265.7	261.2	55.6	297.8	176.2	132.1	169.7	163.2	36.9
11	Rubber.....	29.0	60.5	82.7	123.2	108.5	16.8	18.0	57.9	74.8	107.5	97.6	14.4
12	Coal.....	17675.0	5894.2	6103.9	6650.5	6411.8	863.9	10080.1	3137.5	4226.6	4516.9	4706.9	846.0
13	Crude mineral oil.....	See 14	982.8	1197.9	1326.4	144.4	See 14	494.4	692.8	794.2	86.6		
14	Refined mineral oil (incl. crude oil for 1913 and 1933).....	1294.4	2647.5	3235.2	3109.4	3640.6	533.1	974.8	1883.7	1866.9	1930.5	2543.1	350.1
15	Iron ore.....	14024.0	4571.6	18469.3	20620.9	21927.5	3009.1	5241.9	1569.9	8388.2	9086.4	9499.7	1385.4
16	Iron ore, containing manganese.....	See 24	131.9	229.6	554.2	425.8	28.2	See 24	126.0	251.3	505.7	359.5	21.2
17	Manganese ore.....	27.6	240.9	482.5	555.6	653.9	113.6	3.4	128.0	369.7	447.0	520.8	99.2
18	Copper ore.....	See 24	99.3	126.8	141.3	33.6	See 24	61.0	58.0	58.3	16.3		
19	Lead ore.....	313.3	79.1	120.6	146.3	185.0	18.8	233.7	32.2	68.8	49.3	76.0	7.4
20	Zinc ore.....	See 24	123.4	132.2	176.4	28.2	See 24	18.4	53.5	92.5	7.0		
21	Chrome ore.....	See 24	17.7	20.0	34.2	9.6	See 24	12.2	17.9	34.2	2.3		
22	Nickel ore.....	1025.7	849.1	1042.8	1464.4	1430.9	177.3	26.2	114.4	140.9	193.1	199.9	29.0
23	Pyrites.....	2219.4	1085.1	78.8	105.3	119.7	16.9	1872.7	840.8	31.1	24.6	28.7	4.7
24	Other ores, etc.....	No details	981.2	1313.2	1184.6	107.1	No details	226.2	237.2	284.9	21.6		
25	Bauxite.....	460.9	431.7	112.8	159.6	447.2	217.2	83.8	96.5	359.1	200.5		
26	Iron (pig).....	15.3	2.8	345.5	588.1	1164.1	186.5	331.9	372.3	323.1	551.0	1084.2	173.7
27	Iron (scrap).....	See 24	6.2	7.1	18.8	3.7	6.3	1.6	1.4	3.7	12.3	2.9	
28	Aluminium (incl. scrap).....	245.1	207.1	195.1	262.5	358.4	44.9	284.5	135.5	133.7	198.5	278.5	32.1
29	Copper (incl. scrap, coins and alloys).....	See 34	3.4	3.4	4.0	0.7	See 34	2.4	2.4	3.0	0.6		
30	Nickel (incl. coins and scrap).....	83.8	48.7	68.9	73.3	75.3	5.8	38.0	34.9	21.3	31.8	20.7	4.4
31	Lead (incl. scrap).....	14.2	14.9	9.2	10.3	12.1	1.4	13.3	13.7	7.8	9.6	11.0	1.3
32	Tin (incl. scrap).....	57.6	100.6	72.8	70.7	74.9	12.8	40.0	40.0	26.8	26.2	28.2	6.2
33	Zinc (ref., g.o.b. and scrap).....	9.9	13.2	6.9	10.2	12.4	2.1	7.4	4.8	1.3	1.3	1.6	0.3
34	Other metals.....	594.5	717.9	663.4	549.8	591.3	96.3	568.5	657.5	618.0	534.9	568.5	93.6
35	Coke.....	See 14	982.8	1197.9	1326.4	144.4	See 14	494.4	692.8	794.2	86.6		

* See text for effect of boundary changes, particularly in respect of 1913.
† Viz., British, French, Dutch and Belgian Empires, U.S.A. and Russia.
‡ Excluding imports from Austria and Sudetenland in 1938 and January-February 1939.

Commodity No.	(All figures are in thousands of metric tons)	U.S.A.						RUSSIA (incl. Siberia)					
		January-December					Jan.-Feb.	January-December					Jan.-Feb.
		1913	1933	1936	1937	1938	1939	1913	1933	1936	1937	1938	1939
		1913	1933	1936	1937	1938	1939	1913	1933	1936	1937	1938	1939
1	Wheat	1005.4	20.5	2.1	17.1	243.9	2.5	519.3	18.1	1.8	...	...	...
2	Maize	171.6	4.7	0.1	...	1091.3	13.3	91.0	3.3	...	...	...	...
3	Oilseeds and nuts	13.8	21.9	9.5	...	...	1.5	76.0	7.1	0.1	0.4	0.6	...
4	Butter	...	...	...	...	...	...	32.9	4.7	...	...	...	...
5	Lard, suet, dripping, etc.	120.9	60.6	2.1	1.1	1.4	...	...	...	...	...	...	...
6	Marine oil (not hardened)	2.3	2.7	...	...	...	...	...	...	...	...	...	...
7	All other oils and fats	16.1	1.2	0.3	...	...	...	1.6	1.7	0.1	1.7	4.0	...
8	Wool	4.9	2.8	0.8	1.5	1.6	...	4.6	4.0	0.6	0.5	0.1	...
9	Cotton	410.0	341.2	116.9	118.9	85.0	12.6	...	4.0	0.8	2.0	2.3	...
10	Flax, jute, etc.	0.4	0.2	...	...	...	...	110.7	11.9	1.3	7.4	5.1	0.4
11	Rubber	0.4	0.8	0.6	7.0	6.0	0.3	0.3	...	...	...	...	...
12	Coal	0.6	...	...	...	...	...	1.1	...	...	...	...	...
13	Crude mineral oil	See 14	...	...	...	...	...	See 14	...	...	...	...	...
14	Refined mineral oil (incl. crude oil for 1913 and 1933)	729.8	456.6	673.1	751.6	984.2	145.5	193.8	423.3	...	...	...	1.0
15	Iron ore	...	...	...	...	...	...	495.5	46.2	...	...	...	...
16	Iron ore, containing manganese	0.8	...	...	...	...	...	...	...	...	...	...	...
17	Manganese ore	See 24	0.1	...	...	...	...	...	...	...	...	...	...
18	Copper ore	0.3	...	...	0.2	...	...	See 24	86.0	32.1	61.3	60.9	0.7
19	Lead ore	See 24	...	...	...	...	...	See 24	...	...	...	...	...
20	Zinc ore	13.2	...	...	...	...	...	2.8	12.7	...	...	...	...
21	Chrome ore	See 24	...	...	...	...	...	See 24	...	...	...	...	...
22	Nickel ore	See 24	...	...	...	...	...	See 24	...	...	...	...	...
23	Pyrites	...	...	...	0.1	...	...	See 24	...	...	...	...	...
24	Other ores, etc.	3.9	3.1	6.3	7.6	11.5	1.0	599.3	12.2	10.8	...	...	...
25	Bauxite	No details	...	...	...	...	...	No details	...	...	...	...	...
26	Iron (pig)	1.5	9.9	...	26.5	6.4	4.4	7.7	...	...	...	...	...
27	Iron (scrap)	...	...	...	161.7	469.8	74.3	...	...	...	...	...	...
28	Aluminium (incl. scrap)	...	0.1	0.2	0.9	1.8	1.4	...	...	...	...	...	...
29	Copper (incl. scrap, coins and alloys)	200.2	32.1	21.4	51.1	92.3	10.4	0.4	0.3	...	...	...	...
30	Nickel (incl. coins and scrap)	See 34	...	...	1.1	0.8	0.9	See 34	...	...	...	...	...
31	Lead (incl. scrap)	16.3	5.1	1.9	1.2	2.2	0.9	0.1	0.1	...	...	...	...
32	Tin (incl. scrap)	0.9	0.5	0.2	0.3	0.3	...	...	...	...	...	...	...
33	Zinc (ref., g.o.b. and scrap)	0.2	2.1	0.4	4.3	0.1	...	0.1	...	...	...	...	...
34	Other metals	2.2	2.0	...	...	...	...	0.1	...	...	...	...	...
35	Coke	...	...	...	...	...	...	...	...	...	...	...	...

Commodity No.	(All figures are in thousands of metric tons)	BELGIUM (incl. Belgian Congo)						UNITED KINGDOM					
		January-December					Jan.-Feb.	January-December					Jan.-Feb.
		1913	1933	1936	1937	1938	1939	1913	1933	1936	1937	1938	1939
		1913	1933	1936	1937	1938	1939	1913	1933	1936	1937	1938	1939
1	Wheat	...	...	...	...	...	...	...	...	...	...	...	...
2	Maize	...	...	...	...	...	...	...	...	...	...	...	...
3	Oilseeds and nuts	0.9	67.6	80.2	56.8	33.4	10.7	2.6	...	...	0.2	0.2	...
4	Butter	...	...	...	...	...	...	...	...	...	...	...	...
5	Lard, suet, dripping, etc.	...	...	0.3	0.5	0.4	0.1	1.5	...	0.1	...	0.2	0.9
6	Marine oil (not hardened)	0.6	0.5	...	0.1	...	...	4.9	45.4	...	4.2	2.7	0.3
7	All other oils and fats	4.0	6.1	11.7	11.5	9.7	1.4	18.9	5.4	24.4	21.4	26.3	2.8
8	Wool	18.8	9.2	6.2	3.8	5.8	0.7	16.6	13.7	6.9	6.0	6.2	0.6
9	Cotton	3.4	3.7	3.3	1.5	1.7	0.3	12.7	2.7	9.1	9.4	5.5	0.8
10	Flax, jute, etc.	4.0	5.2	5.3	6.4	7.7	1.3	1.6	0.2	...	0.1	...	...
11	Rubber	2.0	0.6	3.2	2.9	3.0	0.5	1.8	0.5	3.7	9.6	4.3	0.7
12	Coal	329.2	...	...	...	...	...	9218.0	2102.0	3113.0	3336.0	3695.0	666.2
13	Crude mineral oil	See 14	...	...	...	...	...	See 14	...	0.5	0.7	1.0	...
14	Refined mineral oil (incl. crude oil for 1913 and 1933)	2.5	1.9	...	...	...	0.9	0.9	8.6	33.8	18.5	17.5	0.6
15	Iron ore	...	...	...	...	...	...	...	...	...	...	...	...
16	Iron ore, containing manganese	127.1	48.6	568.0	1538.0	1776.0	220.7	0.3	...	...	3.7	2.5	...
17	Manganese ore	See 24	...	258.1	482.7	203.3	36.1	See 24	...	87.4	160.7	121.7	19.9
18	Copper ore	0.1	28.3	71.5	66.8	53.7	15.5	0.2	0.6	...	1.3	1.6	0.2
19	Lead ore	See 24	...	...	...	...	...	See 24	...	...	...	...	...
20	Zinc ore	35.7	...	11.3	4.1	7.7	...	...	...	14.0	6.4	3.5	0.1
21	Chrome ore	See 24	...	...	...	...	...	See 24	...	...	...	...	...
22	Nickel ore	See 24	...	0.2	0.2	0.2	...	See 24	...	...	...	...	...
23	Pyrites	0.6	...	...	...	...	...	See 24	...	...	...	...	...
24	Other ores, etc.	611.1	202.8	1.6	2.9	2.6	0.1	55.2	46.5	3.1	2.6	2.7	0.2
25	Bauxite	No details	...	...	...	...	...	No details	...	...	...	...	...
26	Iron (pig)	100.0	110.9	7.9	5.2	100.2	66.8	112.6	46.9	6.6	7.5	23.1	19.2
27	Iron (scrap)	...	...	118.8	210.0	305.0	46.9	...	...	49.2	67.2	124.6	27.9
28	Aluminium (incl. scrap)	0.2	...	0.1	0.2	0.2	0.1	1.9	1.3	1.0	2.2	3.1	0.5
29	Copper (incl. scrap, coins and alloys)	64.7	35.8	35.5	39.8	51.5	6.2	3.9	14.6	26.3	34.3	28.8	2.4
30	Nickel (incl. coins and scrap)	See 34	...	...	...	...	...	See 34	...	1.2	1.5	1.3	0.4
31	Lead (incl. scrap)	14.0	1.5	7.8	14.1	8.4	1.0	3.9	0.1	6.8	7.5	5.7	1.0
32	Tin (incl. scrap)	0.3	0.7	0.3	0.2	0.3	...	1.7	0.9	0.5	0.8	0.7	0.1
33	Zinc (ref., g.o.b. and scrap)	29.1	15.8	21.5	16.2	24.2	3.8	2.9	0.1	0.2	0.1	0.2	1.8
34	Other metals	0.9	0.3	1.3	1.2	1.5	0.2	1.2	1.3	...	0.1	0.1	...
35	Coke	518.5	70.0	62.2	56.7	82.9	13.0	18.4	86.1	147.0	142.0	104.0	24.5

Commodity No.	(All figures are in thousands of metric tons)	BRITISH INDIA (including Burma)						BRITISH DOMINIONS					
		January-December					Jan.-Feb.	January-December					Jan.-Feb.
		1913	1933	1936	1937	1938	1939	1913	1933	1936	1937	1938	1939
1	Wheat	60.0	...	...	50.1	169.2	1.2	407.2	616.3	26.5	232.4	152.1	7.9
2	Maize	1.4	...	...	...	0.1	...	2.3	5.4	0.1	35.4	45.8	7.9
3	Oilseeds and nuts	321.8	260.6	244.2	214.6	292.9	75.8	11.5	4.5	0.6	0.9	...	...
4	Butter	...	...	...	...	...	...	0.2	...	...	0.4	...	0.2
5	Lard, suet, dripping, etc....	...	...	...	...	...	...	...	7.8	...	6.0	14.0	9.6
6	Marine oil (not hardened)	...	...	...	...	...	...	...	4.3	1.0	2.2	3.7	2.9
7	All other oils and fats	0.3	0.9	0.1	0.7	0.1	2.3	8.6	109.7	41.7	51.3	65.5	19.8
8	Wool	0.5	0.6	1.4	1.8	1.0	...	107.7	...	0.2	1.0	0.3	0.1
9	Cotton	67.5	38.4	38.8	36.6	30.1	5.0	...	...	1.3	...	...	0.1
10	Flax, jute, etc.	164.4	115.1	99.9	112.0	115.5	22.9	1.6	...	...	...	...	...
11	Rubber	4.9	4.5	1.5	2.0	2.8	0.5	...	...	...	...	...	...
12	Coal	...	...	...	...	...	...	...	...	...	...	...	...
13	Crude mineral oil	See 14	...	...	...	...	...	See 14	...	...	...	...	...
14	Refined mineral oil (incl. crude oil for 1913 and 1933)	...	...	...	...	...	...	...	...	...	...	...	...
15	Iron ore	...	...	...	...	...	...	...	...	18.8	...	5.4	...
16	Iron ore, containing manganese	32.8	...	...	7.6	...	...	0.3	...	0.4	1.0	1.1	...
17	Manganese ore	See 24	30.0	51.1	121.3	17.3	0.5	See 24	1.0	109.6	292.4	268.1	19.3
18	Copper ore.....	12.0	8.6	8.4	6.8	0.2	1.3	0.1	19.3	11.7	12.9	3.7	...
19	Lead ore.....	See 24	...	...	...	...	...	See 24	18.6	24.3	23.4	7.7	...
20	Zinc ore	See 24	3.4	11.3	8.9	...	...	165.6	6.6	19.3	14.8	18.6	0.3
21	Chrome ore.....	See 24	1.3	1.3	4.3	...	...	See 24	36.8	52.2	73.4	7.0	...
22	Nickel ore	See 24	4.5	3.6	3.3	0.2	...	See 24	7.5	13.3	13.4	2.1	...
23	Pyrites	...	...	...	...	...	...	...	...	...	...	...	...
24	Other ores, etc.....	179.4	6.2	1.0	2.6	2.4	0.5	135.6	26.8	7.2	4.4	4.0	0.9
25	Bauxite	No details	...	...	...	...	...	No details	...	...	...	...	...
26	Iron (pig)	2.4	7.3	...	2.1	35.0	34.5	1.8	0.9	4.7	4.8	6.2	0.3
27	Iron (scrap)	...	...	...	...	...	...	...	...	...	0.2	5.9	0.8
28	Aluminium (incl. scrap) ...	...	...	...	...	...	...	...	...	...	...	...	...
29	Copper (incl. scrap, coins and alloys)	...	0.3	...	1.4	0.6	0.1	13.3	46.8	4.7	10.0	23.0	1.5
30	Nickel (incl. coins and scrap)	See 34	...	...	...	...	...	See 34	...	...	0.1	0.7	0.1
31	Lead (incl. scrap)	...	0.2	...	0.4	0.5	...	2.8	26.6	4.1	6.7	33.3	1.4
32	Tin (incl. scrap)	0.9	1.9	...	0.1	...	...	1.6	0.2	...	...	...	...
33	Zinc (ref. g.o.b. and scrap)	...	0.1	...	...	...	...	...	16.7	0.4	1.9	0.8	...
34	Other metals	...	...	...	...	...	...	...	0.8	...	...	...	...
35	Coke	...	...	...	...	...	...	...	...	...	...	...	...

THE BUSINESS WORLD

Is Bank Rate Obsolete?

BY a fortunate coincidence May witnesses the appearance both of the annual report of the Bank for International Settlements and Volume I of the League of Nations "Money and Banking, 1938-39." Both publications necessarily cover part of the same ground, but there are sufficient points of difference to make each invaluable. Paradoxically enough, the B.I.S. report is concerned with the world's broad economic problems in 1938; while the League volume deals with the narrower question of monetary developments during that year. The upshot is that the two publications are complementary in more senses than one.

Much of the ground covered has been the subject of close discussion in Great Britain; but the real value of both volumes is that they give an exhaustive account of what has been happening in all the important countries of the world, so that the reader no longer has to judge the past year by British experience alone. They also present certain important conclusions which can only be reached through a study of the world's affairs as a whole. Thus the B.I.S. report brings up to date the annual survey of gold movements. New gold production in 1938 it estimates at \$1,290 millions. Receipts of gold from Far Eastern countries are placed at the insignificant total of \$57 millions, and after allowing for gold absorption by industry and the arts, the Report concludes that about \$1,300 millions of gold was added to world monetary stocks during the year. Disclosed addition to monetary stocks during 1938 amounted to \$1,750 millions, thus leaving a discrepancy of \$450 millions compared with the previous total. The B.I.S. explains this discrepancy by alluding to the British Exchange Equalisation Account's gold losses during 1938, which are estimated at £200 millions, equal to \$900 millions. This estimate, which agrees closely with *The Economist's* previous calculations, means that a net \$450 millions of gold passed into undisclosed monetary stocks (outside Great Britain) during the year. The greater part of this amount, the B.I.S. believes, passed into various Exchange Funds, notably those of France, Holland and Switzerland.

Both Reports lay stress upon the importance to the pound sterling of the course of trade throughout the sterling area. The B.I.S. points out that in the "boom period" of the winter of 1936-37, the sterling area countries (other than Great Britain) accumulated about £100 millions of sterling assets. After the 1937 fall in raw material prices, these countries had to draw on their sterling reserves to meet their current needs, while they also reinvested part of these reserves in either gold or dollars. The League report contains a detailed table showing the central exchange reserves of fifteen sterling area countries. During 1937 the total rose from £222 to £256 millions, but during 1938 it shrank to £208 millions. The impression left by these analyses is that a substantial part of Great Britain's £200 millions gold losses during 1938 was not due to international movements of capital, but to the adverse balance of payments of the sterling area countries. This point is of some importance, as hitherto there has been a disposition to ascribe the whole of our 1938 gold losses to such capital movements as the French repatriations and the more recent exodus of funds to New York inspired by fears of war. There is also too great a readiness to assume that

little hot money now remains in London, and that we therefore need not fear any further serious inroads into our gold reserves. The answer here is that so long as our own balance of payments and/or those of the sterling area countries remain passive, we cannot assume that our gold reserves will remain intact.

The question whether outflows of gold are due to payments on capital or on income account obviously raises an important issue of future monetary policy, on which the B.I.S. Report contains some important comments. Before the war, the B.I.S. points out, flights of capital were exceedingly rare, and gold movements were almost always the reflex of changes in the balance of payments and indeed in the rhythm of business activity in the various countries. This fact made it appropriate to apply the lever of Bank rate alterations to check an undue expansion or to stimulate a recovery.

During post-war years flights of money became of importance even prior to 1931, a fact to which the Macmillan Report called attention. By to-day, the B.I.S. says, there has developed a body of opinion which does not admit the need of raising Bank rate simply because there is a deficit in the current balance of payments. Instead, that opinion argues that a deficit may occur even when the domestic economy is in a depressed condition, and it recommends that Bank rate should only be increased when business activity is expanding unduly. Even that limited use of Bank rate has largely been jettisoned. If in the late autumn of 1936 a warning had been given by a rise in Bank rate, business people would have become more hesitant, and as a result would have avoided the unduly large purchases of stocks, the raising of prices and the substantial increases in wages, which in many countries were both the prelude and the chief cause of the 1937-38 recession. The Report holds that there are strong arguments for resorting once more to timely alterations in Bank rate. An increase of one per cent., the B.I.S. says, does not as a rule materially increase costs for uses of credit and certainly not much for the holders of commodity stocks. Its psychological effect, however, can be very great—in many cases sufficient to check a tendency to undue expansion.

It is now seven years since Bank rate in this country was reduced to two per cent, and since then there has been no change. Indeed, only last week Sir John Simon repeated the Government's assurance that the policy of cheap money would be continued, and this is one explanation of the recent relapse in discount rates and rally in gilt-edged prices. Now at the time of its introduction in 1932, and for several years afterwards, the case for cheap money was overwhelming, for trade and industry then needed all the stimulus that could be given to them. Since then, however, we have had the 1933-37 recovery, the 1937-38 recession, and what looks like becoming the second recovery of 1939; and as the B.I.S. points out, this present recovery is a feverish movement, intermingled with re-armament finance and expenditure and lacking stability. It would be rash to conclude that because a 2 per cent. Bank rate has survived all these changes, and because it is still appropriate to-day, it can, or should, continue for ever.

Monetary policy is now determined by the Government

and not by the Bank of England. From a democratic standpoint that is right, but in actual practice the Government possesses a dual and at times a divergent interest. One of the first duties of the Treasury is to keep down unnecessary expenditure, and this duty is becoming more insistent with the growing cost of re-armament. This means that it is essential to borrow as cheaply as possible. The more the Chancellor has to borrow, the more difficult and the more important that duty becomes, and the more necessary he finds it to follow a cheap money policy. Yet heavy borrowing itself might create conditions in which a higher Bank rate would be inevitable. It is not suggested here that this is more than a possibility to be borne in mind. Suffice it to point out that the Government's duty to the taxpayer and its duty to the broad economic interests of the nation may not always agree.

Furthermore, it should not be forgotten that, for the purpose of turning slump into recovery, it is not so much the low level as the reduction of money rates that is relevant. Obviously, if money rates are already so low as to be irreducible, that particular stimulus cannot be applied,

and so it may be that if money were kept cheap at all stages of the trade cycle, we should be sacrificing some of its potential benefits. To-day the impression is that the demands of re-armament upon the available factors of production make the danger of a fresh depression remote, but if at some future date it becomes possible to relax our re-armament efforts, we may be hard put to it to prevent a sharp recession in trade and employment.

For these reasons, therefore, it would be wrong to regard a 2 per cent. Bank rate as immutable. It is not suggested that a change would be appropriate to-day or at any particular time in the future. The B.I.S. Report, however, has performed a useful service in reminding us that Bank rate may still have its uses. As the Report says, Bank rate may be a smoother, swifter and more certain weapon than the modern system of restriction, both official and unofficial. We remain to-day closer to the gold standard than many people realise, and we ought not to delude ourselves that we are approaching the monetary millennium or that we can abandon as obsolete all the weapons which, when properly used, served us well in the past.

Steel Shares in Perspective

STEEL shares, to those who have never invested in them, appear to epitomise all the essential qualities of an attractive investment. Peace, prosperity, and a rising standard of living mean more ships, more cars, more public and private buildings, more factories and machinery. The approach of war brings an urgently increased demand for armament machinery, munition works, internal combustion engines, battleships, steel shelters, and the like. And in wartime the industry's "market" is almost unlimited. Yet the fact that the Actuaries' Index of the average price of representative iron and steel shares (December 31, 1928 = 100) now stands at 56.8, against a cyclical peak of 86.3 in November, 1936, and that the average dividend yield has risen from 3.55 per cent. to 6.68 per cent., suggests that investors, at the moment, are chary of accepting the theoretical case for this threefold option without considerable qualification. What are the reasons for this conservatism?

The initial fall in steel shares from their November, 1936, peak would seem to have been largely due to fears of a cyclical recession, which have now been reversed. The movement was reasonable at the time, since steel production is extremely sensitive to fluctuations in demand from the capital industries, and, since the economies of a large output are considerable, even a moderate drop in the ratio of production to effective capacity has a disproportionately depressing effect on earnings. But increased re-armament has averted the threatened recession in British industry, and steel ingot production, which dropped from 12,984,000 tons in 1937 to 10,393,800 tons in 1938, was running in March and April last at a rate equivalent to an annual figure of 13,375,000 tons. To-day, there is widespread expectation that in a relatively short time demand may be near, or above, the industry's total effective capacity, which (allowing for normal stoppages, repairs, etc.) was put at 12,600,000 tons in July, 1936, 13,800,000 tons at the end of 1937, and has been estimated at approximately 14,500,000 tons to-day—though some authorities contend that, in practice, production could not be maintained at much more than 13,000,000 tons a year, for any length of time.

So far, therefore, as present steel share prices discount fears of cyclical under-employment in the near future, the shares are to that extent undervalued. It is generally agreed, however, that the reasons for this relative unpopularity go deeper. The public is becoming increasingly aware that, for steel producers, the advantages of near-war or wartime conditions for the industry may be largely offset by the disadvantages inseparable from close association with the armament industries. In the last war, the

exigencies of national defence forced the industry to increase its capacity far beyond peace-time requirements, and the combination of reduced profits and fixed charges (the legacy of the post-war funding of wartime capital commitments) reduced net profits and ordinary dividends on many of the larger companies' ordinary shares to vanishing point. Again, special Government legislation to tax arms profits

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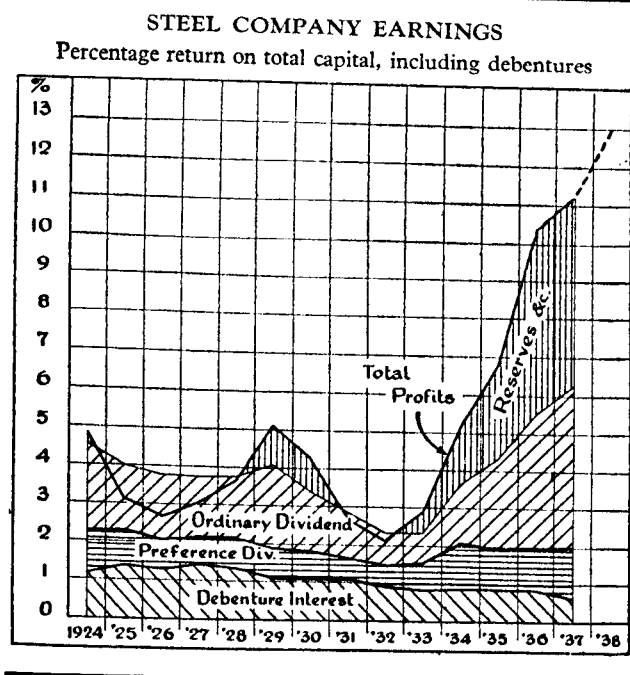
is pending, and many investors fear that the industry may be caught between the upper and nether millstones—in other words, that it may have its surplus profits taxed away under near-war or war conditions, and be subsequently left with depleted and deficient earning power on a swollen plant capacity.

Obviously, all these dangers are substantial, but it may be questioned whether, in its present mood, the market is not somewhat exaggerating them. Despite the drastic incidence of E.P.D. between 1916 and 1920, the profits—and dividends—of steel companies increased substantially during the last war, and it is clear that, however strong the popular demand for limitation of armaments profits may be, the industry must be allowed some financial incentive for the attainment of increased output. The inevitable disadvantages of the disappearance of special demand, on the eventual conclusion of a war or the completion of the

dividends, since the difficult years of the 'twenties and the depression of 1931-33.

The politics of the steel industry will always be controversial, and its structure is still capable of extensive long-term improvement—by way, particularly, of an increase in the size of the average productive and administrative unit. And its finance, broadly speaking, will continue to leave something to be desired, so long as important (and, ultimately, indispensable) innovations of modern practice, like the setting up of continuous strip mills, require special facilities from the central banking authorities to ensure their completion. Nevertheless, much has been done since the 'twenties, to rehabilitate the finances of the best individual concerns. A good deal of "water" has been squeezed out, and the burden of heavy fixed charges has been appreciably reduced by the numerous schemes effected in the last ten years. And the industry's tactical position has been enormously strengthened by the progress made towards centralisation of production and price policy under a Federation in touch with the Import Duties Advisory Committee, and the concentration of its main effort on a highly protected home market. The immediate earnings prospect must be deemed satisfactory. Though the burden of taxation may be increased, no industry can work near capacity, even under conditions which may strain its existing organisation and make for expensive marginal production without, at least, some part of the resulting financial reward percolating through to its shareholders. The steel industry's post-re-armament problems may, undoubtedly, be formidable. But to estimate their probable dimensions is impossible at this stage; for much obviously depends on the nature of the post-bellum, or post-re-armament environment. For example, an eventual return to sanity in international affairs might offer an opportunity to the industry to expand its attenuated export trade.

For steel shareholders, as for property owners, there is no effective means of insuring against war risks. But investors who regard the more immediate outlook as fairly favourable can limit their liability, both as regards the approximate danger of discriminatory taxation and the ultimate possibility of reduced martial demand, by concentrating as far as possible on the shares of companies of large size, whose output is indispensable both for war and peace, but consists of the raw material for arms rather than finished armament products. A selection of such concerns, including both composite steel producers and specialists, is given in the second table. The results of the companies whose accounts ended last March or will be made up in June and September next, may be expected to show some reduction of earnings in their latest year, but the trend should be for increased profits in 1939-40. At present, the ordinary shares of Richard Thomas must be regarded as a fairly promising speculative lock-up, while the high "gearing" of Dorman Long ordinary shares makes them a better holding on a rising than a falling profits trend. Such shares as Guest, Keen, Tube Investments and, particularly, United Steel, seem best qualified as medium-term holdings at a time when the medium-term outlook is easier to assess than the long-term prospect.



re-armament programme, should be mitigated by the fact that the industry's internal organisation is better to-day than before the last war, and that the environment in which it would find itself would be very different from that of the 1920's. To indicate the changed conditions of the background for the steel industry to-day, it may be relevant to consider the figures in the first table, which is based partly on official data and figures already given in *The Economist*, and partly on a re-calculation of figures given in *The Economist's* quarterly analyses of industrial profits since 1924. The annexed chart (compiled from data from the same source) shows in striking fashion how representative steel companies have increased the return on their total paid-up capital and their ability to pay ordinary

STEEL PRODUCTION AND PROFITS, 1924-38

	1924	1929	1931	1932	1935	1936	1937	1938
Production—Steel ingots and castings ('000 tons)	8,201	9,636	5,203	5,261	9,859	11,785	12,984	10,394
Iron and steel and manufactures thereof:—								
Imports ('000 tons)...	2,429	2,822	2,845	1,594	1,152	1,483	2,039	1,341
Exports ('000 tons)...	3,851	4,380	1,979	1,887	2,369	2,234	2,609	1,962
Economist Index of steel available for home consumption (1935=100)...	86½	97	73	59½	100	107	98½	90
Chain Index of profits of representative steel companies* (1935=100)...	99.0	76.6	32.1	22.5	100.0	134.1	175.6	192.0†
Rate earned on total capital (pref., deb. and ordinary) (%)...	4.84	5.11	2.66	2.18	6.79	10.36	11.19	13.0†
Average ordinary dividends paid (%)	4.10	3.94	2.08	1.57	4.37	6.49	7.26	8.4

* After debenture interest. Based on reports of companies in "Coal, Iron and Steel" group in *The Economist's* quarterly analyses, published during twelve months to June 30th in subsequent calendar year, in each case.

† Approximate. Based on results published during nine months to March 31, 1939.

IRON AND STEEL COMPANY EARNINGS

Company (and accounting date)	Earned for Fixed Charges (£'000)			Ord. Share De- nom- ination	Price	Latest Divi- dend %	Latest Earn- ings %	Gross Yield %
	5-year Aver- age (1932- 36)	1937	1938					
<i>Composite Steel Producers</i>								
Dorman Long* ...	300.3	899.0	924.6	£1	30 7½	10	23.3	6.5
South Durham* ...	74.4	144.9	120.9	£1	35 0	10**	10.1	5.7
Colvill† ...	373.1	619.1	561.6	£1	24 9	8	16.9	6.5
United Steel‡ ...	441.4	879.2	906.0	£1	24 ½	10	11.8	8.2
Baldwin† ...	297.1	463.0	346.7	4/-	5 9	10	12.8	7.0
Guest, Keen, and Nettlefolds§ ...	550.7	1000.5	1176.7	£1	24 9	7½ t.f.	11.6 t.f.	8.4
<i>Specialists</i>								
Stewarts & Lloyds†	495.5	1506.8	1458.7	£1	43 6	12½	26.0a	5.8
Tube Investments‡	382.4	825.1	867.3	£1	88 6	23½	30.5	5.4
Richard Thomas§	349.5	860.1	1020.0	6/8	3 9	Nil	18.2	Nil
Whitehead Iron¶	123.5	311.1	402.4	£1	97 6	35	74.2	752

* September 30th.

† March 31st.

‡ Ordinary shares.

§ Before £500,000 export trade division.

¶ December 31st.

|| October 31st.

‡ Three-year average, 1934-36.

(a) Before £500,000 export trade division.

Finance and Banking

The Standstill Agreement.—The German Standstill Agreement has been renewed for another year, up to February 29, 1940, on very much the same basis as before. This decision was generally expected, especially as out of the original sum of Rm. 6,000 millions involved in 1931, only about Rm. 770 millions are now outstanding. Of the present total, over Rm. 400 millions are due to British creditors, and over Rm. 200 millions to American creditors. Switzerland's share is Rm. 67 millions, and Holland's share Rm. 50 millions, leaving only about Rm. 50 millions due to France, Belgium and other countries. It is pointed out that the total amount of Rm. 770 millions is smaller than Germany's present trade, in both directions, with the British Empire, and so under normal conditions would easily be brought into active use against self-liquidating transactions. This is the basis of the tentative suggestion for the recommercialisation of outstanding bills drawn under the Standstill Agreement. Fundamentally, it would be much better for renewal bills, originating from transactions carried out many years ago, to be replaced by bills relating to current trade, but in practice the problem is not quite so simple. There has been a certain amount of recommercialisation in the past, but almost all of this has taken the form of import bills, which means that the creditor has to rely solely upon Germany for ultimate repayment. Export bills have the advantage of providing a foreign debtor. Apparently the Reichsbank is seeking to grant exchange permits to importers, on the condition that they take over and make use of standstill facilities—even in cases where the importer wishes to pay immediate cash. This enables the Reichsbank to conserve its foreign exchange, but it thrusts upon the importer a foreign currency liability, and does not relieve the standstill creditor of his existing commitments. The new Agreement contains several minor changes. Where less than 82½ per cent. of outstanding facilities are being made use of, the creditor can cut them back by a further 20 per cent., that is to 62½ per cent. Repayments under the Golddiskontbank guarantee, which last year were suspended, are to be resumed, and distributed among the creditors by a kind of clearing agreement. The flat fee of 15s. per Rm. 100 charged on purchases of registermarks is to be replaced by a sliding scale, whereby any cheapening of the cost of registermarks will be to some extent offset by an increase in the fee. These details represent minor concessions to the standstill creditors, but in the main the Agreement has undergone little alteration.

Thawing Frozen Credits.—Coinciding with the announcement of the renewal of the German Standstill Agreement, details have been published of the formation of a British company designed to take over and liquefy the most frozen of the assets covered not only by the German, but by the Hungarian standstills. This organisation is to be known as the Continental Assets Realisation Trust, Ltd. It was registered last December with a nominal capital of £100. This capital is now to be increased and will be issued to those holders of frozen assets in Central Europe who decide to make them over to the Trust. The Trust has started its activities with the £1,000,000 odd of German and Hungarian standstill claims previously held by the London Merchant Bank, now in process of liquidation. It has now made an open invitation to all standstill creditors to transfer to the Trust their claims outstanding and immobilised under standstill agreements. The invitation applies particularly to cash advances and acceptance credits of a non-commercial character. The Reichsbank has given its consent to any transfer of claims under the German Standstill Agreement which may be made to the Trust. The backing behind the offer made by the Trust must, of course, depend on the special facilities

and aptitude for "unfreezing credits" which the management bring to their task. Standstill creditors will only be induced to transfer their claims and exchange them for an equity holding in the Trust (a holding which must rank after the overhead charges), if they are satisfied that the degree of expertness with which they can handle their own frozen credits falls short of the likely achievements of the Trust in this direction. One aspect of the formation of the Trust which deserves attention is the fact that the transfer to it of the most stiffly frozen and least commercial part of the standstill debt will in fact tend to achieve that separation of commercial and non-commercial credits for which the German delegates have been pleading in recent standstill negotiations and which the creditors have until now successfully resisted.

* * *

Values for War Risks Insurance.—There was cause for dissatisfaction with the valuation basis for war risks insurance laid down at the inception of the newly-formed War Risks Cargo Pool. Briefly stated, the valuation was limited, in the case of cargo other than specie and bullion, to market or invoice value, plus freight and other charges, plus 10 per cent. for profit. In the case of gold bullion and specie the valuation was on the basis of the market value of the fine gold content in London on the day following arrival at the destination—or, if the gold did not arrive, the day following normal arrival date—plus ½ per cent. The basis for cargo other than bullion and specie, in that the profit allowance was arbitrary, departed from the normal marine insurance practice whereby insurer and underwriter usually come to an agreement on value including the trading profit—and state the agreed value in the policy. The basis for bullion and specie was subject to the criticism that ½ per cent. was an insufficient margin for arbitrage costs and profit. Both bases of valuation have now been revised and improved. A new ruling issued by the War Risks Cargo Pool provides that, for cargo other than bullion and specie, the usually accepted basis shall apply—that is, in the majority of cases, the value agreed by the parties and stated in the policy. The revised basis for gold bullion and specie increases the addition of ½ per cent. to one of 2 per cent. This increase in the arbitrage margin may be regarded as a compromise with the arbitrageurs, who argue that they need valuations in dollars, not sterling, since their profit arises out of forward sales of dollars in New York. The margin of 2 per cent. certainly makes the war risks insurance facilities offered by the Pool more effective for gold arbitrage while the change in respect of ordinary cargo brings the Pool's practice into line with that usual in the market.

* * *

National Bank of Egypt.—Full details of the recent agreement between the Government of Egypt and the Board of the National Bank of Egypt have now been

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Reserves in the fire and accident departments, in addition to the usual reserve of 40 per cent. of the premium income for unexpired risk, amounted to £4,870,000 and £2,666,000 respectively, while the marine fund is equal to 179 per cent. of the 1938 premium income. Total assets of the Commercial Union and its subsidiaries amount to £68,611,000, of which rather more than one-half represents life assurance funds, and general reserve fund amounts to £4,405,000. The value of Stock Exchange securities is in the aggregate below market values as at December 31, 1938. The dividend is repeated at 40 per cent. and costs £1,041,000, against interest earnings of £688,000.

Investment

Gilt-Edged Yield Fluctuations.—The recovery in the gilt-edged market, so prominent in the previous fortnight, has continued this week, though at a less impressive pace. Certain features of the recent behaviour of Government securities can profitably be examined after this rise. A Note in last week's issue of *The Economist* (page 381) showed that gilt-edged movements since early March were characterised by a relatively heavier depreciation in the shorter-dated stocks during the declining phase, and a relatively greater recovery compared with the "longs" in the upward phase which began on April 19th. But the disproportion between the fluctuations in redemption yields of the short and long-dated issues has been even more pronounced. Yet though this seemingly paradoxical movement has been most severe, it is by no means an isolated instance in the contemporary history of the gilt-edged market. Other instances which have occurred since last summer may be exhibited by employing a device for measuring yield relationships between securities of varying life. The succession of Government issues in recent years has provided a series of stocks covering a wide period with fairly evenly spaced redemption dates. In practice, it has been found that if yields on these securities are plotted at any one moment in regular order from the shortest dated stocks to the longest, the successive points appear to follow a fairly regular course. Hence it is possible to calculate a figure giving, simply, the average increase in yield for every year by which the life of redeemable stocks is lengthened. For various reasons, the high coupon stocks, whether they be "longs" like the 4 per cent. issues (Funding, Victory and Consols) or "shorts," like Conversion 4½ per cent. and Conversion 5 per cent. have to be excluded, leaving seven issues. These are set out in the table below, which shows net redemption yields of the group at each of the major turning points of the market since last August—with the exception of the momentary pre-Munich "low." Net redemption yields are used in preference to gross yields, but only because the relationship between the issues has been found to be of a simple linear order, and this choice in no way affects the argument.

NET REDEMPTION YIELDS PER CENT.

Stock	Aug. 23, 1938 High	Oct. 17, 1938 Low	Nov. 14, 1938 High	Jan. 30, 1939 Low	March 10, 1939 High	April 19, 1939 Low	May 17, 1939 High
Nat. Defence 2½% (1944-48).....	1 15 02	2 11 19	02 7 01	19 72 18	82 6 9		
Conversion 2½% (1944-49).....	1 17 02	3 10 21	52 9 72	3 62 17	02 9 11		
Conversion 3% (1948-53).....	2 0 52	6 42 4	02 9 92	5 62 15	10 2 10		
Funding 2½% (1952-57).....	2 4 32	8 10 7	62 12 11	2 9 10	2 17 10		
Nat. Defence 3% (1954-58).....	2 3 72	8 02 6	10 2 10	92 8 32	15 8 21		
Funding 2½% (1956-61).....	2 6 11	2 11 7	9 11 2	14 32 12	12 18 10		
Funding 3% (1959-69).....	2 5 32	7 32 7	52 10 72	8 52 13	10 2 11		
Annual yield differential per cent.	9-6d.	6-7d.	8-5d.	5-0d.	8-8d.	Nil	6-5d.

* Redemption calculated to 1946.

The figure at the foot of each column gives the average annual yield differential at each date expressed in pence per cent.

Yield Differentials Compared.—What conclusions may be drawn from these results? They can only be summarised here, since their implications deserve more extended treatment. It is clear that every temporary downward movement in prices has been marked by a narrowing of the annual yield differential. In other words, as prices have fallen, the relative attractiveness of shorter-dated stocks, from a yield standpoint, has increased. Two tentative explanations of this puzzling phenomenon may

be advanced here. First, short-dated stocks are regarded by some investors as second line reserves after cash and may thus be more freely liquidated when prices are falling than the longer-dated securities, which are more firmly held as permanent investments. Secondly, all the downward movements in the past year have been the result of political scares accompanied by the contingent possibility of war. The view is widespread in the market (pace Mr Keynes) that in war time the Government may have to borrow, even on fairly short-term, at high rates of interest. Under these circumstances the shorter-dated stocks like National Defence 2½ per cent. and Conversion 2½ per cent. would be even more vulnerable than those of longer life—since the latter stand to benefit from any future drop in interest rates (presumably after the war is over), while the "shorts," both new and old, would be prevented from rising by the imminence of their redemption. That this interpretation possesses at least some measure of plausibility is shown by the second conclusion which emerges from our table. It will be seen that, with the exception of March 10th, every "high" has shown a yield differential smaller than the previous "high," and every "low" a differential smaller than the previous "low." This suggests that, throughout the period, despite substantial fluctuations, there has been a steady tendency for the annual average to decline as prices have moved to lower levels. The climax reached on April 19th, when the differential fell to zero for the first time, is thus merely the culminating point of a continuous movement. Whether it will persist in the future, bringing, perhaps, a yield premium on the shorter-dated issues at some time, remains to be seen. Until confidence in the willingness and ability of the authorities to reverse the downward trend in gilt-edged securities, which has now been sustained for many months, becomes more widespread, any drastic reversal of the present tendency seems improbable.

Unit Trust Management.—The fifth annual Unit Trust Survey, published with last week's issue of *The Economist*, included full particulars of management companies, tabulated on pages 32 and 34. All the concerns listed are private companies, and no information relating to profits is filed at Bush House. To a considerable extent shareholdings are masked by nominee registrations, but appreciable light can, in fact, be thrown upon management control, despite this deficiency in British company practice. In each case the date of registration of the company and the date of the latest Bush House return, upon which the table is based, is given, though certain particulars have been inserted from later information. It should, perhaps, be pointed out that paid-up capitals do not represent the full financial resources upon which many of the groups can call in case of need. To examine the scope of management changes over the last two years, the table may be compared with the similar table published in *The Economist* Unit Trust Survey of April 17, 1937. At that date twelve groups could be distinguished. To-day there are fifteen groups, owing to the creation of five new groups (of which one was in existence in April, 1937, but associated with other groups) and the merging of two formerly independent groups with other companies. The new groups include Brewery Trust Managers, which replaced London Management Securities as manager of Brewery Unit Trust in December last year, and has directorial connections with the Domestic group (formerly known as F.T.M., Limited). Similar connections are evident between the Domestic group and Proved Securities, now under the chairmanship of Mr Denys Lowson. Although registered in December, 1936, Proved Securities was formerly associated with Selective and Trust of Transport. The latter companies, together with their trusts, were brought into the British Empire

group under the management of Investment Managers and Secretaries. All the trusts in this group, however, are now closed; the Selective and Trust of British Transport companies have been put into liquidation, and their management functions have been taken over by the parent company. It may, perhaps, be mentioned that the capital of Investment Managers and Secretaries has been increased within the last few days to £25,000, and is held by the four Conversion Investment Trust companies, as to £10,430, £3,100, £1,900 and £9,570 respectively. Other new formations include Lombard Unit Investments, Limited, of which Mr Patrick Nicholson, formerly associated with the Fifteen Moorgate group, is managing director, and which has associations with Close Brothers, Limited. Orthodox Unit Trusts provides another example—though they are still quite rare—of a link between unit trusts and investment trust companies, for the chairman, the Hon. J. M. Balfour, is a director of the London Border and General Trust. Unit Investments, Limited, completes the list of new formations.

There are signs, viewing the management company changes over the past two years, of slightly greater concentration of interests among the management companies established by April, 1937. The changes in the Brewery, Domestic, and Proved Securities groups, for example, may prove significant, while the acquisition of the Protected group by National offers a further example. The scope for the merging of management interests, however, is not over-extensive. It is quite possible for a small group, whose trusts have not sold readily, to endanger its capital, and in such straits it scarcely represents an attractive purchase for a larger group. An unsuccessful group cannot be converted into a paying proposition, as a rule, merely by more substantial management connections. This factor may partly explain why consolidation has not proceeded further than our tables show.

Company Notes

Imperial-British Airways Merger Terms.—The announcement of the terms of the Government's offer to shareholders of Imperial Airways and British Airways (made after *The Economist* had gone to press last week) was anticipated by a sharp rise in Imperial Airways shares from 30s. to 32s. 6d. The payment offered to Imperial Airways is £2,659,086 (equivalent to 32s. 9d. per £1 share), together with interest at 4 per cent., since March 31, 1938, from which date the undertaking is to be taken over. To British Airways payment of £262,500 is offered, together with the repayment of £311,000 advances, equivalent to approximately 15s. 9d. per share. In this case, the undertaking is to be acquired as from September 30, 1938, from which date interest at 4 per cent. will accrue. It was generally expected that the Government would not offer less than 30s. per share to Imperial Airways shareholders, in view of the official part which was played in determining the issue price of 30s. per share for the issue of one million shares in June, 1937. The actual basis of the purchase, however, is a valuation made by independent accountants on behalf of the Government, which showed that the company and its full subsidiaries possess net tangible assets of not less than £2,484,000. In addition, a further payment of about £175,000 has been agreed to cover assets written down to a nominal figure (but which still have substantial value), together with "the value of the organisation built up by the company in this country and overseas," to quote Sir Kingsley Wood's explanation on Wednesday. The consolidated balance sheet of the company and its subsidiaries at March 31, 1938, showed net tangible assets, after deduction of £565,444 obsolescence reserve, of £2,329,000.

Imperial Airways shareholders, who must perforce accept the new basis on which the company is to operate in future, should find the terms offered satisfactory. There was some possibility—though perhaps not serious—that the price might be less than 30s. And certainly recent estimates had not suggested a price so high as 32s. 9d., on which the accrued interest to date amounts to just under 1s. 6d. gross. In recommending the terms for acceptance, the directors state that trading results for the year to March 31st last would not have covered a dividend in excess of the amount of interest allowed—which would be equivalent to 7½ per cent. gross on the shares, compared with 7 per cent. paid in respect of 1937-38. Considerable play has been made of the expectation of 10 per cent. earnings—such a rate is specifically mentioned in the Empire Air Mail scheme in connection with any adjustment of the subsidy. But no serious expectation could have been entertained that such a rate of dividend could have been maintained. Thus, in return for a share which last year might have provided 7½ per cent. from earnings and subsidy, shareholders will obtain a cash payment which, if invested in a gilt-edged security—such as stock of the new Corporation—at 3¼ per cent. would provide an equivalent income of 6.14 per cent. in perpetuity.

British Airways Reactions.—British Airways is not a public company and nothing is known directly regarding its assets and earnings. Hillman's Airways, however, holds 63,947 £1 shares of British Airways, which stand in the books at cost, although no dividend appears to have been received from them since they were transferred on the formation of British Airways in September, 1935. On the basis of payment of 15s. 9d. per British Airways share, the 5s. shares of Hillman's Airways (of which £123,832 is in issue) would rank for approximately 2s. The last dealing in

THE CANADA LIFE Assurance Company

OUTSTANDING FEATURES FROM THE 1938 REPORT

Total Business in Force (Gross) - £167,452,465

New Business The net new business completed, after deduction of re-assurances, amounted to - 11,382,000

Business completed in Great Britain and the State of Eire - 1,884,793

Receipts The Company's receipts were - 7,940,009

Payments Total Payments to Policyholders, etc. - 5,063,501

Assets The assets increased by £1,346,816 to - 54,635,803

and include special reserves and undivided surplus totalling - 2,378,243

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)

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Hillman's Airways shares before the announcement was marked on April 25th at 1s. 6d. This week dealings have been recorded on the basis of 2s., with business at 1s. 9d.

* * *

Cable and Wireless (Holding).—Lord Pender, in his speech to Cable and Wireless (Holding) stockholders on Wednesday, supported the view, expressed in last week's issue of *The Economist*, that the price of the company's ordinary stock was reasonable by giving his personal opinion that, on present indications, the 4 per cent. dividend should be repeated this year. During the past week, the ordinary stock has improved from 46½ to 48, so that the potential yield is still on the right side of 8 per cent. But an earlier feature in his speech may have been less welcome to stockholders. The directors of the Holding company have requested the operating company to discontinue the publication of the monthly traffic index. Since Lord Pender did not offer any alternative means of providing stockholders with fairly regular information regarding the group's activity, it is to be supposed that, in future, stockholders will lack any guidance to the trend of its business. With much that Lord Pender said regarding the index, it is possible to express agreement. Despite repeated warnings in the past, some persons have regarded the monthly movements of the index as a direct guide to the Holding company's results. In fact, of course, it merely gives an approximate indication of the trend of the operating company's gross receipts which, after providing for expenses, represent only one of three sources of income for the Holding company. Undue importance attached to the index has occasionally caused disconcerting movements in the Holding company's stocks. Hence, the directors have concluded that "in their opinion the index does not now give a true account of the actual position." This decision, however, will be received with regret by those stockholders and financial commentators who, taking the index as an approximate guide, and making due allowance for the other factors involved (such as investment income from the old cable companies and dividends to be expected from Marconi's Wireless Telegraph) have reached reasonably useful conclusions regarding the trend of the Holding company's income. If the suggestion is that monthly figures have become erratic, could the index not be issued at wider intervals so that abnormal movements would be smoothed out? Failing that, a quarterly statement of traffic or financial results would be of considerable service. The fact is that the monthly index, despite its faults and the occasional misuse to which it has been subjected, has hitherto been the only indicator of the trend of the group's business.

* * *

Siemens Brothers and Callender Cable.—Cable companies have a reputation for stability of profits. But the reports of Siemens Brothers and Callender's Cable and Construction suggest that this long-standing investment view calls for a certain degree of qualification. Siemens showed an appreciable setback in profits in 1937, but recovered in satisfactory fashion last year, when trading profits rose from £228,520 to £301,733. Thus, the 7½ per cent. dividend, which was slightly short-earned in 1937, was covered last year by surplus earnings equivalent to 3½ per cent. The bulk of this surplus—the dividend costs £183,750 gross, against available earnings of £246,733—is absorbed in an allocation of £50,000 to A.R.P. reserve. The company's plant has been fully occupied during 1938, and further extensions are in progress. Recent labour troubles, however, may affect the current year's results to some extent. The market received the dividend announcement of Callender's Cable twelve days ago with ill-grace, for it showed that the cash bonus of 5 per cent. paid in the previous two years had been dropped, leaving the divi-

dend at the traditional rate of 15 per cent. only. The report shows that gross profits were reduced by more than £200,000, from £924,990 to £723,307, and the bulk of this loss, sheltered by certain savings in expenses and in a reduced tax provision of £75,000 against £100,000, falls upon the ordinary stockholders. Equity earnings amount to £244,112 against £391,989, and are equivalent to no more than 24.3 per cent., against 40.5 per cent. in 1937. The earnings surplus of £75,525, together with £174,475 from the balance at profit and loss, is transferred to general reserve, and the balance of profit carried forward now stands at £390,548. The report refers to the effect of the foreign situation on orders, particularly for supertension cables, in the production of which the company holds a predominant position. Export demand and business in rubber cables have been maintained. The shares have fallen from 81s. a fortnight ago to a current level of 68s. 3d., at which the yield is still no higher than £4 10s. 6d. per cent. The market, having under-rated the importance of the "bonus" nature of the extra 5 per cent. payments in 1936-37, would thus appear to be regarding last year's experience as exceptional. Whether that view is tenable may perhaps be clearer after the chairman has spoken at the meeting on June 7th.

* * *

Odhams Press Setback.—The reasons for the decline in profits of Odhams Press should be already familiar to newspaper shareholders. In 1938 the cost of paper was substantially higher, and the expansion of revenue was insufficient to cover the additional expense. The report, however, records that net sales of the group's publications continued to be satisfactory. The extent of the decline in profits, from £507,266 to £430,399, is, however, somewhat severe, and the latest profits are, in fact, lower than in 1932. The following table shows the course of profits during the past three years:—

	Years ended December 31,		
	1936	1937	1938
Total profit	609,886	507,266	430,399
Taxation	66,104	67,456	40,026
Depreciation, etc.	92,352	87,008	86,303
Deb. and other interest ..	73,441	72,441	76,572
Other charges	142,350†	60,746	26,524
Preference dividend	70,500	70,500	70,500
Ordinary shares:—			
Earned	165,139	149,115	130,474
Paid	112,500	93,750	77,400
Earned %	24.2	22.3	19.5
Paid %	15	12½	10
Reserves	50,000	60,389	52,123
Carry-forward	86,177	81,153	82,104

† Including £85,000 reserve against subsidiary companies.

The fall in equity earnings was limited to £18,641, since last year's charge for taxation was much reduced and no payments of preference dividends under guarantee (which absorbed £29,614 in 1937) were required in 1938. The rate earned for the ordinary shares is thus only slightly reduced from 22.3 per cent. to 19.5 per cent., and the reduction in dividend from 12½ per cent. to 10 per cent. is thus due, not to any deficiency of earnings, but to the board's policy of fully maintaining the relation between earnings and distributions. Prospects for the current year are obscure, for there are few pointers towards an expansion of revenue and the reduced cost of paper is not large enough to make a real difference to profits. One hopeful factor is referred to in the report. Odhams (Watford) is making favourable progress, and increased demands for its productions are necessitating factory extensions. At their present price of 4s. 6d. Odhams Press 4s. ordinary shares yield £9 6s. per cent.—a return which marks their present lack of expansionary features and perhaps the investor's concern that an outbreak of free-gift competition was so narrowly averted a few months ago.

The New York Central Railroad Company

Extracts from the Report of the Board of Directors for the year ended
December 31, 1938

The Year's Business
The recession in business, beginning in the late summer of 1937 and continuing throughout the first eight months of 1938, was reflected in our revenues in each of those months. Commencing with October, there was an improvement in general business conditions, and this resulted in a somewhat more favourable showing in the latter months of the year. The total operating revenue for the year amounted to \$298,681,195.21, a decrease of \$67,544,951.25 (18.44 per cent.), as compared with 1937.
Revenue freight handled amounted to 98,593,108 tons, a decrease of 32,956,337 tons (25.05 per cent.). Freight revenue amounted to \$202,781,708.24, a decrease of \$54,759,743.34 (21.26 per cent.), due to the decrease in volume of traffic handled.
Revenue passengers carried totalled 48,215,444, a decrease of 2,956,385 (5.78 per cent.). Interline passengers decreased 365,182 (12.95 per cent.), local passengers decreased 1,725,709 (9.46 per cent.), and commutation passengers decreased 867,494 (2.88 per cent.). Passenger revenue amounted to \$60,313,893.49, a decrease of \$6,091,670.44 (9.17 per cent.).
Results for the year show a deficit of \$20,154,357.20, which was charged to profit and loss.

Profit and Loss Account		
Balance to Credit of Profit and Loss, December 31, 1937		194,657,969 49
Additions:—		
Credits from retired road and equipment	116,843 82	
Donations	16,945 98	
Miscellaneous credits (including \$1,120,270.42 in adjustment of advances to Pittsburgh, McKeesport and Youngbushen Railroad Company for equipment charged to income prior to July 1, 1937)	1,608,376 95	1,742,166 75
		196,400,136 24
Deductions:—		
Deficit for the year 1938	20,154,357 20	
Surplus appropriated for investment in physical property	409,790 70	
Debits from retired road and equipment (represents ledger value, less salvage recovered, of roadway property not required for transportation service retired during the year and charged directly to profit and loss account)	3,216,831 22	
Miscellaneous debits	309,043 85	24,090,022 97
Balance to Credit of Profit and Loss, December 31, 1938		\$172,510,113 27

Operating Expenses		
Notwithstanding increases of \$6,150,134 in wages, due to increases which became effective August 1 and October 1 of the previous year; \$234,211 on account of the application of full crew laws in Indiana and New York, and \$1,137,680 due to the advance in price of materials; the decrease in volume of traffic enabled economies in operation resulting in a decrease of \$46,498,056.08 in operating expenses.		
By groups, operating expenses for 1938 were as follows:—		
Group	Amount	Decrease
Maintenance of way and structures	33,054,305 35	8,130,285 40
Maintenance of equipment	59,475,859 44	19,501,512 62
Traffic expenses	6,624,833 82	153,840 19
Transportation expenses	123,265,821 18	16,293,021 08
Miscellaneous operations	5,346,833 09	375,169 77
General expenses	9,774,193 23	1,667,717 32
Transportation for investment—credit ..	39,463 31	27,490 30
* Increased Credit.		
Totals	\$237,502,382 80	\$46,498,056 08

Expenses for maintenance of way and structures decreased \$8,130,285.40 (19.74 per cent.), due to a more restricted programme of maintenance made possible by the smaller volume of traffic handled. Accounts reflecting the larger decreases were: roadway maintenance and track laying and surfacing \$3,573,102.44; ties, rails and other track material and ballast \$2,006,507.60; maintaining station and roadway buildings, fuel and water stations, shops, enginehouses, and power plants \$1,768,663.65; roadway machines and tools \$508,778.43; signals and interlockers, telegraph and telephone lines \$492,454.04; the net cost of maintaining joint facilities \$355,193.44; and there was a net decrease in sundry items of \$337,725.64. The foregoing decreases were partly offset by an increase of \$182,618.83 in superintendence due to wage increases heretofore mentioned; \$621,919.17 in the cost of maintaining bridges, trestles and culverts due to damages by flood; and \$107,601.84 in the cost of removing snow, sand and ice due to severer weather conditions.

Expenses for maintenance of equipment decreased \$19,901,512.62 (25.07 per cent.), due to a less extensive programme of maintenance resulting from the decrease in traffic handled. Traffic expenses decreased \$153,840.19 (2.50 per cent.). Transportation expenses decreased \$16,293,021.08 (11.67 per cent.), mainly due to a reduction in volume of traffic handled. The cost of miscellaneous operations decreased \$375,169.77 (6.55 per cent.). There was a decrease of \$255,032.17 in the cost of dining car operation due to fewer dining cars having been operated, \$91,601.48 in the cost of producing power sold, and a net of \$28,516.12 in other items.
General expenses decreased \$1,667,717.32 (14.58 per cent.). Pensions decreased \$1,046,714.22, practically all pension payments having been transferred under the Railroad Retirement Act to the Railroad Retirement Board effective June 1, 1937. Salaries and expenses of general officers and of clerks and attendants decreased \$370,371.78, due to reduction in personnel; general office supplies and expenses, stationery and printing \$169,968.42, and a net of \$80,662.90 in other items.

Railway Tax Accruals
Railway tax accruals were \$32,723,604.74, an increase of \$563,077.70 (1.75 per cent.). Accruals for various state capital stock taxes decreased \$5,707.72, due in part to a lower tax base, and in part to the fact that similar payments applicable to leased lines have been included in the current year as additional leased line rentals; gross earnings or income taxes due various states and City of New York decreased \$335,667.76, due to a decline in gross earnings; Canadian taxes decreased \$149,138.57, principally due to reduction in taxable income; Federal capital stock tax decreased \$163,020, due to a lower tax base; Federal excise taxes in connection with the Railroad Retirement Act decreased \$726,019.93, due to less taxable compensation paid; and other miscellaneous taxes decreased \$27,788.55. These decreases were offset by an increase of \$1,024,763.11, in Federal and State Unemployment taxes due to an increase of 1 per cent. in the tax rate; and an increase of \$943,657.12 for real and personal property and special franchise taxes, due mainly to higher rates.

Net Railway Operating Income
Net railway operating income amounted to \$15,582,475.75, a decrease of \$20,445,791.50.

Other Income
Other income amounted to \$15,173,666.33, a decrease of \$9,143,729.36. There was a decrease of \$239,172.72 in profit from separately operated properties. Dividend income amounted to \$5,455,252.05, a decrease of \$6,219,871.21. Income from funded securities decreased \$1,420,928.69. Income from unfunded securities and accounts decreased \$826,601.63.

Fixed Charges
Fixed charges amounted to \$49,230,764.25, a decrease of \$2,966,299.97. Rent for leased roads and equipment decreased \$2,690,823.82. Interest on the funded debt of lessor companies, payable by the company as rental and dividends on the minority stock of lessors, decreased \$2,035,236.52, due to the discontinuance of interest on certain lessor obligations held by the company, the retirement of maturing obligations, certain issues having been called for redemption and other issues refinanced at lower rates of interest. Rentals based upon earnings decreased \$703,418.91, as a result of decreased revenues, and there was a decrease of \$270,000 in cash rentals, due to the merger of the Kanawha and Michigan Railroad into the Toledo and Ohio Central Railway.

The foregoing decreases were offset in part by an increase of \$126,274.74 in Federal taxes and interest paid for account of lessors, and taxes amounting to \$63,762.29 assessed by the States of New York and Pennsylvania, formerly classed as railway tax accruals and now included in this account. Rentals paid for the use of various tracks and equipment increased \$106,665.25, and there was a net increase of \$17,129.75 in other items.
Interest on funded debt amounted to \$25,297,503.10, a decrease of \$1,106,565.16. There was a decrease of \$945,990.42 in interest on the company's 6 per cent. Ten-Year Convertible Secured Bonds, and \$9,436.11 on a five-year note to the Securities Corporation of the New York Central Railroad, which amounts were included in accounts of the previous year, as compared with none in the current year; a decrease of \$229,286.66 due to the reacquisition by the company, during 1937, of \$8,000,000, principal amount, of its 5 per cent. Refunding and Improvement Mortgage Bonds of Series C; a decrease of \$53,913.37, due to the retirement of \$1,426,000 of 3½ per cent. Ten-Year Secured Sinking Fund Bonds; a decrease of \$45,000 due to the payment of \$5,000,000 principal amount of Serial Secured Notes of Series B, which matured April 1, 1938; a decrease of \$278,987.51 in interest on equipment obligations due to the payment of maturing instalments, and a net decrease of \$123.43 in other items. The foregoing decreases were partly offset by an increase of \$433,693 in interest on the company's 3½ per cent. Fifteen-Year Secured Bonds on which interest was accrued for the entire year, as compared with eight months of the previous year; and there was an increase of \$22,083.34 in interest on the company's 2 per cent. Secured Notes, due September 12, 1941.
Interest on unfunded debt amounted to \$1,451,066, an increase of \$831,487.01.

Stockholders
The capital stock of the company at the close of the year was owned by 62,756 holders, with an average holding of 102.75 shares, an increase of 1,338 holders as compared with December 31, 1937. At the close of the year there were in the United States 60,929 holders, with an average holding of 96.25 shares, and abroad 1,827 holders, with an average holding of 318.8 shares.

\$20,000,000 Loans from Banks
In order to provide necessary funds to meet its cash requirements, the company borrowed during the year from the following banks the amounts indicated, totalling \$20,000,000:—
The First National Bank of the City of New York \$5,000,000
Guaranty Trust Company of New York

Wiggins, Teape.—Shareholders in Wiggins, Teape have so long been accustomed to regularly increasing profits that the 9½ per cent. fall in the parent company's total income for 1938 was bound to cause some disappointment. The report points out that the group experienced a decline in the volume both of home and export trade for the first time in six years, and that this setback, combined with the higher cost of raw materials, accounts for the decline in profits. The reduction in the group's income, from £1,236,546 to £1,142,284, is rather larger than the £53,488 fall shown by the parent company, for the latter's income has been protected by smaller charges by subsidiaries for taxation and bad debts. The effect of the lower profits upon the parent company's appropriations is shown in the following table:—

	Years ended December 31,		
	1936	1937	1938
Total profit	504,776	554,709	501,221
Taxation	36,130	69,606	57,195
Depreciation	28,761	30,249	30,078
Special obsolescence	15,000	15,000	
Other charges	33,663	33,350	31,196
Debt interest	67,881	67,144	66,364
Preference dividend	96,410	96,410	96,410
Ordinary stock—			
Earned	226,931	242,950	219,978
Paid	143,763	168,500	168,500
Earned %	16.0	16.1	14.2
Paid %	9	10	10
Reserve	85,000	96,322	53,000
Special credits	Cr. 2,369	Cr. 22,187	Cr. 1,561
Carry-forward	52,351	52,666	52,705

As a result of a saving of £12,411 in taxation, and the absence of any provision for special obsolescence, earnings for the ordinary stock are reduced by only £22,972 to £219,978, and the dividend, maintained at 10 per cent., is still covered by a satisfactory margin. The setback in profits has not checked the company's policy of extensions and improvements and large capital expenditure was again shown in 1938. Each year sees some increase in the group's fixed assets, which appear in the consolidated balance sheet at £4,950,788, against £4,758,656. A new factory has been built near London, and although it provides only for a transfer of activities it is improving the sales service. At present there is no obvious reason for expecting a marked recovery in earnings during 1939, but the company's satisfactory long-run prospects are undiminished. At the present price of 31s. 3d. the £1 ordinary stock units yield £6 8s. per cent.

New York Central Results.—For all American railroads, 1938 was a year full of difficulties, and the working of New York Central has resulted in a deficit of \$20,154,000, which is higher even than in 1932, the previous worst year, and compares with a net income of \$6,353,000 in 1937. Most of the decline is attributable to freights, from which revenue fell by 21.3 per cent. to \$202,782,000. Owing to some rise in rates, this fall was less heavy than the 25 per cent. drop in tonnage, but the railroads' applications for a further increase in rates in the early part of 1938 were not met in full. Although recovery set in during last autumn, it was insufficient to prevent a fall in the year's total operating revenue from \$366,226,000 to \$298,681,000. The fall in operating expenses from \$284,000,000 to \$237,502,000 was in almost comparable proportion, although wages accounted for an increase of \$6,150,000. Increased wage rates, granted in the latter part of 1937, were in operation for a full year, and an application by the railroads for a reduction was rejected after long negotiations. The greater part of the fall in operating expenses is, in fact, due to a large saving in maintenance expenses owing to the reduced traffic. Net railway operating income is \$20,446,000 lower at \$15,582,000, and there is also a substantial fall in miscellaneous income owing to lower receipts from dividends.

so that total income is practically halved at \$30,756,000. Fixed charges absorb \$49,231,000, and the final results show a drop of \$26,507,000 in net income. Improved conditions apparent towards the end of 1938 should assist revenue in 1939—net operating income for the first three months showed an improvement from a loss of \$1,799,000 to a credit of \$4,531,000, but the prospects of a return to dividends are not substantially nearer.

Rubber Profits and the Quota.—Recent rubber reports continue to show, broadly, that in 1938 profits were roughly halved. The sharp reduction in the average quota from 83½ per cent. for 1937 to 55 per cent. for 1938 is mainly responsible, though a moderate fall in the commodity and rising costs due to lower output have also played their part. It is but scant consolation that for some companies (Sialang and Kimanis, for example) forward contracts at satisfactory prices prevented profits from falling still further. The following table summarises the main features of recent rubber reports:—

Company (years to December 31)	Rubber		Total Profits *	Earned for Ord.		Div.	Present	
	Crop	Price		Amt.	Rate		Price	Yield
	'000 lbs.	d. per lb.	£	£	%	%	s. d.	%
Kepong (Malay) :								
1936	6,398	8.25	88,310	81,012	12.0	11½	} 2/7½d (2/-)	3.43
1937	9,334	8.50	131,841	114,712	16.2	13½		
1938	9,019	7.70	54,224	43,646	6.4	4½		
Kimanis Rubber:								
1936	414	...	6,587	5,341	2.9	3	} 1/8 (2/-)	6.00
1937	1,706	...	25,821	23,255	13.7	10		
1938	1,077	...	17,542	15,141	9.5	5		
Rembau Jelai :								
1936	2,190	...	33,772	30,711	7.1	7½	} 13/9 (£1)	3.64
1937	2,946	...	50,625	40,101	9.8	8		
1938	1,791	...	18,864	16,640	4.4	2½		
Scottish Malayan :								
1936	2,084	7.74	47,783	24,456	6.3	6	} 13/9 (£1)	7.38
1937	3,021	8.83	80,122	43,790	11.4	8		
1938	2,058	7.79	39,701	20,566	5.4	5		
Sialang Rubber† :								
1936	1,558	9.11	27,983	22,480	7.7	7	} 17/6 (£1)	4.57
1937	1,963	9.43	38,293	24,974	8.8	7		
1938	1,335	9.68	23,594	12,225	4.1	4		
Straits Rubber:								
1936	2,379	...	41,813	37,887	4.8	5	} 11/3d (£1)	5.33
1937	3,054	...	70,920	65,027	8.9	6½		
1938	2,132	...	34,394	29,779	4.1	3		

* After estate and selling expenses.

† Years to following January 1st.

Special factors, however, have affected individual companies. In order to maintain the labour force, Kepong harvested a larger crop than the quota reduction warranted, so that the decline in profits is rather more severe than the average. The North Borneo company, Kimanis, experienced a sharp increase in costs—the Borneo quota averaged 45½ per cent.—but it was helped by forward contracts, while Scottish Malayan produces palm oil as well as rubber. Exceptionally, Sialang obtained a slightly higher average price, since part of the crop is marketed in special form on which a premium is obtainable.

This week's announcement of an increase in the export quota for the third quarter from 50 per cent. to 55 per cent. has been followed by a slightly firmer commodity price, which rubber shareholders have welcomed. But while they may fairly hope that profits in 1939 will be no lower than in 1938, any improvement is likely to be quite small. A 5 per cent. increase in quota is in itself small, and even if the 55 per cent. rate is maintained for the last three months of the year—American consumption is at a satisfactory level, but there are no signs of a sharp upward trend—the average for 1939 will be no more than 52½ per cent. against 55 per cent. Against this small implied drop in releases must be offset the increased standard assessments for 1939, so that at present the chances are in favour of only slight changes in output

for 1939. For many months the commodity price has fluctuated within narrow limits around 8d., and the smallness of the increase in quota encourages the hope that this level may be held. The net effect of these factors is the possibility of some improvement in profits, but too small to be of real importance to shareholders. To take one example, the difference made to Scottish Malayan by a 9½ per cent. rise in the company's standard assessment, a 2½ per cent. reduction in releases, and a 0.2d. per lb. increase in price is of the order of £2,500—a rise which is of only moderate importance compared with the possible variations in other items of revenue and expenditure. The outlook for rubber companies is not much clearer than it was at the beginning of the year—though this conclusion is hardly suggested by the yields shown above.

The Week's Company Profits.—The number of company reports published this week is 93—a considerable increase on recent weeks. They are analysed in the usual table on page 470, and show net profits of £8,200,528, against £8,669,143 for the previous year, a decline of 5.4 per cent. Since the sample is unweighted by any large company or group, this decline compares favourably with the recent trend. The aggregate net profits of 1,103 companies whose reports have been received this year amount to £148,208,000, a reduction of 8.5 per cent. from £161,916,000 a year ago. The week's results are discussed under the heading "Shorter Comments" on page 454.

NATIONAL BANK OF EGYPT

Notices have been issued convening an Extraordinary General Meeting of shareholders to consider the revision of certain of the Bank's statutes, in order to give effect to an agreement reached between the Government and the Board for a new charter.

These revisions do not, however, cover the whole field of the agreement. The following explanatory note is therefore issued, in order that the shareholders may have information regarding the general character of the agreement and may also understand the circumstances which have led to its conclusion.

The National Bank was founded in 1898 by Charter granted by the then Sovereign of Egypt as a purely commercial bank with a right of note-issue. There was no engagement by the Government that the Bank would act as the Government's banker, though in fact it has actually done so from the commencement. The Bank's notes were not compulsorily legal tender and before the 1914-1918 War the amount of the note-issue did not exceed £E.3 million.

By force of circumstances, mainly arising out of the war, the Bank's position and responsibilities gradually evolved. Its notes were made compulsory legal tender in 1914. It has done the Government's banking business throughout. It maintains the stability of the piastre-sterling exchange by a system of buying and selling sterling from and to the other banks. Its position has therefore approximated more and more to that of a Central Bank. It still continues to do a large amount of commercial business—inevitable in a country whose banking development is still in an early stage—but its smaller business with agriculturists has become relatively of much less importance than in its earlier years.

The Bank's responsibilities as well as its privileges—both its utility to the State and the services it is able to render to the business public—rest on no assured or statutory basis. This position is not satisfactory, either to the Government or the Bank. On the one hand, the Government feels that it has no guarantee that the Bank will always continue to act in the same spirit as at present and it considers that the framework and powers of an institution, designed to meet the conditions of 1898, are in some respects not suited to the needs of modern Egypt. The Bank on its side feels that it has no guarantee as to its own future, and that therefore (in view particularly of the fact that its present charter comes to an end in 1948) it is unable to take the long views necessary if it is to continue to render its present services to the Government and public of Egypt and build on the foundations already laid.

Discussions have from time to time taken place between the Government and the Bank in order to explore the possibility of granting a new charter, stabilising the Bank's position and at the same time making such modifications in its structure as, in the opinion of the Government, are required by the changes that have occurred in Egyptian conditions in the past forty years.

Discussions have from time to time taken place between the Government and the Board, of which the principal points are as follows:—

- 1.—The new charter will be for forty years with effect from its promulgation.
- 2.—The Government undertakes to maintain the existing legal-tender status of the Bank's notes.
- 3.—There shall be an Egyptian majority on the Board. In view however of the practical difficulties in the way of the immediate attainment of an Egyptian majority owing to the size and composition of the present Board, and also of the necessity for ensuring harmonious working between the Government and the Bank during the period of transition, seats on the Board will be ceded to Egyptians as and when vacancies occur by death or non-re-

Company Meetings of the Week.—Reports of company meetings commence on page 460 of this issue. At the *Commercial Union Assurance* meeting Sir Bertram Hornsby commented on the unsound open cover system on gold shipments. Sir Herbert Morgan informed the shareholders of *Smith's Potato Crisps* that recent capital expenditure had been financed from profits alone. At the *British Match Corporation* meeting Mr C. E. Bartholomew commented on the satisfactory state of the home market. The Hon. S. H. Dodwell explained to *Union Insurance Society of Canton* members how the company's interests had been expanded by the British Oak acquisition. Shareholders of *Liverpool and London and Globe Insurance* were informed by Mr A. E. Pattinson that underwriting results were the second highest in the company's history. At the *London and Manchester Assurance* meeting, Mr A. W. Dawes pointed out the attraction of a life annuity to the small saver in times of high taxation. Mr Walter Holman made a plea at the *Incorporated Accountants* meeting for stricter surveillance of expenditure during the rearmament programme. Lord Pender's address to shareholders of *Cable and Wireless (Holding)* is discussed on page 448. Mr F. M. G. Glyn informed the shareholders of *Rio de Janeiro City Improvements* that the alteration in Brazilian exchange regulations should enable the company to obtain sterling on better terms in future. Mr Walter MacLachlan, reviewing the numerous interests of *British-Borneo Petroleum*, referred to the promising prospects of the shareholding in Ultramar Exploration Company, which controls oil rights and interests over large areas in Venezuela.

eligibility, provided in any case that an Egyptian majority is attained by 1945. All directors will continue to be appointed as at present, i.e. they will be elected by the shareholders or, if co-opted by the Board during the year, their election will be subject to the shareholders' ratification. There will be no Government representation on the Board.

- 4.—Future Governors, subsequent to the present incumbent, shall no longer be ex officio President of the Board. After the departure of the present Governor, the President must be an Egyptian. There is no restriction as to the nationality of future Governors.
- 5.—The Board will appoint from among its members a Vice-President who must be an Egyptian so long as the functions of President and Governor are combined and are held by a non-Egyptian. The appointment of neither President nor Vice-President shall be subject to Government sanction.
- 6.—No person in receipt of a Government salary may be a director of the Bank.
- 7.—The local recruitment of the staff of the Bank shall be confined to persons of Egyptian nationality, the Bank retaining the right however, if it finds it desirable for technical or other reasons, to make recruitment from abroad, subject to the approval of the Minister of Finance.

The Government has no intention of using this right of approval to block all non-Egyptian recruitment, but desires merely to limit its extent to what is necessary for the proper working of the Bank and to prevent some future management from misusing it in such a way as to nullify or evade the provision regarding local recruitment.

- 8.—The London Committee will be abolished as such, but power will be taken by the Board to permit two of its members (or four until 1941) to reside abroad to assist the Bank in the conduct of its external business.
- 9.—The Bank shall continue to act as banker to the Government.
- 10.—The Bank will continue to do commercial business, but will follow a policy of gradually withdrawing from the smaller operations in which it at present engages. It will retain the right to undertake such smaller business should the public interest so require: for example, when in any place banking facilities are inadequate.
- 11.—Apart from the remuneration which the Bank receives in respect of the note-issue, the Bank shall continue to perform all the ordinary banking business of the Government free of charge as hitherto. In the event of the Bank being required to perform any special duties not falling within its present current work, such as the service of the Public Debt or the issue of loans, remuneration therefor will be dealt with by mutual agreement.
- 12.—The Bank will make short ways and means advances to the Government when required, up to a limit which has been agreed upon between the two parties.
- 13.—The shares of the Bank will continue, until 1948, to be in bearer form or nominative, with equal voting rights, as at present. After 1948 all shares shall be nominative, subsequent transfers being subject to the Board's approval.

Certain of the above points (Nos. 1, 3, 4, 5, 6, 8 and 13) require a revision of the statutes, a draft of which will be available at the places designated for the deposit of shares mentioned in the notice convening the Extraordinary General Meeting. The remaining points will be dealt with by an exchange of letters between the Government and the Bank, forming a contract between the two parties.

E. M. COOK, Governor.

THE STOCK EXCHANGES

London

SETTLING DAYS
TICKET ACCOUNT
MAY 23 MAY 25

In the absence of specific political news, markets are again inclined to mark time. But although turnover has shown little improvement—Tuesday was described as a completely "dead" day—prices were firmer in most sections, and some broadening of interest was apparent. Gilt-edged made useful progress, but home rails stocks failed to rise after the publication of impressive traffics.

Gilt-edged stocks opened brightly, following the moderate tone of Signor Mussolini's speech on Sunday and the lack of any further political shocks. But the market lacked real buying support, and the best levels were not always held. Inquiry from public investors again lifted prices towards mid-week, but the volume of orders never assumed large proportions. There was not a great deal to choose between the dated and the irredeemable stocks, though by mid-week the latter were the more favoured. An all-round advance occurred on Thursday. Home corporation stocks remained firm and quiet. Among colonial issues, modest gains were the rule. Australians in particular recording good advances.

Greek issues were prominent among foreign bonds, on hopes that the trade talks might result in an improved debt offer. Roumanian bonds were firm, and there was also some support for Bulgarians. Hope deferred gave Brazilian bonds a reactionary tendency.

Home rails were well supported on expectations of improved traffics, and in anticipation of the Square Deal report, though the market lost its impetus after the publication of the excellent traffics. Marginal preference stocks were in greatest demand, though the ordinaries were not entirely neglected. No interest was shown in debenture issues. Argentine rails were dull almost without exception, and failed to respond to the good traffics.

In the industrial market, the tone was again firm, and the trend of prices very slightly upwards, but in spite of more active dealings towards mid-week, turnover was on a limited scale. Iron and steel shares were a strong feature, and came into renewed demand after temporary hesitancy on Tuesday. Peace and Partners rose on the increased dividend and full report, while Stewarts

and Lloyds gained after the meeting. The improvement in coal shares which had begun in the previous week, continued with Shepbridge in the lead. Engineering issues lacked interest, but prices were steady or a little higher for choice. Electrical equipment shares hardened after an irregular start. Siemens were inclined to sag, but recovered before the meeting, and Electric Construction were supported. It was some time before motor shares responded to the better tendency of the markets, and until mid-week movements in quotations were small. Aircraft issues were again unexciting, though prices were satisfactory. Imperial Airways reacted on profit-taking, and then recovered. Textiles were steady, apart from a fall in Salts (Saltire) following the lower profits. Rayon shares were neglected. In the brewery section, small gains were the rule after a dull start, while tobacco shares went ahead under the lead of Carreras "A." The stores and provision groups made a mixed showing. Miscellaneous shares moved more or less in accordance with the rest of the market. Quotations did not always move consistently, but fractional gains were the rule. Shipping shares no more than held their ground.

Oil shares opened firm but quiet on Monday. Anglo-Egyptian "B" shares continued their recent advance in anticipation of a higher dividend, while Roumanian shares were in demand on hopes of changes in the legal status of foreign-controlled oil companies. In mid-week, after some hesitancy, a firmer tendency developed under the leadership of the Eagle issues and Royal Dutch. Rubber shares were depressed on Monday in anticipation of an increase in the rubber quota. Later, on the view that the increased supplies would be absorbed, professional support imparted a firmer tone, but public support was lacking. Among tea shares Ceylon issues received support early in the week. Later, prices advanced further, following several satisfactory dividend announcements and on the sound statistical position.

In the mining market, Kaffirs advanced on buying from Paris and the Cape, which was assisted by the limited supply of shares. Later in the week, lack of Continental support left the market quieter but prices were maintained, and interest developed in Australian issues. Interest in developing mines was evident in mid-week, Venterspost leading a short rally. Finance shares,

after a firm opening on Monday, reflected the general inactivity later in the week. Diamond shares, apart from a mid-week diversion in De Beers preference, attracted little attention, while copper shares were featureless. Tin shares improved fractionally during the week in sympathy with the commodity.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains†	Corres. Day 1938	30 ord. shares*	20 fixed int.†
May 12	5,395	6,450	80.9	117.1
" 15	6,260	7,395	81.2	117.2
" 16	5,090	6,200	81.2	117.4
" 17	5,835	7,050	81.4	117.5
" 18	6,000	7,055	81.7	117.9
1939 High...	...	...	88.0	123.5
Low...	...	...	Mar. 10 73.7	Jan. 3 114.9
Low...	...	...	Jan. 27 73.7	May 1 114.9

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

ACTUARIES' INVESTMENT INDEX

A moderate recovery is again shown by the Actuaries' index of 160 industrial ordinary share prices, which on Tuesday, May 16, 1939, stood at 62.1, against 61.4 a week ago and 59.5 a month ago. The corresponding average yields are 5.75, 5.82 and 6.02 per cent. We give below a selection of the separate indices:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Price 1939 High
	Apr. 18, 1938	May 9, 1939	May 16, 1939	
Insurance (10)...	105.7	108.4	109.4	116.8
Building mats. (6)...	68.3	66.7	67.6	76.6
Coal (8)	76.1	79.4	80.9	80.9
Cotton (5)	21.9	20.9	22.4	27.6
Gas (8)	100.5	97.8	99.8	112.4
Stores, etc. (18) ..	53.0	54.5	55.8	60.9
Breweries, etc. (20)	106.2	113.0	114.4	117.5

Group	Yield (%)			Price 1939 Low
	Apr. 18, 1939	May 9, 1939	May 16, 1939	
Insurance	4.06	3.96	3.92	105.7
Building mats.	7.49	7.69	7.56	64.9
Coal	7.70	7.38	7.26	74.0
Cotton	3.88	3.67	3.46	97.3
Gas	5.91	6.11	5.96	50.6
Stores, etc.	6.14	5.78	5.66	106.2
Breweries, etc.	6.20	5.86	5.79	106.2

New York

SENTIMENT was more cheerful following Signor Mussolini's speech at the week-end, but the anticipated effect of the strike settlement on the profitability of the coal industry and the delayed pronouncement on tax policy from Washington weakened confidence. On Tuesday, uncertainty was increased by rumours of an intensified anti-monopoly drive against the utilities. Later in the week, a firmer tendency developed, but aircraft shares were weak on news of output difficulties and steel shares reacted to the cut prices offered for steel by the automobile industry. According to the American Iron and Steel Institute, the steel industry is working this week at 45.4 per cent. of capacity, a fall of 2 per cent. on the week and the lowest since September 12, 1938.

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	May 3, 1939	May 10, 1939	May 17, 1939
	Low Apr. 12	High Jan. 4		
347 Ind's.	92.8	114.5	97.2	97.6
32 Rails	23.6	32.5	24.9	24.0
40 Utilities....	77.8	88.3†	81.6	82.8
419 Stocks ...	79.3	95.6	83.1	83.6
Av. yield * ...	4.34%	3.31%	3.91%	3.92%
	High	Low		4.34%

* 50 Common Stocks. † March 8th.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)	May 11	May 12	May 13	May 15	May 16	May 17
109.3	108.4	108.7	108.9	105.9	105.1	
1939 High: 130.3	January 4th.					
April 8th.						
Low: 98.8						

TOTAL DEALINGS IN NEW YORK			
1939	Stock Exchange		Curb Shares
	Shares 000's	Bonds 000's	000's
May 11	400	4,650	78
" 12	360	4,810	76
" 13*	160	2,070	36
" 15	330	3,790	68
" 16	620	5,230	116
" 17	530	5,010	82

* Two-Hour Session.

New York Prices

Close Latest	May 11, 1939	May 18, 1939
Close Latest	May 11, 1939	May 18, 1939
1. Rails and Transport		
Atchafalaya	28½	26½
Balt. & Ohio	5½	47½
B.M.T.	12	114
Can. Pac.	4	37½
Ches. & Ohio	32¼	31¼
G.N. Ry. Pk.	20½	19½
Illinois Cent.	12½	10½
N.Y. Central	14¾	13½
Northern Pac.	8¾	81½
Pennsylv. R.	18½	17½
Southern Pac.	13	12¼
Southern Ry.	14½	13½
Union Pac.	96	90¾
Greyhound	18	17½
2. Utilities and Communications		
Am. W. Works.	9¾	91½
C.W. & S.	114	114
Con. Edison	31½	30
Ed. & S.	8	7½
El. Bond & Sh.	6½	6
Nat. Pwr. & Lt.	21½	20½
N. American	30½	30½
Pac. Gas & El.	46¼	46¼
Pub. Serv. N.J.	35¼	35¼
Stan. Gas & E.	3½	27½
United Corp.	2½	2½
Un. Gas Imp.	12¼	12¼
Amer. Tel.	160½	160½
Inter. Tel. For.	7¼	7¼
Westn. Union	18½	18½
Radio	6½	6½
" B. Pref.	60	60¼
3. Extractive and Metal		
Am. Rol. Mill	14¼	127½
Beth. Steel	56	52½
Beth. Steel P.	107¾	107¾
Republic St.	157½	147½
U.S. Steel	47½	447½
U.S. Steel P.	109½	102½
Alaska Pneu.	8½	8½
Am. Metal	27½	26¼
Am. Smelting	41½	40½
Anacosta	24¼	22½
Bohn Alum.	21½	20½
Cerro de Pas.	37½	37
Int. Nickel	48½	47
Kennecott	32¼	30½
Patino Mines.	9½	9½
Tex. Gif. Sul.	28½	27½
U.S. Smelt.	52½	49½
Vanadium	20½	18½
Atlantic Refg.	20	19½
Phillips Petr.	35½	34½
Shell Union	11½	11
Shell Un. P.	104¾	104¾
Socony Vac.	12	11½
Stan. Oil Cal.	26½	25¾
Stan. Oil N.J.	45½	43¼
Texas	37¼	37½
4. Manufacturing		
Briggs	20¾	19½
Chrysler	69½	64
Elec. Autolite	28½	27½
Gen. Motors	43	41½
Hudson Mtr.	5½	5½
Nash Kelvin.	6¼	6½
Packard Mtr.	3½	3¼
Bendix Avtn.	22¼	22¼
Boeing Airpln.	22½	21½
Douglas Air.	63½	61½
United Aircraft.	37½	35½
Air Reduction	49½	46¾
Allied Cheml.	161	160
Col. Carbon	83	82½
Dupont	142¼	141
Un. Carbide	74¼	72½
U.S. Ind. Alc.	32½	32½
Allis Chalm.	34½	34½
Gen. Electric	34½	33½
West. Elec.	90½	87½
American Can.	87	86
Addressograph	21¼	22
Caterpillar	46	43
Cont. Can.	37	36½
Ingersoll Rnd.	99	97½
Int. Harvester	58½	56½
Johns Manvile	72½	67½
Am. Radiator	12½	11½
Corn Prods.	57¾	58¼
J.I. Case & Co.	79	77
Glidden	16½	16
G. Am. Trans.	45¾	44½
Allied Stores.	84	72½
Celanese of A.	18	17½
Ind. Rayon	14½	14½
Colgate Palm.	153½	154¾
Eastm'n Kdk.	61½	61¼
Gillette	44¼	42
Loews	21½	19½
20th Cen. Fox	21½	19½
5. Retail Trade, etc.		
Mont. Ward.	47½	47
J. C. Penney.	83¾	82¾
Sears Roebck.	71½	72
Walgreen	17½	17
Woolworth	44¼	43½
Borden	43½	43¼
Gen. Foodst.	24½	24½
Kroger Grcy.	26½	26
Nat. Biscuit.	15½	147½
Nat. Dairy	82	80
Am. Tob. B.	22½	22½
Lorillard	367½	37
Reyn. Tob. B.	25½	25½
Nat. Distillers	14	12¾
6. Finance		
Comcl. Credit	447½	447½
Atlas Corp.	78	71¼
Com. Inv. Tr.	48¾	48½

Capital Issues

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Conversions	New Money
May 20	1,000,000	1,000,000	Nil
To the Public	1,000,000	1,000,000	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	50,676	...	71,742
Savings Certs. week to May 13.....	Dr.100,000	...	Dr.100,000

Year to date	Including Conversions	Excluding Conversions
1939 (New Basis)	39,703,755	37,472,690
1938 (New Basis)	87,198,816	73,395,963
1939 (Old Basis)	19,822,635	18,611,570
1938 (Old Basis)	63,094,047	50,541,289

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1939 (New Basis)	25,823,202	11,329,488	320,000
1938 (New Basis)	49,687,435	18,914,862	2,429,229
1939 (Old Basis)	14,800,835	3,490,735	320,000
1938 (Old Basis)	33,050,420	15,091,745	2,399,124

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1939 (New Basis)	16,656,145	2,300,796	18,515,769
1938 (New Basis)	40,706,619	5,329,850	27,359,494
1939 (Old Basis)	12,107,435	928,447	5,575,688
1938 (Old Basis)	33,112,766	2,392,222	15,036,301

NOTE.—"Old Basis" includes only public issues and issues to shareholders only. "New Basis" includes all new capital in which permission to deal has been granted.

OFFER OF RENEWAL

City of Sydney. — Holders of £1,000,000 5 per cent. debentures, 1939, are offered a continuation of interest of 5 per cent. per annum in the four years to June, 1943, when debentures will be repaid at par. Population, 1,279,608; owns real estate of £6,831,695; income in 1938, £1,331,433; loan debt end 1938, £10,981,304. Cash lists were opened at 9 a.m. May 17th and closed at 3.30 p.m. in accordance with the terms of the prospectus. Holders of the existing debentures have the right until 3.30 p.m. on May 22nd to have their debentures renewed for four years from 1st June, 1939.

BY TENDER

Newcastle and Gateshead Water Company.—Sale by tender of £60,000 5 per cent. consolidated debenture stock, at a minimum of 125. Water revenue: 1936, £378,355; 1937, £387,918; 1938, £397,652.

BONUS SHARES

House Property and Investment. —It is proposed to capitalise £50,000 of reserves and distribute one £1 ordinary share for four held.

Minimax, Ltd.—A share bonus of one share for every four held is announced.

Peebles Hotel-Hydro.—A 100 per cent. bonus for ordinary shareholders is proposed.

RESULT OF ISSUE

Mid-Southern Utility Company. —The issue of £150,000 "C" consolidated stock at 99 was substantially oversubscribed, but applications from existing shareholders will be allotted in full.

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. †Final	Total	Pay- able	Prev Year
BANKS				
Com. Bk. of Scot. "A" Do. "B"	% 8* 5*		%	% 8* 5*
INSURANCE				
Sun Life	†10*	...	June 30	†10*
TEA & RUBBER				
Aibheel Tea	4†	6	June 8	10
Allied Sumatra Plns.	...	4	June 28	6
Bagracote Tea	9†	12	June 14	15
Chulsa Tea	9†	12	June 14	15
Cons. Estates	2½*	...	June 9	3*
Igalkande Rubber	...	2½	June 9	5
Malaya General Co.	5*	...	May 26	5*
Pabbayan Tea	10†	15	...	15
Panawatte Tea	...	a2	June 7	6
St. George Rubber	...	7	...	12½
Sungei Krian Rub.	...	10	...	12½
Sylhet Tea	7½†	10	June 6	12
Tara Tea	10†	15	...	20
U. Sua Betong Rbr.	6†	12	June 1	17½
MINING				
Messina Development	7½*	...	June 9	7½
Rawang Concessions..	2½†	5	May 31	20
OTHER COMPANIES				
Adelaide Electric	5*	...	June 1	5*
Advance Laundries	(a) 5†	(a) 7½	June 30	7½
Armitage (Sir A.)	5	...	4	...
Beaumont Prop. Tst.	a3*	...	...	3*
Birkenhead Brewery	4*	...	...	4*
Birmingham, &C., Tst.	...	5	June 5	5
Boosey and Hawkes.	...	5	...	7½
British Hosiery Tst.	...	9	...	...
Bromlow & Edwards	...	5	...	10
Brown (G.) and Co.	8½*	...	...	6*
Burmah Oil	a16†	a21	June 9	30
Butler's Wharf	7½†	12½	...	12½
Caldwell's Paper	2½*	...	...	2½
Canada Co.	...	5	June 1	3½
Central Wagon	3*	...	...	3*
Cowburns & Scotts.	3½†	6	...	5½
Edmundson's Elec.	a3½†	a6	...	9
Fleming (A. B.)	12†	17	June 14	17
Freedlands	6†	12	...	12
Hart (Gordon)	...	2½	...	2½
Hesketh Estates	2½†	5½	...	7
Hewitt Brothers	5*	...	June 1	5*
Highgate (Hugh)	...	5	May 30	5
Ind. & Gen. Trust	10†	14	...	12
Jerome, Ltd.	5*	...	...	5*
Kalgoorlie Elec.	4½†	7½	...	5*
Leeds Aston Ring	...	10	...	2½
Liverpool Warehouse	2*	...	June 1	11
Lon. County Propts.	5†	11	...	11
Maidstone Motor	6½†	11½	...	11
Marshall & Sons	3½*	...	...	2½
Moors and Robsons	5*	...	...	5*
Morland & Impey	5*	...	May 15	10*
N. Brit. Con. Invst.	...	3	May 29	3
Nantyglo Estates	2½*	...	...	2½
Nat. Mgtc. of N.Z.	†2½*	...	...	†2½*
Pease & Partners	...	12½	...	10
Porrits & Spencer	5½†	10	May 31	10
Primitiva Holdings	...	3½	July 1	5
Reckitt and Sons	5*	...	...	5*
Redfern Brothers	3*	...	June 16	3*
Secd. Gov. Gdn. Ppty.	9†	15	...	15
Singleton and Cole	20†	32½	...	32½
Smethwick Forgings	a3½*	...	June 15	44*
Tate and Lyle	...	6	...	6
Telephone Propts.	2*	...	...	2*
Third Edinburgh Inv.	5½†	8	...	8
Triplex Foundry	12½†	15	...	15
Tweddales & Smalley	15†	20	...	27½
Venner Time Switches	8½†	15	...	15
Wales, Ltd.	...	†2½	July 1	15
Wallarah Coal	...	3	...	...
Westburn Sugar	†6*	...	...	†6*
Woodrow (John)	...	3	...	...
UNIT TRUSTS				
First Square	†6-4d	...	May 15	...
Fourth British	†4d	...	May 15	...
National Fixed "A"	†6-7d	...	May 15	...
Producers Invest.	†2-3d	...	...	†2-5
Scottish Fixed	†5-5d	...	June 1	†4-4
Third Protected	†3-3d	...	May 31	†4-4

Industry and Trade

Steel Price Decision.—On December 9th, iron and steel prices for the first half of 1939 were fixed at slightly lower levels. The reductions were not uniform, but their extent is revealed by the Board of Trade index of iron and steel prices which fell by 5.9 per cent. between December, 1938, and January, 1939. Last Monday the British Iron and Steel Federation, with the concurrence of the Import Duties Advisory Committee, announced that, apart from a few minor adjustments, prices are to remain unchanged for a further period of four months. No special significance is attached to the reduction—from six months to four months—in the period for which prices have been fixed. The reason given for the change is that the end of the year, when buying is normally slack, is not an appropriate date for the introduction of a new price schedule. The minor alterations include a reduction of 5s. per ton in the price of hematite pig iron, designed to bring the price of this quality more into line with that of basic pig iron, and an increase of 5s. per ton in the price of acid steel billets (affecting less than 2 per cent. of the total output of crude steel) which have been relatively cheaper in relation to the cost of pig iron than other classes of steel. The Federation's decision to leave prices unchanged during a period of a rapidly expanding demand is to be commended, for although the profits of the industry are likely to show an increase owing to the expansion in turnover and the decision, consequently, does not involve it in any sacrifices, prices would probably have even increased at this stage under free market conditions. At the same time, the Federation has decided to substitute a running audit of costs of production for the occasional ascertainment made in the past. This will enable it to keep abreast of changes in costs and thus strengthen its control over the industry.

SHORTER COMMENTS

(Continued from page 453)

to £132,380. **B. LAPORTE, LTD.**, record a fall in sales, though business recovered in the latter part of 1938. Net profits, at £72,286, are only slightly lower than in 1937-38. One of the best reports of the week is that of **TILLING-STEVENS**, whose net profits are £53,975, against £35,336, and who resume dividends with a 7½ per cent. distribution. The large volume of orders on hand ensures working to capacity for a considerable time. **JOHN SUMMERS & SONS** net profits are £221,207, and after adding back certain expense items so as to reach comparable figures, the report points out that a profit of £599,426 compares favourably with the estimate of "not less than £500,000" put forward in the January circular. **IMPERIAL CONTINENTAL GAS** net profits have fallen from £427,686 to £415,786, but the decline is moderate, and the 10 per cent. dividend is moderate. **JAMES FINLAY & CO.** have had a satisfactory year, both trading profit and ordinary dividends received showing an increase, so that total profits are £298,954 against £251,680. Results of the Finlay group of tea companies make a mixed showing; crops were higher, but the average price obtained around 1d. a lb. lower. **KANAN DEVAN HILLS** profits actually show a moderate increase, and the dividend is increased from 16 to 17½ per cent. Some setback has been experienced by **AMALGAMATED TEA ESTATES** and **ANGLO-AMERICAN DIRECT** (though the former company is again paying 7 per cent.), while the decline in **CONSOLIDATED TEA AND LANDS** profits is rather more severe owing to a larger drop in tea prices.

MISCELLANEOUS

Burmah Oil Company, Ltd.—Profit for 1938, after taxation, £4,385,805 (£4,516,437). To depreciation, £370,559 (£354,152). Net profit, £4,015,246 (£4,162,285). To reserve, £600,000

(£960,513). Preference dividends, £300,000 (£300,000). Ordinary dividend 15 per cent. and cash bonus 6 per cent. making 21 per cent. for year absorbing £2,884,668, against 30 per cent. absorbing £2,747,302. To provision fund, £165,695 (£164,354). Carry forward raised from £637,271 to £702,154. Of year's total profit, dividends, etc., from investments account for 62 per cent.

British Electric Traction.—Net profits for year to March 31, 1939, rose from £446,472 to £482,398. Total revenue, £728,513 against £669,404. Final of 2½ per cent. again makes 5 per cent. for year on deferred ordinary, while usual 10 per cent. capital bonus is also distributed. Preference shares again receive 2 per cent. participating dividend. Addition to undivided profits, £211,447 against £185,323.

Fine Cotton Spinners and Doublers Association.—Profit for year to March 31, 1939, £247,141 (£349,445). Debenture interest, £110,000 (£110,000). To depreciation, £100,000 (£100,000). Debit balance reduced from £212,537 to £180,158. Total assets, £13,198,195 (£13,320,530).

Society of Incorporated Accountants.—At the annual meeting held on Thursday, Mr Walter Holman stressed the point that accountants have the right to say that, whether the cost of defence is met from borrowing or from taxation, it is essential that strict and continuous control should be exercised in all departments. Mr Holman foresaw the possibility that, to avoid competition between Government and private borrowing, some encroachment on the freedom of business might be involved.

John Summers and Sons.—After depreciation of £232,238 and bank interest of £38,590, net profits for 1938 before taxation amount to £328,598. Taxation absorbs £133,424, leaving £195,174. Surplus for year applicable to group holdings is £193,882. No dividend on ordinary shares. Carry forward £315,920.

Tilling-Stevens.—Profits for 1938 are £33,602, against £35,336 for 1937, after £20,373 (against nil) for depreciation. Last

Tinplates in Australia.—The scheme for the establishment of a tinplate plant in South Australia is regarded with considerable uneasiness in South Wales, which is the seat of the British tinplate industry. In recent years Australia has been the principal export market for British tinplates. The total tinplate consumption of the Dominion last year was approximately 90,000 tons, and practically the whole of this was imported from the United Kingdom. It is reported that the project under contemplation by the Broken Hill Proprietary Company and other South Australian interests involves an expenditure of between £2½ and £3 millions on a plant capable of employing 2,000 men. If a modern works of these dimensions were erected Australia would be able not only to supply the whole of her tinplate requirements but also to command a surplus for export to New Zealand, and possibly also to some of the Far Eastern markets. It must be recognised that Australia has set her heart on the exploitation of her great iron ore resources, and that in the production of finished steel products as well as in the manufacture of pig iron and steel she has made great progress since the Great War. Australia's present steel output capacity exceeds one million tons per annum, and she is already producing all her requirements of certain classes of finished steel. In 1913 Australia imported over 550,000 tons of bars, girders, beams, sheets, rails, wire and nails; by 1929 her imports of these products had been reduced to about 260,000 tons, and in 1937 they were less than 50,000 tons. The growth of Australia's iron and steel industry has been assisted by the imposition of high import duties, and it is frankly recognised that it is only with the aid of a high tariff that a tinplate industry could be established. By the Ottawa

year the capital was reorganised; 7½ per cent. is payable on new capital. Debit balance of £121,748 as at December 31, 1937, was extinguished under reconstruction scheme; credit of £16,910 now goes forward.

B. Laporte.—Profit 1938, £92,286 (£94,229). Final dividend of 17½ per cent. on 175,000 ordinary shares, making 22½ per cent. (same). To income tax reserve, £14,500; N.D.C. reserve, £4,500; pension, etc., fund, £5,000 (all same). To general reserve, £15,863 (£15,000); forward, £27,807 (£26,995).

Imperial Continental Gas.—Net profits for year ended March 31, 1939, were £415,786, against £427,686; gross revenue, £609,821, compared with £634,595. After usual dividend of 10 per cent., £526,155 is carried forward, against £516,369. Balance sheet shows investments and advances valued at £10,288,298. Current assets, £336,689 against £94,177.

Yorkshire Amalgamated Collieries.—Net profit of £245,607 in year to March 31, 1939, compared with £261,906. Ordinary dividend 7½ per cent. less tax for year against 5½ per cent., free of tax. To general reserve, £50,000 (£50,000); carry forward, £96,217, against £69,999. Constituent companies have made a larger provision for income tax and N.D.C., and depreciation has been increased on account of recent plant extensions.

James Finlay and Company.—Accounts for 1938 show net profit £228,323 (£224,971), after depreciation and taxation, and writing off £15,000 from buildings and machinery. Carry forward raised from £275,255 to £286,078. Ordinary dividend maintained at 12½ per cent.

British Cotton and Wool Dyers' Association.—Profit for year to March 31, 1939, after £46,683 (£55,399) for repairs, etc., £100,884 (£110,061). To depreciation, £44,330 (£35,000). Net profit, £25,222 (£43,925). Ordinary dividend reduced from 4½ to 3½ per cent. Carry forward reduced from £56,759 to £54,177.

Agreement the Australian Government undertook that tariff protection should be given only to those industries which were reasonably assured of sound opportunities for success, and that such tariffs as might be established should be "based on the principle that protective duties shall not exceed such a level as will give United Kingdom producers full opportunity of reasonable competition on the basis of the relative cost of economical and efficient production, provided that in the application of such principle special consideration may be given to the case of industries not fully established." It is within the discretionary power conceded in the last sentence that the Australian manufacturers have been able to develop their iron and steel industry in spite of the preference to British goods, and in the memorandum submitted last year to the Government by the Association of Chambers of Commerce the view was expressed unequivocally that "recognition of the principle that British manufacturers be given preference in the Australian market over foreign competitors does not mean that Australian secondary industries shall not be adequately protected against competition from the United Kingdom."

Engineers' Wages.—The engineers' trade unions, who from the commencement of re-armament have shown themselves fully alive to the key position which it confers upon them, have now succeeded in obtaining an increase of two shillings a week in the national bonus to all adult male workers, with proportionate changes for apprentices, boys and youths. The increase, which takes effect on June 5th, is a flat-rate addition to earnings, and will not count as an augmentation of the standard wage basis for the calculation of overtime and other special rates. It thus appears that the engineers are presented with a new bargaining point, namely the expansion of the base rate. Some such claim as this may be used as soon as the rapidly developing industrial situation permits of the commencement of further negotiations, and its chances of success and general approval are certainly greater than those of the demand for a shorter working week which were made last September, when the last phase of negotiation commenced. Over 1,000,000 workers benefit by the present increase, but the absolute numbers involved must be viewed side by side with the increasing amount of work on hand and the possibility that one of the earliest and most critical bottlenecks in re-armament may develop in engineering. Nobody questions the strength of the Engineering Joint Trade Movement's present bargaining position. The consent of the employers to the 2s. increase, after their resistance last December on the ground that the time was not propitious, is concrete evidence of that strength. It is also reflected in the table of wage rates prepared by Mr E. C. Ramsbottom and printed below:—

INDEX NUMBERS OF WAGE RATES
(Average of 1924 = 100)

End Dec.	1924	1928	1930	1932	1934	1935	1936	1937	1938
Engineering*	100	104	104	101	101	104	107	113	113
Shipbuilding & Repairing†	106	108	110	108	108	108	112	121	125

* Including railway engineering shops.

† Time workers.

But in present circumstances the engineers cannot have it both ways. If they are to continue to obtain wage concessions at more and more frequent intervals on the strength of the growing armaments demand, then they must also recognise the fact that that demand does not permit a shortening of the working week. If they continue to press for that reduction then they must face a counter proposal for an arrangement for which they have so far shown little stomach, namely the dilution of labour.

Wakes with Pay.—An addition of 350,000 to the number of persons receiving paid holidays in the year 1940 will follow from the agreement, announced on

Tuesday, between the United Textile Factory Workers' Association, the Master Cotton Spinners' Federation, the Cotton Manufacturers' Association and the Lancashire Cotton Corporation. The procedure in this case will be to accumulate in operatives' holiday accounts sums amounting to one-fiftieth of annual earnings. The scheme will be put into operation after this year's annual holidays, when the equivalent of 2 per cent. of the wage bill will be banked weekly to be handed to operatives for one week's holiday in 1940. The annual shut-down for holidays in the cotton industry is so ancient an institution that the present agreement is specially welcome, particularly in view of the curtailment of the exodus to the seaside which short-time working has brought about since the war. "Wakes" may now recover much of their former spectacular gaiety on the strength of the £500,000 which is estimated to be the annual cost to the industry.

Rise in Industrial Production.—The Board of Trade's quarterly index of industrial production provides further evidence of the revival in business activity since the beginning of the year. During the period of recovery from 1934 to 1937 the index showed only a slight seasonal rise between October-December and the first quarter of the following year. Between the last quarter of 1937 and the first quarter of 1938 the official index actually declined by 3.2 per cent., while the figure for the first quarter of this year showed a rise of 4.1 per cent. over that for October-December, 1938. Moreover, the index for the first quarter of this year was almost as high as the figure for the corresponding period in 1938. A comparison of the

BOARD OF TRADE INDEX OF PRODUCTION. (1930 = 100)

Group	Year 1937	Year 1938	1938		1939
			Mar. Quarter	Dec. Quarter	Mar. Quarter
1. Mines and quarries	99.8	93.9	104.0	96.4	100.6
2. Iron and steel	166.6	131.5	168.4	119.8	149.1
3. Non-ferrous metals	165.3	146.2	153.3	141.4	139.7
4. Engineering and shipbuilding ..	136.3	128.9	132.7	129.5	135.1
5. Building materials and building ..	153.2	145.4	146.1	134.8	127.6
6. Textiles	129.6	111.1	116.9	114.0	120.7
7. Chemicals, oils, etc.	124.5	116.3	121.7	119.5	121.6
8. Leather and boots and shoes ..	111.9	104.8	111.6	107.4	119.2
9. Food, drink and tobacco	119.9	121.4	116.0	123.4	118.5
10. Gas and electricity	161.2	168.0	186.0	197.3	206.8
Total of manufacturing industries (2-10)*	138.0	128.9	136.5	130.7	136.2
Total of all groups (1-10)*	132.8	124.1	132.1	126.0	131.2

* Includes also various industries not specified above.
† Revised figures.

group indices for January-March, 1938 and 1939, however, reveals a change in the relative importance of the principal industries. Thus, activity in the mining and quarrying, iron and steel, non-ferrous metals and building materials and building industries was still appreciably lower in the first quarter of this year than in the corresponding period of 1938. On the other hand, this year's figures for engineering and shipbuilding, textiles, leather and footwear, food, drink and tobacco, and gas and electricity are all appreciably higher than those relating to the first quarter of 1938.

Overseas Trade in April.—The value of British imports in April was £3.6 millions, or 4.9 per cent., lower than in April, 1938, due chiefly to the smaller number of working days. The same cause was mainly responsible for



the decline in the value of British exports by 5.6 per cent., from £37.3 millions to £35.1 millions:—

U.K. IMPORTS AND EXPORTS
(£'000)

	1937	1938	1939	Change between 1938 and 1939	Per cent.
April					
Total Imports	83,004	73,707	70,085	-3,622	-4.9
British Exports	43,027	37,266	35,149	-2,117	-5.6
Re-exports	7,274	5,011	4,580	-431	-8.5
Total Exports	50,302	42,277	39,729	-2,548	-6.0
Excess of Imports over Exports	32,702	31,430	30,356	-1,074	-3.4
Transshipments under bond	3,223	2,656	2,740	+84	+3.2
Four Months ended April					
Total Imports	312,545	318,552	288,262	-30,290	-9.4
British Exports	164,146	158,136	154,251	-3,885	-2.4
Re-exports	26,030	20,801	18,845	-1,956	-9.4
Total Exports	190,176	178,936	173,096	-4,840	-2.7
Excess of Imports over Exports	122,369	139,616	115,166	-24,450	-17.5
Transshipments under bond	12,511	10,889	10,776	-113	-1.0

On a working-day basis, imports showed a small increase between March and April, in spite of the very large imports of wheat and petroleum which occurred in the earlier month, while total exports were slightly larger, due to an increase in the value of re-exports. *The Economist's* index of the volume of exports of domestic manufactures, adjusted for seasonal variations, fell from 101 (1935=100) in March to 100½ in April, while the index of the volume of the intake of raw materials rose sharply from 98 to 117½, compared with 114 in April, 1938.

Cotton Price Agreements Revised.—The large stocks of raw cotton held by the American Government has brought a scarcity of supplies of certain grades for near delivery. In consequence, Liverpool quotations for near futures have been at a considerable premium over those for more distant months. This unusual development has seriously affected trade in American-type yarns, whose selling prices are fixed by the addition of specified margins to the Liverpool quotations for the nearest active month. In normal circumstances, the basis would have been changed at the end of April from May to July futures, but in view of the abnormal parities the change was deferred until the beginning of this week, when the committees of the yarn price agreements decided to change the basis from May to October futures, which stand at a discount of ½d. per lb. compared with the May quotations. The margin for coarse counts was increased by ½d. per lb., but as the prices of October raw cotton futures is lower than those for May, the selling price of yarn was lowered by ½d. per lb.; margins under the 56's and 42's weft agreements have been raised by ½d. and ¼d. per lb. respectively. This action had rather a disturbing effect upon the Manchester market, but it is expected that, when traders have become accustomed to the new conditions, there will be greater confidence in the market and an increase in turnover.

Prices Marking Time.—There has been little alteration in the general level of wholesale prices in Britain and the United States during the past fortnight. Our indices of the prices of primary products for the United Kingdom and the United States, as well as the more comprehensive indices for the two countries, are virtually unchanged on

the fortnight. The official German index is also unchanged, but the figures for France and Italy 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 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
Aug. 3 1939	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	143.8	97.7
Nov. 23	114.3	132.6	126.0	175.7	116.7	148.7	143.8	97.8
Dec. 21 1939	113.7	132.4	126.5	175.7	115.6	148.7	144.0	98.0
Jan. 4	114.7	134.8	127.5	177.1	116.0	151.2	144.3	97.9
Feb. 1	113.8	132.5	125.9	175.1	115.7	152.7	141.9	97.9
Feb. 15	113.6	132.4	124.1	174.6	115.3	153.5	145.1	98.0
Mar. 1	114.0	134.5	127.9	174.9	116.4	152.8	145.1	98.0
Mar. 15	114.4	135.3	125.0	174.9	116.3	153.1	145.0	97.8
Mar. 29	114.4	133.9	123.5	174.9	115.4	153.5	144.0	97.8
Apr. 19	114.5	134.4	129.0	174.9	116.4	152.3	145.4	97.9
May 3	116.2	134.4	123.4	174.8	115.9	155.5	146.4	97.5*
May 17	116.0	134.7	123.4	174.9	115.9*	156.5*		

* These figures refer to May 13th.

† Monthly average.

Details of the component series of *The Economist* complete index are given below:—

	Sept. 18, 1931	May 11, 1938	May 3, 1939	May 17, 1939
(1927=100)				
Cereals and meat...	64.5	87.5	71.1	70.6
Other foods	62.2	59.8	62.9	62.4
Textiles	43.7	53.2	54.0	54.3
Minerals	67.4	91.8	91.4	91.2
Miscellaneous	65.8	76.1	74.2	74.6
Complete index	60.4	73.2	70.2	70.1
1913 = 100	83.1	100.8	96.6	96.5
1924 = 100	52.2	63.3	60.7	60.6

The group indices for textiles and miscellaneous commodities recorded a slight rise between May 3rd and May 17th, but those relating to cereals and meat, other foods, and minerals are slightly lower. There have been no outstanding movements in any of the commodities included in the index, and in general most consumers have continued their policy of covering only immediate requirements.

Distribution of Overseas Trade.—Our quarterly statistical analysis of changes in the distribution of imports and exports will be found opposite. The proportion of Britain's total imports drawn from the Empire increased from 38.5 per cent. in the first quarter of 1938 to 40.2 per cent. in the corresponding period of 1939, due mainly to an expansion of 28 per cent. in the value of imports from Eire; the benefits obtained by the settlement of the Anglo-Irish dispute are also shown by an expansion of 6.5 per cent. in the value of British exports to Eire. Owing, however, to a very sharp fall in the value of exports to Australia, the proportion of our total exports taken by the Empire declined from 50.4 per cent. in January-March 1938, to 47.0 per cent. in the first quarter of 1939. The proportion of our total imports from, and exports to, other European countries increased slightly in the first quarter of 1939, compared with 1938. The recent purchase of Roumanian wheat is reflected in an increase of 279 per cent. in British imports from that country, while Russia, Sweden, Norway, Denmark, Poland and Greece all largely increased their purchases of British goods. The share of our total trade with foreign countries outside Europe, however, showed a decline. Imports from Turkey fell by more than half, while the cessation of Mexican oil exports has brought a reduction of British trade with that country to insignificant proportions. Imports from the United States declined sharply, from £37,453,000 in the first quarter of 1938 to £29,016,000 in the corresponding period this year, but our exports to that country rose by nearly 40 per cent., from £4,963,000 to £6,885,000.

INDUSTRIAL REPORTS

Coal

INDUSTRIAL activity is expanding on a broad front. The demand for coal from both domestic and overseas consumers is increasing; the revival of foreign demand is due partly to the fall in Germany's ability to export. The consumption of steel also remains on the upgrade; the industry's decision to leave the general level of prices unchanged until the end of October is discussed on page 454. Activity in the tinplate industry has risen sharply, and producers are arranging to supplement local steel supplies by bigger imports. The decision to establish a plant for the manufacture of Rolls-Royce aero-engines near Glasgow is discussed on page 424. The Government has introduced supplementary estimates of more than £2 millions and £1½ millions respectively to acquire reserves of merchant ships and agricultural machinery. Production in the cotton trade is well maintained, and the industry has decided to grant operatives holidays with pay.

Sheffield.—Activity in industrial coal is broadening, and some collieries are short of screened steams. Outputs are well sold. Smalls are moving freely, though some collieries hold considerable stocks of coking smalls. Electricity undertakings are accepting good deliveries, but gas coal demand is quiet. Lower prices have not expedited demand for household coal, which, however, keeps at a fairly good level. Blast-furnace coke is moving more freely. Other brands for central heating and works are subject to competition.

Export market conditions are more cheerful, and good inquiries are coming through for best hards, washed doubles and singles. Bunker coal is in rather better request.

Newcastle-on-Tyne.—The greater activity in the shipment of coal from

this area is shown in the figures from the Tyne; last week 305,831 tons were shipped, an increase of 50,167 tons over the figure for the same week a year ago. The market remains very firm, but the volume of prompt business actually negotiated is small owing to the lack of supplies. There is a keen demand for all classes of Durham industrial fuel from both home and overseas consumers, and in the Northumberland steam section large coal has a ready sale. Patent oven coke is in good demand from abroad, whilst in the home section local industrial requirements continue to increase.

Glasgow.—The Scottish market remains active. Buying on account of the public utility undertakings, including the London market, has tapered off, but the effect of this, as well as the seasonal slackening of the household trade, has been largely offset by the active export business. In practically all

DISTRIBUTION OF OVERSEAS TRADE

(See Note on page 456.)

TRADE WITH BRITISH COUNTRIES

January to March

(000's omitted)

From or to	IMPORTS					BRITISH EXPORTS				
	1929	1933	1938	1939	% change from 1938	1929	1933	1938	1939	% change from 1938
Eire	9,504	4,006	4,161	5,327	+28.0	8,013	4,062	5,057	5,386	+6.5
West Africa	4,350	2,477	2,914	3,016	+3.5	3,220	1,856	2,052	2,170	+5.7
South Africa	7,770	4,990	4,296	3,957	-7.8	8,093	5,293	10,440	9,747	-6.7
India, Burma and Ceylon	19,983	9,824	16,089	15,244	-5.2	23,429	9,219	10,902	10,202	-3.4
Straits Settlements	3,360	860	2,109	1,058	-49.8	3,167	1,095	2,164	1,686	-22.1
Australia	15,927	12,189	20,139	18,256	-9.3	12,488	5,039	10,400	7,938	-23.7
New Zealand	16,538	9,934	13,038	11,898	-8.7	5,161	2,447	4,911	4,634	-5.7
Canada	10,983	10,496	19,202	17,124	-10.8	9,311	3,033	5,345	4,711	-11.8
West Indies	1,181	1,038	1,610	2,218	+37.8	1,026	1,169	1,383	1,371	-0.8
Other countries	8,560	6,035	10,705	9,883	-7.7	7,754	6,334	8,174	8,033	-1.7
Total	98,156	61,849	94,263	87,931	-6.7	81,662	39,547	60,828	53,878	-8.1
As % of Total Trade	32.0	38.8	38.5	40.2	...	45.1	44.1	50.4	47.0	...

TRADE WITH FOREIGN COUNTRIES OUTSIDE EUROPE

January to March

(000's omitted)

From or to	IMPORTS					BRITISH EXPORTS				
	1929	1933	1938	1939	% change from 1938	1929	1933	1938	1939	% change from 1938
Turkey	£ 539	£ 165	£ 266	£ 110	-58.7	£ 631	£ 414	£ 663	£ 655	-4.2
Egypt	7,491	3,031	4,375	3,673	-16.0	3,507	1,671	1,826	2,424	+32.7
Iraq	474	61	830	637	-23.2	682	554	714	459	-36.3
Iran	2,166	2,094	2,143	2,166	+1.2	593	225	1,246	1,554	+24.7
China	3,379	1,174	1,631	944	-42.9	4,115	1,632	1,134	1,114	-1.7
Japan	2,324	1,493	2,632	2,419	-8.7	3,131	1,425	566	303	-46.4
Dep.	248	113	38	35	-90.3	35	27	100	60	-40.0
U.S.A.	57,239	18,559	37,453	29,016	-22.2	10,821	3,303	4,963	6,885	+38.7
Dep.	604	113	306	231	-24.5	324	217	165	191	+15.8
Cuba	1,111	396	1,123	1,387	+23.5	582	187	381	175	-54.1
Mexico	730	620	1,187	164	-86.2	592	356	343	167	-51.3
Colombia	550	164	54	25	-53.8	910	581	549	407	-27.5
Peru	1,249	827	523	760	+45.3	490	158	240	174	-27.5
Chile	1,934	621	1,599	1,459	-8.7	1,876	133	240	507	+115.1
Brazil	1,299	840	1,672	1,694	+1.2	4,038	1,643	1,356	1,151	-15.1
Uruguay	1,792	1,055	1,165	919	-21.1	835	421	606	427	-29.5
Bolivia	21,098	11,860	11,362	11,198	-1.4	7,417	3,264	4,896	6,730	+37.5
Argentina	2,874	2,257	3,650	2,463	-32.5	2,703	1,465	2,305	1,212	-47.4
Other countries										
Total	108,102	45,589	72,808	60,282	-17.2	43,403	17,800	22,543	24,650	+9.4
As % of Total Trade	35.4	28.6	29.7	27.6	...	23.9	19.8	18.6	20.6	...

TRADE WITH EUROPEAN COUNTRIES

January to March

(000's omitted)

From or to	IMPORTS					BRITISH EXPORTS				
	1929	1933	1938	1939	% change from 1938	1929	1933	1938	1939	% change from 1938
U.S.S.R.	3,166	2,713	2,683	1,634	-39.1	729	1,310	1,324	1,895	+43.3
Finland	1,821	1,851	3,864	3,247	-16.0	763	404	1,144	1,000	-12.2
Latvia	909	389	1,041	1,139	+9.4	196	103	323	334	+3.8
Sweden	4,500	2,650	6,165	5,066	-17.1	2,107	1,549	2,740	2,968	+8.3
Norway	3,474	1,785	3,419	2,366	-30.8	1,804	1,269	1,945	2,465	+26.5
Denmark	12,043	7,982	8,838	8,551	-3.2	2,311	2,857	4,064	4,385	+7.9
Poland	1,039	1,350	2,443	1,988	-18.6	948	635	1,216	1,270	+4.4
Germany*	14,853	6,845	9,143	7,341	-12.2	9,867	3,738	5,663	5,381	-4.9
Holland	9,325	3,981	6,787	7,466	+10.0	5,200	2,899	3,243	3,478	+7.2
Belgium	10,360	2,997	6,105	4,853	-20.5	4,954	2,443	2,252	2,107	-6.6
France	13,550	4,330	6,831	6,513	-4.6	7,576	4,947	4,206	3,293	-21.2
Portugal	1,865	712	1,908	1,401	-26.5	1,651	1,175	845	848	+0.3
Switzerland	3,371	1,172	1,798	2,295	+27.7	1,707	944	894	961	+7.5
Italy	937	567	831	737	-11.3	972	768	663	648	-5.0
Spain	140	79	107	114	+6.8	1,065	533	614	511	-16.7
Greece	4,947	3,010	2,123	1,511	-28.9	3,057	1,152	1,072	647	-39.4
Roumania	826	610	1,101	971	-11.8	447	409	112	99	-11.4
Czechoslovakia	4,173	2,255	1,669	2,231	+33.7	4,217	2,372	1,572	1,507	-9.9
Other European countries	12	...	21	63	+200.0	33	30	4	4	Nil
Total	797	1,063	2,623	2,648	+1.0	1,287	605	576	1,486	+158.8
As % of Total Trade	32.6	32.6	31.8	32.2	...	31.0	36.1	31.0	32.4	...

districts the collieries are now fully booked up for shipment for some weeks ahead and even June business is proving difficult to arrange. This applies both to large coal and washed nuts. Industrial demand also continues strong. Prices remain firm.

★

Cardiff.—Inquiries on the Cardiff coal market have been a little less active this week, but the collieries are now well sold over the next few months, and prices of practically all grades are very firm. With the settlement of the dispute in the United States coalfield the American demand for prompt cargoes has faded away, but small orders have been placed by Dutch, Greek, and Malta buyers, and Germany is still inquiring for coking coals.

Shipments at the South Wales docks last week totalled 426,900 tons, compared with 414,605 tons in the corresponding week last year, while this week the tonnage position is slightly better than it was last week. Coke is scarce and the recent improvement in the patent fuel industry is being well maintained. The Executive Board has deferred until June its application to the Central Council for additional inland and export supply allocations for the current quarter.

Iron and Steel

Sheffield.—The iron and steel market continues active, and forward business is more readily placed than for some time. There is a very keen demand for basic steel billets, supplies of which are barely adequate. Acid billets are in good request, and transactions in wire rods and small steel bars are on a large scale. There is freer buying of forge and foundry pig iron, and the demand for hematite shows some improvement, although there are still considerable stocks.

Basic pig iron is a very strong market, but finished iron shows only slight development. The production of high quality steels in this district is reaching record figures, but the demand is unsatisfied. A great volume of Government work is coming to hand, as well as a steady flow of ordinary commercial orders, both on home and overseas account.

★

Middlesbrough.—Commercial business is increasing, and the announcement that steel prices are to be maintained until the end of October is satisfactory from the point of view of consumers, who are no longer kept in doubt. No announcement has yet been made as to any change in the price of foundry pig iron.

The production of basic iron continues to be absorbed at the adjoining steelworks, and none of it comes on to the market. The demand for steel continues to increase and production will show new records.

Heavy steel melting scrap is extremely scarce. New business in foreign ore is not mentioned, but imports under old contracts are keeping up to almost last month's levels.

★

Glasgow.—The demands made on the steelmakers continue to expand and, although there have been some additions to operating plant, makers are

quite unable to satisfy the delivery requirements of consumers. Shipbuilding materials are absorbing heavy tonnages and marine engineers are also heavy consumers. There is an exceptional amount of work on the books of West of Scotland marine engineers, orders being on hand for shipbuilders on the Clyde and in other parts of the country. Sheet rolling mills, galvanising plants and corrugating plants are all working continuously, but despite that orders are accumulating on books and delivery dates are lengthening. Re-rollers of angles, tees and channels in this district are supplying large tonnages for the Home Office shelters and they, too, are fully employed. Conditions in the tube trade are satisfactory and employment is regular. The scrap position is still causing anxiety.

★

Cardiff.—In the week ended May 6th the production of tinplates was 64.55 per cent. of capacity under the pooling scheme, but more mills have been brought into operation during the past few days, and manufacturers are making arrangements for foreign supplies of steel bars. In the heavy branches of the industry all the available blast-furnaces are working, but the production of steel continues to be handicapped by the scarcity of scrap. Imports are expected from the United States, but meanwhile prices for native supplies are very firm, and for cast iron machinery the current quotation has been increased to 76s. per ton. There has been a slight improvement in the galvanised sheet export trade, but the home market is absorbing the major part of the steel sheet production.

★

News from Abroad.—The improvement on international steel markets has made further progress. The tendency of consumers to increase their stocks, which had shrunk to very low dimensions, is one of the main features, but the demand for current requirements has also made further headway. Inquiries which, until several weeks ago were only too frequently used as a means to sound the market, are now as a rule leading to actual purchases.

It is feared in some quarters that the present situation may well lead to a scramble for supplies and seriously disturb the healthy development of markets. Already delivery dates are lengthening and producers are increasing their output in order to cope with the demand. It is noteworthy that blast-furnace operators are a little reluctant to follow suit until they are quite sure that the present demand will be maintained for a reasonably long time. The additional British purchases on the Continent and the reduction of British competition on international markets, due to the heavy domestic demand, have substantially contributed to the general improvement.

Prices are firm and secret concessions on official prices, which some time ago amounted to between 3s. and 20s. per ton according to product, have almost entirely vanished. This is particularly true of merchant bars, sheets and wire products. For sections, reductions up to 2s. per ton are sometimes made, for hoops occasional rebates up to 4s. have been observed, and thick plates, too, are sometimes sold below official prices. It is hoped that the recent official price concessions of 5s. to 20s. (gold) per ton

for the Far Eastern markets can soon be abolished, although American competition is still disturbing and has recently caused another price reduction for the Dutch market of 5 fl. per ton for merchant bars and 7s. for hoops. In other cases, however, prices are definitely rising. The Swedish producers, for instance, have increased their prices as a result of the international improvement, and it is expected that sooner or later the Cartel will have to consider similar measures, the more since costs for raw materials are steadily increasing.

Textiles

Cotton (Manchester).—Prices in the market have continued more in favour of sellers. Raw cotton prices have tended to advance. Although the amendment to the Agricultural Bill in the United States, providing for an export subsidy, has been rejected, it is reported that other methods are being adopted to get this plan through. The continued uncertainty is very irritating to traders. Officials at Washington are undoubtedly in a dilemma. Cotton legislation during the last few years has resulted in a hold-up of supplies, which has brought the price of American cotton above the world price and stimulated foreign production.

Only a limited business has been done in yarn. An event of importance has been the revision in the American price agreements, discussed on page 456.

Turnover in piece goods has been fair. There have been indications of some leading India shippers having satisfied their more important needs, but quite a number of useful orders have been booked. The business done for India during the last few weeks has been substantial. Fancies have moved off fairly well for Rangoon, Java and Singapore. Steady buying has taken place in finishing qualities for South America and the Continent. Some home trade buyers have purchased standard makes almost up to the end of the year. Activity on Government contracts tends to expand and producers of drills and balloon cloths are working at capacity.

The granting by the employers of payment for holidays, discussed on page 455, will mean a further increase in production costs.

★

Jute (Dundee).—As a result of very favourable weather reports and an increase of approximately 6 per cent. in sowings this year compared with last, new jute prices have declined. The highest price recently touched for old crop Daisee-2/3 was £33 15s. per ton for shipment, and now it is £30. Current prices are £30 per ton for old crop and £24 17s. 6d. for new. The difference in price is due to the present scarcity of supplies from last year's crop and the promising outlook for the new crop. The scarcity of old crop jute, however, is being mitigated to some extent by the fact that spinners holding substantial stocks are releasing these to their neighbours who are not so favourably placed.

Spinners are very busy and they are reluctant to reduce their prices, though business on the whole is slack. The orders which manufacturers are receiving for sandbags are taking up all the production of hessian yarns and prices

are firm at 2s. 10d. (lowest) for common 8-lb. cops and 2s. 11d. for 8-lb. spools. Twist is steady at 5d. for 3-ply 8-lb., and sacking yarns are selling at from 3½d. for 24-lb. web and 4½d. for 8-lb. chains. Rove continues firm at £23 (lowest) for 48-lb. and £19 for 200-lb., while carpet yarns are in some demand at from 4½d. for 14-lb. warp.

Manufacturers are so well employed that they should be able to maintain their prices for some time to come at 3½d. for 10-oz. 40-in. and 2.96d. for 8-oz. Calcutta goods have weakened in sympathy with raw jute and hessians are about 2s. down from the peak level.

THE COMMODITY MARKETS

THERE was no further rise in the general level of the prices of primary products during the week ended last Wednesday. The prices of some materials, including non-ferrous metals, wheat and raw sugar have slipped back a little, but those of others, such as raw cotton and rubber, have shown a further improvement. The event of the week was the decision of the International Rubber Regulation Committee on Tuesday to increase the rubber output quota from 50 per cent. of the standard tonnages in the second quarter to 55 per cent. in the third quarter of this year. Despite the prospective increase in supplies, prices rose slightly after the announcement. Raw cotton prices rose as a result of the rejection of the amendment to the Agricultural Bill in the United States providing for an export subsidy.

Moody's index of the prices of sensitive commodities in the United States (December 31, 1931 = 100) stood at 143.8 on Wednesday this week and last.

Metals

Copper.—The April statistics showed extra-U.S.A. consumption at 111,194 short tons, against 107,580 short tons in March, and at this level, the highest monthly consumption of this year, exceeded the mines output by about 13,500 short tons and the smelter output by over 3,000 short tons. Nevertheless, stocks outside America rose by more than 4,000 short tons to 190,209 short tons last month, as a result of larger exports from the United States, where stocks increased from 320,446 short tons at the end of March to 332,513 short tons at the end of April. This unfavourable development in American exports brought the London price of standard cash copper down by £1 1s. 3d. per ton to close on Wednesday at £41 per ton, the lowest level of this year.

★

Tin.—London quotations for tin declined by only 5s. to £225 5s. per ton this week, the smaller demand being offset by the absence of adequate free supplies. Shipments to the United States caused stocks in official warehouses of the L.M.E. to fall by over

400 tons to 11,941 long tons last week, the first time since the end of March that stocks have sunk below the 12,000 tons limit. Output in the tinplate industry is still rising and consumption is now running above production.

★

Lead and Spelter.—The price of lead lost 5s. to close on Wednesday at £14 7s. 6d. per ton, while spelter lost 6s. 3d., thus closing at £13 8s. 9d. per ton. Buying was at a disappointingly low level, owing to the uncertain political outlook and the high production of both metals.

★

Quicksilver.—Quicksilver prices were reduced from £17 18s. 6d. to £16 4s. per flask of 76 lb. this week. This setback was not surprising, as the earlier boom was based on unfounded fears of a shortage of Spanish supplies. It was reported this week (but not yet officially confirmed) that the Italo-Spanish Cartel has been revived and is trying to get into closer touch with the consuming markets.

Grains

THE improvement noticed last week in the grain markets was not maintained and the pressure of Plate supplies for immediate shipment brought a slight fall in prices for near wheat. The Canadian Bureau of Statistics stated last week that farmers intend to plant 25.3 million acres of spring wheat in the current season, compared with a sown area of 25.2 million acres in 1938. The wheat in the south-west American States is reported to be suffering from a deficiency of sub-soil moisture. Large shipments of Plate maize are due at British ports in the next few weeks and consequently the premium on spot and near maize has narrowed considerably; there have also been offers of South African maize. After several weeks in which offers of feeding barley were scarce, supplies have now been shipped from French North Africa and prices of barley as well as of maize are tending downwards.

Other Foods

Provisions.—Butter prices have again fallen in London, and New Zealand was quoted last week at 106s. per cwt. Stocks of butter in cold storage fell during the fortnight ending on May 6th to 381,200 cwt., which compares with 409,730 cwt. on the same date in 1938; cold-storage holdings of butter in Northern Ireland, however, amounted to 1,376 cwt., compared with 98 cwt. a year ago. The average deliveries of British margarine in the four weeks ending April 29th were 5 per cent. higher than in April, 1938. Bacon and egg prices were unchanged last week.

★

Colonial Produce.—Sugar prices have been steadily held during the past

week, pending the result of the Sugar Council's negotiations for increased quotas; the quotations for prompt raws declined by about 1d. per cwt. to 8s. 3½d. per cwt. At the Mincing Lane tea auctions, demand has been brisk and plain broken Pekoe Souchong was quoted on Wednesday at 11d. to 11½d. per lb.

★

Fruit and Vegetables.—New season's oranges from South Africa have appeared at Covent Garden and are selling at 10s. to 12s. per box. The Norfolk crop of bush fruit and early strawberries has suffered from night frosts but in other fruit districts prospects are good. Supplies of imported tomatoes have been plentiful, but are expected to slacken with the forthcoming increase in the import duty.

★

Milk.—The following table is compiled from statistics issued by the Milk Marketing Board:—

	Apr., 1938	Feb., 1939	Mar., 1939	Apr., 1939
Prices (per gall.)	d.	d.	d.	d.
Liquid	16-0	17-5	17-0	16-0
Av. manufacturing..	6-563	7-245	6-877	6-572
Av. pool	12-41	15-01	14-04	12-82
Contract sales (mill. galls.)				
Liquid	50-9	49-4	54-3	51-8
Manufacturing	30-9	14-4	20-2	28-5
Total contract	81-8	63-8	74-5	80-3
Used by farmhouse cheesemakers	1-6	0-5	0-7	1-1

Miscellaneous Commodities

Oils and Oilseeds.—After the revival in interest recorded last week, these markets have again relapsed into a dull condition, although prices are generally above those recorded a week ago. The Argentine surplus of linseed was officially estimated last week at 782,000 tons, compared with 801,000 tons on April 29th, and 702,000 tons in May of last year; English crushers are taking little interest in Plate supplies and quotations for forward shipments are easier. Little business has been transacted in Egyptian cottonseed and prices of linseed oil have lost all the advance of last week. Refined cottonseed oil ex Hull mill is now quoted at £20 10s. per ton, but even at this level, export demand is disappointing.

★

Rubber.—The market was inactive until the Rubber Committee's decision was made public; the 5 per cent. increase in export quotas was less than had been expected in some quarters and prices on Tuesday afternoon were marked up by ½d. per lb., followed on Wednesday by brisk trading both in London and New York. American stocks fell by 15,000 tons in April, consumption amounting to 44,166 tons, which was well up to expectations. The probable effects of the decision of the Rubber Regulation Committee on company profits are discussed in an investment note on page 450.

COMPANY MEETINGS

COMMERCIAL UNION ASSURANCE COMPANY,
LIMITED

IMPROVED LIFE PREMIUM INCOME

TOTAL ASSETS EXCEED £68,000,000

SIR BERTRAM HORNSBY'S REVIEW

The seventy-seventh annual general meeting of the Commercial Union Assurance Company, Limited, was held on the 16th instant at 24 Cornhill, London, E.C.

Sir Bertram Hornsby, C.B.E., chairman, said: The premium income at £5,379,391 showed a reduction of £71,257 as compared with the previous year. This reduction was in the main due to lower receipts in the United States. In the foreign field generally the volume of premiums increased slightly, while we have more than maintained our home premium income.

The net result of the operations of the year, after providing the customary 40 per cent. reserve, was a profit of £454,118. An amount of £425,000 has been transferred to profit and loss account, and the fire fund now stands at £7,021,593, or 130.5 per cent. of the year's income.

MARINE DEPARTMENT

The net premiums were £683,961, a decrease on the previous year of £19,614. The claims paid and outstanding amounted to £466,251, and the sum of £75,000 has been transferred to profit and loss account, leaving the marine fund at £1,223,734, or 178.9 per cent. of the premium income.

During the September crisis and again during recent months, the market has been faced with abnormal commitments in respect of gold shipments in one bottom across the Atlantic. Under the system which prevails of open covers being given for large amounts to many clients, the market is exposed to the risk of a loss of much greater magnitude than it should properly undertake. It is disappointing that the efforts made to improve this position have not so far met with success, and it is to be hoped that the matter will not be allowed to drop.

Although it does not come within the period under review, I would refer to the scheme which has been set up by the Government in co-operation with the companies and Lloyd's underwriters for the insurance of war risk on shipments to and from the United Kingdom under which the Government assume liability for King's enemy risk. The scheme will provide merchants and shippers with the protection they need to maintain the overseas business of the country.

ACCIDENT DEPARTMENT

The premium income at £8,157,200 was £16,027 less than that of the previous year. Claims paid and outstanding amounted to £4,406,138 and, after making the usual reserve for unexpired risk, there was a profit of £414,211.

From the revenue account of this department the sum of £400,000 has been transferred to profit and loss account, leaving the accident fund at £5,928,897, or 72.7 per cent. of the premium income.

The home motor business has been fully commented upon for some years past and there is little that I need add now. There is still uncertainty as to the measure of compensation, particularly in respect of loss of expectation of life, and the reduction in the number of accidents during 1938 was unfortunately offset to some extent by an increase in the number of persons killed and injured.

We may soon be faced with further legislation affecting motor business as a result of the recommendations of the Cassel Committee. Whatever that may be, it will be the continued policy of this company to give service to the motoring public.

We have transacted workmen's compensation business from the commencement of the first Workmen's Compensation Act, and although the profit is, at the best, very small, it is in the general interests of the great insurance enterprise of this country that the companies should continue to undertake it. A Royal Commission has been appointed to enquire generally into the subject of workmen's compensation in this country, and it may be that further legislation will be the outcome.

LIFE DEPARTMENT

Though the gross amount of new life business for the year reached a higher figure than ever before, more was reassured, and the net

total was £5,991,320, which is somewhat less than the record figure of the preceding year. The premium income increased by £67,817 to £1,989,310, of which £27,795 represented single premiums. Consideration for annuities amounted to £338,849, a decrease of £40,919.

The claims by death amounted to £599,347, or 89 per cent. of the amount expected according to the A 1924-29 mortality table, which is the table used in our valuation. That the favourable experience of recent years should be thus continued is a satisfactory feature pointing to the maintenance of a high standard of selection.

The interest income, after deduction of income-tax, increased by £11,602, to £981,252, but the net rate of interest earned fell from £3 16s. 3d. per cent. to £3 14s. 3d. per cent. owing to the increase in the rate of tax. During the year the amount of the life fund increased by £736,434, and stood at £27,269,268 at the 31st December last.

It is satisfactory to be able to state that despite the fall in security values which has been going on for some time, there was still at the close of last year a substantial margin between the market value of the Stock Exchange securities and the lower figure at which they stood in our books. After careful consideration of the different factors to be taken into account, we have decided to continue, for the present, the same rate of interim bonus as was adopted a year ago.

The new life business of our allied offices is included in the "Commercial Union" life fund, except that of the "British General," which has a separate fund. In 1938 the new life business in the "British General" amounted to £957,861 net, as compared with £897,434 in 1937, and is again a record for that office. Its triennial valuation at December 31st last disclosed a surplus (including £26,790 brought forward from the previous valuation) of £130,564, after strengthening the basis of valuation. From this surplus a compound reversionary bonus of 30s. per cent. for each year's premium paid during the triennium has been allotted to the policyholders.

PROFIT AND LOSS ACCOUNT

Interest, dividends and rents, after deduction of income-tax, amounted to £733,487, or £12,879 less than in 1937. The gross amount received before deduction of tax was, however, higher by £18,651 and the fall in the net figure was due to an increase of £31,530 in the amount of tax.

The transfers from the departmental accounts amounted to £900,000. Life and leasehold redemption profits contributed £103,451, which was some £10,000 more than in 1937; this arose from the increase in the divisible surplus declared at the quinquennial valuation of the life fund, the results of which were announced last year.

The transfer to general reserve fund was £225,000 against £275,000 in 1937, which in part reflected the smaller amount brought in from the underwriting accounts. Finally there remains a balance of £580,524 out of which the directors recommend that a final dividend for the year 1938 of 4s. per £1 stock unit, less income-tax, be declared. This will absorb £520,675, leaving £59,849 to be carried forward.

The total assets, excluding those of the life funds, amounted to £33,557,859, an increase of £1,018,895. Mortgages and loans showed an increase of £131,632, and investments an increase of £671,824, spread over the various headings, of which foreign Government securities showed an increase of £308,404. I would remind you that a very large part of the total under this heading consists of securities of the Government of the United States of America. Our holding of Ordinary stocks and shares showed an increase of £541,512, owing to the investment of a small proportion of the general funds in equities, restricted, however, to shares of the highest class.

The report and accounts were unanimously adopted.

INCORPORATED ACCOUNTANTS

MR WALTER HOLMAN'S ADDRESS

The annual general meeting of the Society of Incorporated Accountants and Auditors was held, on the 18th instant, at Incorporated Accountants' Hall, Victoria Embankment, London.

Mr Walter Holman, F.S.A.A., the president, in the course of his speech, said:—Perhaps the most important part of the Society's activities is that which concerns the educational standards required of its members and those who desire to become members, and this has figured prominently in the work of the past year.

During the year our examination syllabuses have been overhauled and the revised syllabuses will come into operation in May of next year. The purpose of the revision has been to make the tests by which admission to the Society is obtained more comprehensive, in view of the widening demands imposed on professional accountants by modern conditions.

Referring to professional organisation, hardly a week passes without complaints being received from members in various parts of the country of the activities of persons and corporate bodies and institutions who solicit professional business by unprofessional means. I can only say that effective action against this is possible only if undertaken by the profession as a whole, and the past year has produced evidence that united action is not an impossibility.

NATIONAL FINANCE

Political conditions are raising new and grave issues of finance in connection with the vast expenditure to which the nation is committed.

The decision as to the manner in which that financial burden is to be borne is a political one and is no longer open for discussion, but accountants have the right to say that, whether the cost is met out of the proceeds of borrowing or from taxation, it is essential that strict and continuous control should be exercised in all departments and in all directions. I know that the time factor is often of greater importance than economy, but while this may occasionally explain it can never altogether excuse extravagance and waste, and there is reason to suspect that both have been allowed to occur to an excessive degree.

This is not the only danger inherent in a large scale programme of non-reproductive expenditure. The risk of inflation is not to be lightly dismissed, since any considerable fall in the purchasing power of sterling would add seriously to the difficulty of borrowing on reasonable terms and tend to increase the real burden of debt on the return to normal conditions, to which we all look forward. Even if inflation can be avoided, continuance of borrowing is bound to create competition between the claims of Government and private borrowing, and I can foresee the possibility of some such encroachment on the freedom of business as has occurred in other countries.

You will gather that I cannot share the easy optimism of those who predict immediate universal prosperity if only confidence were restored and normal international relations resumed. The finances of the world have been and are on a war basis, and I believe they do disservice who ignore or disguise the fact that even if political improvement were soon to bring relief the re-organisation of national and international trade in order to re-establish it on a proper peace-time basis would be a long and painful process.

FINANCE BILL, 1939

So far as the Finance Bill relates to income tax and surtax, much of it is concerned with stopping up loopholes which experience has discovered in previous enactments relating to surtax on the profits of "one-man companies."

Two important extensions of previous provisions are introduced, the first that persons who receive or collect on behalf of others income from investments, will be required to give particulars of the names and addresses of the recipients and of the amounts paid to them, and the second that employers will in future be required to give much more extensive details of the payments made by them on account of expenses and of commissions paid.

While it is generally accepted that in present circumstances an extremely heavy burden of direct taxation must be borne by the whole community and that elaborate precautions must be taken to ensure that a small minority shall not escape their share of the burden to the detriment of their fellows, none the less the growth of the inquisitorial powers of Government Departments must be viewed with apprehension lest it be allowed to grow beyond the immediate and limited purposes for which it is designed.

The report was adopted.

THE LONDON AND MANCHESTER
ASSURANCE COMPANY, LIMITED

YEAR OF SOUND PROGRESS

MR A. H. DAWES'S REVIEW

The seventieth ordinary general meeting of the London and Manchester Assurance Company, Limited, was held, on the 17th instant, at the chief office of the company, London, Mr A. H. Dawes (the chairman) presiding.

The Chairman, in the course of his speech, said: Turning to the accounts, I think you will agree they reveal that the year under review has been one of sound progress. The premium income amounted to £3,452,536, an increase of £103,120 over the previous year. The assets of the company totalled £20,381,733, which is an advance of over one and a quarter millions on the figure for the preceding year. This is the first time that the assets have exceeded the twenty million mark. The interest earned on the invested assets was £4 11s. 11d. per cent. gross.

ORDINARY BRANCH

The amount of new sums assured written in the ordinary branch was £3,530,189. The premium income increased by £58,066 to £1,460,318. Consideration for annuities amounted to £27,382, which compares with £24,070 for the previous year. The purchase of a life annuity can never have been more attractive, for in these days of high taxation, making both ends meet on a small investment income is a daily worry. By investing in a life annuity one may double, or even treble, one's income with perfect security, and increase one's expectation of life (so our actuary informs me) from sheer peace of mind.

Claims by death at £171,718 increased moderately, but were well within expectation, whilst claims by survivorship of the endowment period rose from £443,067 to £528,963, showing a record increase, and incidentally revealing the increasing extent to which endowment assurance is being used for investment.

The ratio of expenses to premiums (adjusting as usual for single premiums) shows a reduction of 2.2 at 12.8 per cent.

The annual valuation of liabilities in this branch made by our actuary, Mr C. H. Ashley, on the same bases as in the previous year, discloses the record surplus of £794,164, including the brought-forward. We are proposing to repeat last year's bonus of £2 per cent.—a noteworthy achievement. This bonus will cost £350,296.

INDUSTRIAL BRANCH

In the industrial branch the new sums assured amounted to £6,784,741, showing an increase of £231,827 over the previous year. The premium income amounted to £1,890,962, being an increase of £40,697. Claims paid by death and maturity amounted to £811,568, an increase of £18,153. The expense ratio for the year, you will be pleased to know, fell by 1.42 to 36.84 per cent. The current sums assured under our industrial policies exceed £36,000,000.

The actuarial valuation in this branch also discloses a record surplus, namely £419,662, out of which we have provided for the repetition of our past performance in allocating the same rates of bonuses although none of the policies issued in this branch has any contractual right to participate in any of the profits of the company. Considerably over one million pounds has now been allocated to industrial branch policyholders out of profits since this concession.

The premium income of the fire and general branch at £97,661 shows a satisfactory increase of £7,041. The experience gained in this branch is proving of benefit to the company's interests generally.

ASSETS

Taking our Stock Exchange securities, we have no less than 83 per cent. invested in the United Kingdom and a further 12 per cent. in the rest of the Empire, thus leaving only 5 per cent. in foreign countries. Fifty-three per cent. of the amount of our Stock Exchange securities carries a definite date of redemption. The remaining assets are all in the United Kingdom.

The amount appearing under the heading of mortgages on property within the United Kingdom shows an increase of £161,888.

DIVIDEND

The directors are pleased to be able to recommend the same dividend as last year, 10s. per share, free of income tax.

I think we can claim to have had a satisfactory year, despite the drawbacks due to the uncertain political conditions. I will content myself by expressing the hope that this period of anxiety may give place to one of real peace and prosperity and that 12 months hence we shall be able to place before you even better results.

The report and accounts were unanimously adopted.

UNION INSURANCE SOCIETY OF CANTON, LIMITED

PURCHASE OF BRITISH OAK INSURANCE COMPANY

MR S. H. DODWELL'S ADDRESS

The ordinary yearly meeting of the Union Insurance Society of Canton, Limited, was held, on the 21st ultimo, in Hongkong.

The Hon. Mr S. H. Dodwell (chairman) presided, and, in the course of his speech, said:—I wish to refer to some important events that occurred in our affairs during the year. The first is the purchase by the society of the share capital of the British Oak Insurance Company, Limited. The primary object of this purchase was to extend the business of our group in the home and Dominion fields. This was particularly desirable as we have in the past been handicapped to some extent by the misapprehension that the society, having the word "Canton" incorporated in its title, is adversely affected by the political happenings in the Far East. That apprehension on this account is entirely unwarranted has been established by the statements made from time to time from this chair to the effect that the society's business is world-wide and the major portion of its investments and income is unaffected by Far Eastern difficulties.

While the above assurance was effective to a large degree, the acquisition of a home company will undoubtedly be very helpful in further emphasising the British character of the society.

A further step in the society's expansion was the decision to purchase the outstanding shares in the Beaver Fire Insurance Company. This company is incorporated in Canada, and there is every justification for the hope that in course of time it will develop into a very valuable adjunct to our business.

I now turn to the underwriting. The normal difficulties of this business were accentuated during 1938 by the need for increased care in selection due to the hazards inseparable from an involved international political situation.

SATISFACTORY FIRE ACCOUNT

In the fire field it is anticipated that underwriting during 1938 will have been satisfactory to the majority of companies.

I am pleased to say our own income in all sections shows an increase over the preceding year, and the results to date have been encouraging; profit being indicated from practically all fields. Our accident and general business has been well maintained, and the sections that have called for so much attention in recent years now show a distinct improvement.

REVENUE AND PROFIT AND LOSS ACCOUNTS

As regards the revenue accounts, you will see in the marine section that the balance of the 1937 account on December 31, 1938—namely £39,930 10s. 8d.—has been transferred to the credit of the underwriting suspense account. This amount will not be sufficient to satisfy third and subsequent years' claims, but the underwriting suspense account has a balance sufficient to meet additional claims which may arise.

While it is difficult to forecast the result of the 1938 marine account, the position at December 31st was a balance in hand of £482,791 14s., representing 48.85 per cent. of the relative premium, and this can be regarded as satisfactory. In the fire revenue account you will note the transfer of £70,077 5s. 7d. to the profit and loss account, and a similar transfer is made in the sum of £11,273 16s. 4d. from the accident account. The last mentioned is particularly satisfactory in that for each of the past three years this account has suffered a loss.

In the profit and loss account the fall in interest as compared with last year is due in part to the decision that the newly acquired British Oak Insurance Company, Limited, should declare no dividend this year. The "British Oak" earned interest as in previous years, but it is considered advisable to conserve its funds for the time being. For a similar reason the Beaver Fire Insurance Company will declare no dividend for this year. The society's interest was also adversely affected by the depreciation in the sterling value of the currency of China.

There is an increase in the reinsurance fund, but the exchange and investment fluctuation account is reduced due to the writing down of subsidiary companies, including the writing off of the sum paid for the goodwill of the "British Oak." Depreciation of investments and the drop in the value of the Chinese dollar have also adversely affected the account.

The report, revenue account, and balance sheet were unanimously adopted.

CABLE AND WIRELESS (HOLDING), LIMITED

OPERATING COMPANY'S NEW SOCIAL TELEGRAM SERVICE

The tenth ordinary general meeting of Cable and Wireless (Holding), Limited, was held, on the 17th instant, in London.

The Right Hon. Lord Pender (the Governor) said that with regard to the accounts of their own concern, the dividends receivable from the subsidiary companies for 1938 amounted to £1,217,000, which might be compared with £1,231,000 in 1937. The dividends from the Eastern Telegraph Company had been reduced, partly because the dividend of the operating company had been reduced, and partly because the Eastern Company, being the largest shareholder in that company, had provided a greater proportion than any of the other cable companies of the 2,600,000 shares of Cable and Wireless, Limited, transferred to His Majesty's Government. The dividends of the Eastern Extension Telegraph Company and the Western Telegraph Company remained unchanged. The dividend of the Marconi Company had been increased from 9 per cent. to 12 per cent. on the ordinary shares and from 7 per cent. to 9 per cent. on the preference shares. In addition, £63,080 had been received on the account of a special dividend from the Marconi Company. The dividend from Cables Investment Trust was unchanged at £50,000, and this accomplishment was particularly noteworthy in view of the difficult nature of the year for all investment trusts. Administrative and general expenses, etc., showed a reduction from £72,000 in 1937 to £61,000 in 1938.

PROFIT AND DIVIDEND

The profit for the year was £1,203,671, which was only £5,000 lower than last year, to which was added the balance of £199,000 brought forward from 1937. The dividend on the 5½ per cent. cumulative preference stock had been paid, absorbing £922,000, and the directors now recommended a dividend of 4 per cent. on the ordinary stock, which required £275,000 and left £205,000 to be carried to 1939. This latter dividend was at the same rate as that paid in respect of 1937.

As to the group's large holding of investments, their own reserve fund investments had naturally not escaped the general decline, a book value of £12,446,599 being represented by a market value of £10,990,763 at December 31st last. The full depreciation was 11.7 per cent., but a part of this occurred during 1937, and the figure attributable to 1938 was about 6 per cent. On the other hand, there had again been an increase in the income from investments, which amounted to £554,000 compared with £547,000 in the previous year, and the yield on the book value was £4 9s. 1d. per cent., compared with £4 7s. 6d. in 1937. The income received from the Marconi Company in respect of 1938 was £123,000 more than that distributed the previous year.

He would like particularly to stress the new social telegram service, for the directors believed that it marked a facility which would be popular to the public and profitable to Cable and Wireless, Limited. Since the first of this month, the day when the new service began, it had been possible to send a social telegram of 12 words to most parts of the British Empire for the sum of 5s., and they were anxious that this new service should have the widest possible publicity.

THE OUTLOOK

He would not be expected to say very much about the future, for in the troubled times through which we were passing it would be rash indeed to speculate even from day to day. It was, unfortunately, a fact that we were now living in times without precedent, when the world was obsessed by a war consciousness which lurked uneasily in the background, dominating men's minds and hampering all business initiative. The position was only too well summarised by the Foreign Secretary, Lord Halifax, who, speaking in the House of Lords during the momentous debate last month, described the world as being "in the state in which conduct of peaceful commerce and industry and the development of ordinary life becomes impossible." This diagnosis was confirmed by our Prime Minister on the same day when he spoke of the intolerable state of things which kept the whole world "in a perpetual recurring series of alarms and crises, blighting commerce and industry, depressing social life and culture and poisoning every phase of human activity in every country." As far as he was personally able to judge to-day, however, he saw no reason why the 4 per cent. dividend on the ordinary stock should not be repeated in respect of the current year.

The report was unanimously adopted.

BRITISH MATCH CORPORATION, LIMITED

A SATISFACTORY YEAR

HOME TRADE WELL MAINTAINED

The twelfth ordinary general meeting of British Match Corporation, Limited, was held, on the 17th instant, at River Plate House, Finsbury Circus, London, E.C.

Mr Clarence E. Bartholomew, O.B.E. (chairman and managing director), said: We have, in the first place, to deplore the loss of our colleague, the Rt. Hon. Major J. W. Hills, who resigned his office shortly before his death in November last. He was a loyal and valued colleague, who had rendered fine service to this corporation and to the industry.

I need not detain you with a long exposition of the accounts. The comparative figures are in your hands. The results are, on the whole, similar to those of last year, but the net yield is somewhat reduced by the additional taxation which is forced upon us, and by the entire absence of dividends from our big investment in Brazil. Our business there has again been quite satisfactory, but the financial restrictions have rendered it impossible to remit any of the profits, and no credit has been taken for these in this year's accounts.

The total return to your corporation from investments in subsidiary and associated concerns is just over 9½ per cent. on the book values, as against just over 9¼ per cent. last year, which, in the conditions prevailing, we must consider satisfactory.

During the year our interests in the Argentine have been slightly increased, and we look forward to continued satisfaction with our investment there.

HOME TRADE

The home trade represented by Bryant and May and Masters' businesses has been well maintained.

In the latter part of last year, arrangements were made by Bryant and May, Limited, with Maguire and Paterson, Limited, of Dublin, and Maguire and Paterson (Northern Ireland), Limited, by which close co-operation in the Irish business is assured. This will, I am convinced, be to the advantage of all concerned.

Your holdings in Government securities have, of course, suffered a decline in their market value, but they are all fixed dated securities, and stand in the books substantially below redemption value.

You will have already noticed that the corporation is in a very sound liquid position, which will enable us to take advantage of any future opportunities which may present themselves.

EXCHANGE DIFFICULTIES

I must direct your attention once more to the difficulties caused by the uncertainty of exchange movements. Apart from Brazil, which is relatively the most serious in its effects on our profits, our returns, both directly and through our subsidiary and associated companies, are affected by the exchange position in Australia, New Zealand, the Argentine and Canada.

I was taken to task last year by a stockholder when I warned you that we must account ourselves fortunate if we can keep up our present revenues in view of the growing demands of taxation, not only here, but in other countries as well. His complaint was that my words might reduce the price of our stock on the Stock Exchange. I should like to say quite definitely, and with the full concurrence of my colleagues on the board, that we are concerned only with the lasting well-being of this corporation, and that we cannot consider the possible personal profits of any individual stockholder.

HEAVY TAXATION BURDENS

Once again I make deliberate mention of the effect of the heavy burdens of taxation. These were already serious enough before the necessity for more speedy re-armament caused increases, both at home and overseas. The need for these costly measures is not of our making, and—provided always that these many millions of pounds are expended without waste and extravagance—it is our plain duty to put forward every effort to increase our earnings, so as to contribute as much as we are able towards the financial requirements of the country and of the Empire which we hold so dear.

If we devote ourselves cheerfully and with confidence to these tasks, we shall assuredly help to hasten the return of less anxious times.

The report and accounts were unanimously adopted.

SMITH'S POTATO CRISPS (1929), LIMITED

ANOTHER RECORD YEAR

TOTAL DISTRIBUTION 32½%

The tenth ordinary general meeting of Smith's Potato Crisps (1929), Limited, was held, on the 17th instant, in London.

Sir Herbert E. Morgan, K.B.E. (the chairman), in the course of his speech, said:—I am glad to say that we have had another record year of progress and prosperity. I told you last year that we were still breaking records, and I am sure you are pleased that the result of our trading has so conclusively proved this.

As is shown in the profit and loss account, the trading profit for the year was up from £164,032 to £182,435. It has been necessary to make increased provision for taxation of £55,231, as against £44,507 last year, and, after this deduction, the net profit is £127,204, compared with £119,524 for the previous year. We propose to carry a further £30,000 to reserve, bringing this account to £190,438. We also propose the payment of a final dividend of 20 per cent. and a cash bonus of 5 per cent. (both subject to income tax), making for the year, with the interim dividend of 7½ per cent. already declared, a total cash distribution of 32½ per cent.

It is gratifying that we have been able to finance out of profits the substantial expenditure on our extensions without raising additional capital and without materially affecting our liquid position. You will notice that the small decrease of £12,000 in cash is offset by an increase of over £13,000 in stock. I may also explain that the increase in the figure of £116,918 for sundry creditors, etc., is mainly attributable to the inclusion in it of reserves for taxation as well as contingencies and does not indicate any abnormal increase of trade creditors.

EVER-GROWING TRADE

May I emphasise the fact that the improvement in our position is the result of additional turnover. This I always feel to be the soundest and surest method of improving profits. Our trade is ever-growing and our organisation spreading. Each year sees an addition to our distributing facilities and each year an increase in the number of wholesalers and retailers handling our products.

While we have opened a new factory at Lincoln and doubled the size of our factory at Stockport, this step has been more than justified by the increasing popularity of and demand for our products.

Naturally, during the year we have benefited from the prosperity which exists in many districts, and are fortunate inasmuch that in the majority of cases, in the centres in which we are situated, there has been a spread of employment and an increase of wages.

DISTRIBUTION ORGANISATION

We can now say every one of our factories and depots is placed in a strategic position. As you know, our goods are to be found in every village, hamlet, on every pier and beach, at every wayside café, in fact, wherever food is sold in all parts of the country (both those densely and those sparsely populated), yet our factories themselves are in the large centres of population. Therefore the bulk of our trade lies at our doors, resulting in substantial saving in the cost of delivery.

We serve practically every licensed house in the country and the association of your board and staff, not only with them, but with the whole of the distributing trades concerned with our business, is one of the happiest.

You will be interested to hear of Smith's Potato Estates, Limited, at Nocton. As you know, we grow a large portion of the potatoes consumed on these wonderful estates in Lincolnshire, and those we do not grow for our use are specially grown for us under contract, on farms chosen by us and from seed which we select. During the year our farms have been maintained in a high state of efficiency, and the result of our activities is satisfactory. Shareholders may be quite satisfied that our investment at Nocton is proving an asset to the company.

It is gratifying to us that our business in Australia has at last turned the corner and is making very satisfactory profits. While not a separate company, we have what is, in fact, a very large business in another product—"Nuts and Raisins." Year after year sees a steady increase in their sale.

In conclusion I would say that we look forward to the coming year with confidence, and, as usual, I am able to tell you that our business shows every sign of yet further improvement.

The report and accounts were unanimously adopted.

THE LIVERPOOL & LONDON & GLOBE INSURANCE COMPANY, LIMITED

103rd ANNUAL REPORT

A SUCCESSFUL YEAR

The one hundred and third annual general meeting of The Liverpool and London and Globe Insurance Company, Limited, was held, on Wednesday, the 17th instant, in Liverpool. In the absence of Mr A. E. Pattinson, the chairman, Mr A. Kentish Barnes, a deputy-chairman, presided.

The Chairman, in moving the adoption of the report and accounts, said that:—

Despite world-wide unsettlement, 1938 had been a distinctly successful year for the company. Underwriting profits, at £900,300, had only once been exceeded in its long history. Total premiums were over £10,000,000; fire and accident loss experience was favourable, and the ratio of commission and expenses was lower.

The year had produced problems on an unprecedented scale with international and business affairs so disturbed. In such conditions, however, insurance appeared to greatest advantage, contributing, as it did, to the peace of mind of those it served by exerting a steadying, stabilising influence.

The value of insurance to the individual could not be over-estimated. British, Dominion and American offices alone last year had paid in claims an aggregate exceeding £830 millions. When translated into cash payments to policy holders—at times when money was most needed to rebuild property and savings or to re-start life—something of the constructive force of insurance could be visualised.

1938 RESULTS

Net new life sums assured, £2,851,415 (against £2,886,475 for 1937). Whole-life bonus was maintained at 45s. per cent. per annum; Endowment Assurance bonus maintained at 40s. per cent. per annum; Interim bonuses at the same rates. Carry forward increased from £675,365 to £790,002.

Net premiums: Fire, £3,835,137 (against £3,925,852 for 1937); Accident and Miscellaneous, £4,865,529 (against £4,898,523); Marine, £345,657 (against £330,080).

Underwriting profits: Fire, £332,251; Accident, £536,911; Life, £28,000; Marine, £3,139. Total, £900,301.

Interest to profit and loss account was £407,981.

Profit and loss account, after providing for dividend, income tax, National Defence Contribution, etc., showed a balance carried forward of £906,205.

The report and accounts were adopted, and a final dividend of 13s. 6d. per share was declared, making 27s. per share, less tax, for 1938.

RIO DE JANEIRO CITY IMPROVEMENTS COMPANY, LIMITED

EXCHANGE DIFFICULTIES

The seventy-seventh ordinary general meeting of the company was held, on the 17th instant, in London, E.C.

Mr Francis M. G. Glyn (the chairman) said that the balance of the profit and loss account was smaller by some £18,000 in comparison with 1937. That was due mainly to the low rates of exchange ruling during the year. Maintenance costs in Brazil had also risen, due firstly to the fact that the system had been brought up to the highest possible state of efficiency and, secondly, to increased taxation. On the other hand, interest received had increased, and they had been able to provide in full for all necessary reserves. Their cash balances in Brazil amounted to the milreis equivalent of £254,000, and it was not possible to say when they might expect to obtain exchange for that amount. In view, however, of the strong financial position of the company, the board felt justified in declaring a dividend of 4 per cent., free of income tax.

In the agreement signed by the company and the Brazilian Government in March, 1937, the Government undertook to pay the company the difference between the provisional drainage rent of 218 milreis paid during the period November 30, 1933, to December 31, 1936, and the net rent of 340 milreis agreed upon. The Government

had complied in every respect with the terms of the 1937 agreement. The main problem confronting the company to-day was, therefore, that of obtaining remittances.

In a new decree, dated April 8th, the monopoly of the Bank of Brazil in exchange was ended, and commercial banks were now allowed to purchase exchange, 30 per cent. of such purchases having to be resold to the Bank of Brazil for Government requirements; the balance might be disposed of to importers, provided such importers had obtained the necessary fiscal authority. Foreign companies, therefore, were in no better position than before to obtain remittances other than for imports unless the Bank of Brazil supplied them from the 30 per cent. which was allotted to it. That should amount to some £18,000,000 sterling during the year, which presumably had to provide for all Government requirements, but there should be a substantial balance available for other purposes.

The report was unanimously adopted.

BRITISH-BORNEO PETROLEUM SYNDICATE, LIMITED

SOUND POSITION

The twenty-fifth ordinary general meeting of the British-Borneo Petroleum Syndicate, Limited, was held, on the 18th instant, in London.

Mr Walter MacLachlan (chairman and managing director) said that the revenue for the year amounted to £54,061, and the administration, management and other London expenditure to £3,753, leaving a net profit of £50,308. The directors recommended a final dividend of 5 per cent., and a bonus of 5 per cent., both less tax, making a total distribution of 15 per cent. for the year.

The revenue which the company derived from its investments and royalty interests—their stable source of revenue—continued to be very satisfactory, and, although the profits derived from the realisation of shares had continued to be limited by the prevailing conditions, the net earnings of the company had been more than maintained. As a result, while they had maintained their general reserve of £70,000 and had applied £10,000 in reduction of the book value of investments in view of lower market prices, they had at the same time been able to make an increased distribution to shareholders and to increase slightly the balance of undistributed profits.

The oil interests and investments appeared in the balance sheet at a cost, less amounts written down, of £261,468. They continued to hold a substantial interest in Apex (Trinidad) Oilfields, Limited; the operations of that company for last year had resulted in a record production of 562,942 tons of oil. After writing off £158,603 for amortisation of wells the net profit was £315,554, and dividends amounting to 40 per cent. had been paid. The production of oil for the first seven months of the current year had been 302,106 tons, making the total output to date approximately 6,678,000 tons, and satisfactory developments continued on the Apex Oilfield.

There was also a record production last year from the Seria Oilfield, in Brunei, and the company continued to derive substantial revenue from the royalty thereon. That royalty interest stood in the accounts at a nominal valuation.

They also had a shareholding in the Ultramar Exploration Co., whose authorised capital was increased in the year to whose £1,000,000, of which £882,212 had been issued. The Ultramar Company had acquired all the issued share capital of the Caracas Petroleum Corporation in exchange for shares, and now controlled oil rights and interests over very large areas in Venezuela. The directors considered the prospects of the company to be very promising.

The company's investments included securities and shares of British industrial companies, Home railway stocks, debentures and shares of mining finance companies and mining companies, and other interests of a similar nature.

In spite of the difficult times through which they were passing, the position of the company continued to be sound and satisfactory. The oil interests were flourishing and progressive, and they were quite satisfied to retain their general investments with the knowledge that improved conditions would be reflected in their market values.

The report was unanimously adopted.

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

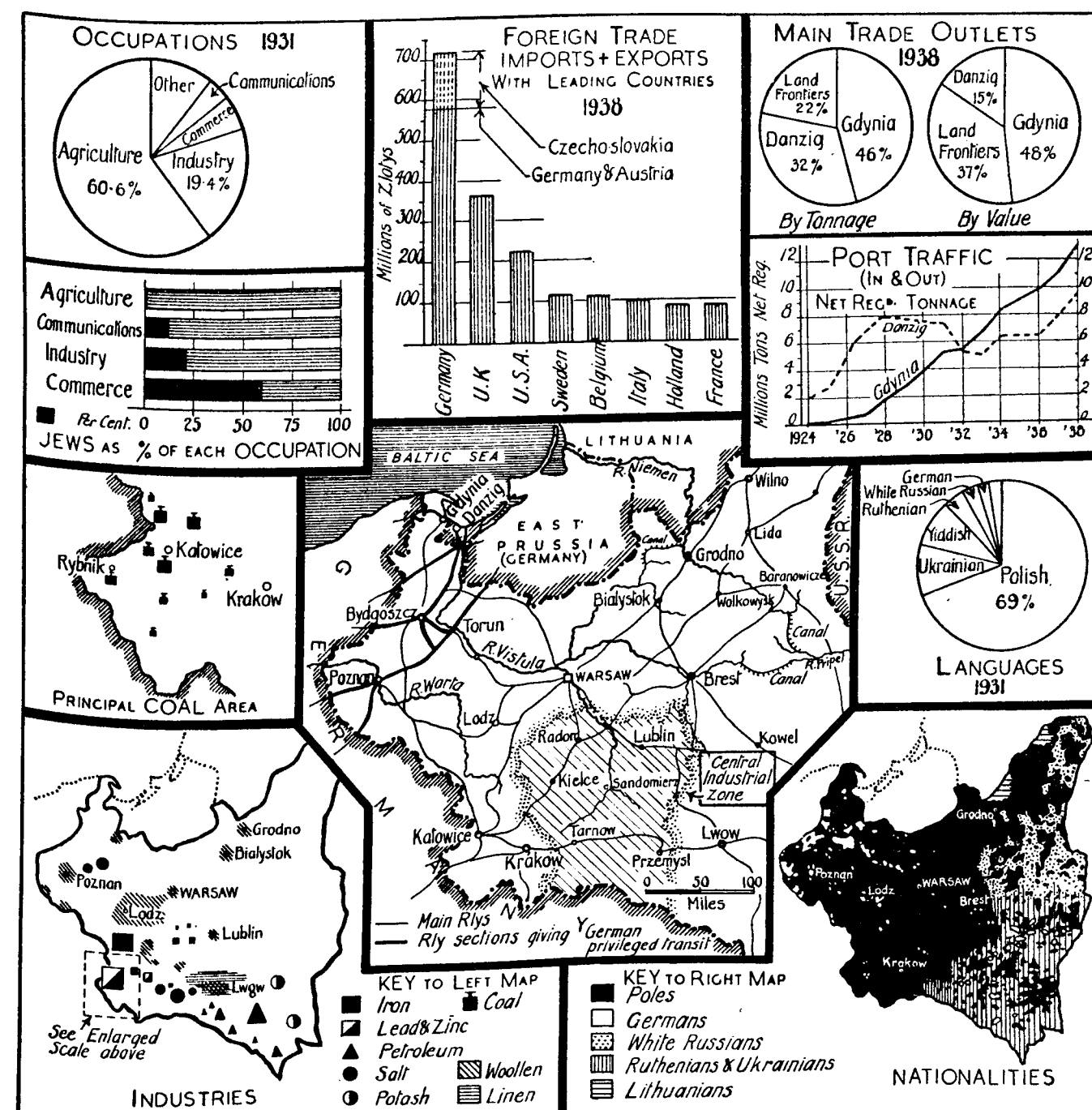
CURRENT STATISTICS

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Poland



Finance

GOVERNMENT RETURNS

For the week ended May 13, 1939, total ordinary revenue was £8,367,000, against ordinary expenditure of £13,405,000. Thus, including sinking fund allocations, the deficit accrued since April 1, 1939, is £59,402,000, against £40,015,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	Apr. 1, 1938	Apr. 1, 1939	Week ended May 13, 1939	Week ended May 13, 1938
ORDINARY REVENUE				
Income Tax	10,364	10,165	6	7
Sur-tax	4,270	4,420	560	340
Estate, etc., Duties	8,290	8,220	1,460	680
Stamps	1,590	1,240	300	...
Nat. Defence Cont.	760	2,190	120	200
Other Inland Rev.	70	180	...	10
Total Inland Rev.	25,344	26,415	2,446	1,237
Customs	25,558	28,910	4,064	4,743
Excise	11,000	11,370	1,000	1,008
Total Customs and Excise	36,558	40,280	5,064	5,751
Motor duties	4,139	4,151	219	279
P.O. (Net Receipt)	4,800	4,880	1,100	1,100
Crown Lands	150	200	...	...
Receipts from Sundry	275	267	...	...
Loans	743	689	4	...
Misc. receipts	...	...	...	...
Total Ordinary Rev.	72,009	76,882	8,833	8,367
SELF-BALANCING P.O. and Broadcasting	7,100	6,820	900	950
Total	79,109	83,702	9,733	9,317
Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	Apr. 1, 1938	Apr. 1, 1939	Week ended May 13, 1939	Week ended May 13, 1938
ORDINARY EXPENDITURE				
Interest & Management of National Debt	38,519	39,091	508	649
Payts. to N. Ireland	513	555	...	...
Other Consol. Fund Services	293	363	6	6
Total	39,325	40,009	514	655
Supply Services	72,154	95,716	9,700	12,750
Total Ord. Expend.	111,479	135,725	10,214	13,405
SELF-BALANCING P.O. and Broadcasting	7,100	6,820	900	950
Total	118,579	142,545	11,114	14,355

After reducing Exchequer balances by £318,959 to £2,352,087, the other operations for the week (as shown below) raised the gross National Debt by £4,719,000 to about £8,346 millions.

WEEK'S CHANGES IN DEBT

NET INCREASES (£ thousands)		NET REPAYMENTS, ETC.	
Treasury Bills	7,166	Bk. of Eng. Adv.	4,500
Pub. Dept. Adv.	2,480	Nat. Sav. Certs.	100
		P.O. and Teleg.	300
		N. At. Shipping	27
	9,646		4,927

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to May 13, 1939, are shown below:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	135,725	Ordinary Rev.	76,882
		Dec. in balances	147
		Gross borr.	59,256
		Less—	
		Sinking Funds	560
		Net borrowing	58,696
	135,725		135,725

FLOATING DEBT

(£ millions)		(£ millions)	
Date	Tender	Tap	Bank of Eng. Land
1938			
May 14	570.0	278.1	39.2
Jan. 21	426.0	524.1	37.6
" 28	411.0	517.8	39.3
Feb. 4	396.0	520.1	36.7
" 11	381.0	502.4	38.8
" 18	366.0	498.6	38.9
" 25	351.0	500.0	40.2
Mar. 4	346.0	509.8	40.2
" 11	351.0	503.2	45.2
" 18	356.0	505.7	41.8
" 25	366.0	502.2	43.4
Apr. 8	387.0	510.8	34.4
" 15	394.0	511.7	35.4
" 22	402.0	498.0	39.1
" 29	409.0	498.7	50.8
May 6	419.0	513.0	42.1
" 13	429.0	510.2	44.6

* 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)		(£ millions)	
Date of Tender	Offered	Applied for	Allotted
1938			
May 13	30.0	73.5	30.0
Jan. 20	25.0	67.8	23.0
" 27	20.0	63.4	20.0
Feb. 3	20.0	67.6	20.0
" 10	20.0	71.2	20.0
" 17	20.0	70.1	20.0
" 24	30.0	72.6	30.0
Mar. 3	40.0	83.8	40.0
" 10	40.0	81.3	40.0
" 17	40.0	73.8	40.0
" 24	45.0	77.9	45.0
Apr. 7	35.0	58.0	32.0
" 14	30.0	51.3	30.0
" 21	30.0	66.0	30.0
" 28	30.0	63.5	30.0
May 5	30.0	60.7	30.0
" 12	30.0	58.3	30.0

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 May 12th applications at £99 16s. 7d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 40 per cent. and applications at higher prices in full. Applications at £99 16s. 8d. for bills to be paid for on Saturday were accepted in full. £30.0 millions of Treasury bills are being offered on May 19th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
Seventeen weeks to:—		
Apr. 30, 1938	11,487,673	8,615,754
Apr. 29, 1939	10,673,732	8,005,263
Week to:—		
Apr. 30, 1938	642,572	481,929
Apr. 22, 1939	575,282	431,461
Apr. 29, 1939	600,148	450,111

BANK OF ENGLAND RETURNS

MAY 17, 1939

(£ thousands)		(£ thousands)	
Notes Issued:		Govt. Debt.	11,015,100
In circula.	493,619,892	Other Govt.	287,068,119
In Bnkg. De-		Securities	1,027,728
partment	32,540,113	Other Secs.	889,053
		Silver Coin	...
		Amt. of Fid.	300,000,000
		Issue	...
		Gold Coin & Bullion	...
		at 148s. 5d. per oz. fine	226,160,005
			226,160,005

BANKING DEPARTMENT

(£ thousands)		(£ thousands)	
Props. Capital	14,553,000	Govt. Secs.	113,511,164
Rest	3,206,793	Other Secs.	10,076,195
Public Depts.	16,802,961	Discs, etc.	21,269,920
Other Depts.	...	Securities	...
Bankers	107,314,635		31,346,115
Other Accs.	36,150,968	Notes	32,540,113
		Gold & Silver Coin	630,965
			178,028,357

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

THE WEEK'S CHANGES

(£ thousands)		(£ thousands)	
Both Departments	Amt. May 17, 1939	Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	493,620	- 2,274	+ 15,028
Deposits: Public	16,803	- 2,256	- 11,699
Bankers'	107,315	+ 5,958	+ 14,140
Others	36,151	- 128	+ 182
Total outside liabilities	653,885	+ 1,301	+ 17,651
Capital and rest	17,770	- 12	- 6
COMBINED ASSETS			
Govt. debt and securities	411,594	- 1,127	+ 11,400
Discounts and advances	10,076	- 1,974	+ 2,322
Other securities	22,298	+ 539	+ 804
Silver coin in issue	22,889	- 2	+ 879
Gold coin and bullion	226,791	- 72	- 100,350
Reserves			
Res. of notes & coin in banking department	33,171	+ 2,202	- 15,378
Proportion of reserve to outside liabilities			
(a) Bankg. dept. only ("proportion")	20.6%	+ 0.5%	- 10.2%
(b) Gold stocks to deposits and notes ("reserve ratio")	34.5%	- 0.3%	- 26.9%

† Revalued from Mar. 1, 1939, in accordance with the Currency and Bank Notes Act, 1939.

COMPARATIVE ANALYSIS*

(£ millions)		(£ millions)	
	1938	1939	May 17
Issue Dept.			
Notes in circ.	478.6	489.1	495.5
Notes in bankg. dept.	47.8	37.1	30.7
Govt. debt and securities	199.2	298.5	298.7
Other sec.	0.7	0.7	0.5
Silver coin	0.0	0.8	0.9
Gold, valued at s. per f. oz.	326.4	226.2	226.2
Deposits:			
Public	28.5	27.0	10.5
Bankers	91.2	108.2	101.4
Others	36.0	37.0	36.3
Total	157.7	156.0	157.7
Bkg. Dept. Secs.			
Government	98.3	107.2	111.9
Discounts, etc.	7.8	6.2	8.2
Other	20.7	22.3	21.9
Total	126.8	135.7	142.0
Banking dept. reserve	48.5	38.0	31.4
"Proportion"	30.8	24.3	20.1
Reserve ratio†	51.4	35.2	34.9
* Government debt is £11,015,100; capital £14,553,000. † Gold stocks in both departments deposits and notes in circulation.			

OVERSEAS BANK RETURNS

NOTE—The latest returns of the Banks of Egypt and Lithuania appeared in The Economist of April 29th; Estonia and Greece, of May 6th; Australia, Danzig, Denmark, France, Hungary, India, International Settlements, Java, Jugoslavia, South Africa and Sweden, of May 13th.

U.S. FEDERAL RESERVE BANKS

Million \$'s		Million \$'s	
12 U.S.F.R. Banks	May 1938	Apr. 1939	May 1939
RESOURCES			
Gold certifs. on hand and due from Treas.	10,640	12,877	13,199
Total reserves	11,063	13,267	13,568
Total bills discounted	414	381	360
Bills in open mkt.	1	1	1
Total bills on hand	8	3	4
Industrial advances	17	13	13
Total U.S. Govt. sec.	2,564	2,564	2,564
Total bills and sec.	2,589	2,581	2,581
Total resources	14,362	16,632	16,812
LIABILITIES			
F.R. notes in circ.	4,124	4,418	4,459
Aggregate of excess mkt. bank res. over reqts.	2,560	4,000	4,190
Deposits—Member bank reserve account	7,622	9,743	9,967
Govt. deposits	1,283	951	959
Total deposits	9,288	11,202	11,447
Cap. paid in and surplus	309	311	311
Total liabilities	14,363	16,632	16,812
Reserve to depts. and F.R. notes	82.5%	84.9%	85.3%
U.S.F.R. BANKS AND TREASURY COMBINED			
RESOURCES			
Monetary gold stock	12,892	15,605	15,856
Treasury and Nat. Bk. currency	2,697	2,844	2,854
Money in circulation	6,402	6,858	6,904
Treasury cash and deposits with F.R. Bks.	3,509	3,674	3,637

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

Million \$'s		Million \$'s	
1938	1939	1939	1939
Total gold reserves	4659.3	6245.4	6371.4
Total bills discounted	0.2	0.6	1.5
Bills in open mkt.	0.2	0.2	0.2
Total U.S. Govt. sec.	745.8	721.9	721.9
Total bills and sec.	752.6	726.2	726.2
Deposits—Member bank reserve account	3552.5	5287.2	5419.1
Govt. deposits	87.6%	90.7%	90.9%
Reserve to depts. and F.R. notes	87.6%	90.7%	90.9%

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

Million \$'s		Million \$'s	
1938	1939	1939	1939
ASSETS			
Loans, total	8,517	8,164	8,100
Investments	12,325	13,470	13,714
Reserve with Fed.	5,943	7,668	8,257
Due from domestic bks.	2,266	2,615	2,571
LIABILITIES			
Deposits—demand	14,450	16,072	16,742
Time	5,226	5,215	5,235
U.S. Government	568	629	624
Inter-bank	6,048	6,615	6,590

CENTRAL BANK OF ARGENTINA

Million paper pesos		Million paper pesos	
1938	1939	1939	1939
ASSETS			
Gold at home	1,314	1,224	1,224
Other gold & for. exch.	40	67	80
Non-int. Govt. bond	119	119	118
Treasury bonds	398	397	397
LIABILITIES			
Notes in circulation	1,132	1,133	1,129
Deposits: Government	104	169	176
Banks	383	365	394
Certs. of participation in Treasury bonds	268	138	109
Gold and for. exch. to note and sight liab.	83.5%	77.3%	75.9%

NATIONAL BANK OF BELGIUM

Million belgas		Million belgas	
1938	1939	1939	1939
ASSETS			
Gold	12	13	4
Silver and other coin	2,801	3,064	3,080
Foreign exchange, etc.	51	53	51
Bills and securities	758	608	442
Advances	816	793	987
LIABILITIES			
Notes in circulation	158	155	147
Deposits: Govt.	4,244	4,426	4,488
Other	215	147	122

BANK CLEARINGS

LONDON

(£ thousands)

	Month of April			Week ended Wednesday		Aggregate from January 1 to	
	1938	1939	Change	May 18, 1938	May 17, 1939	May 18, 1938	May 17, 1939
Number of working days:	24	23	%	6	6	116	115
Town	2,565,517	2,343,883	- 4.7	665,552	564,255	11,040,334	11,734,427
Metropolitan	168,631	161,825	- 0.1	39,067	38,417	826,419	795,568
Country	299,360	293,007	- 2.1	71,343	70,885	1,456,575	1,433,210
Total	3,033,508	2,798,715	- 3.7	775,962	673,557	15,323,328	13,963,205

† Based on clearings per working day.

PROVINCIAL

(£ thousands)

	Month of April			Week ended Saturday		Aggregate from January 1 to	
	1938	1939	Change	May 14, 1938	May 13, 1939	May 14, 1938	May 13, 1939
No. of working days:	24	23	%	6	6	114	115
BIRMINGHAM	9,051	9,054	+ 4.4	2,329	2,046	47,418	46,478
BRADFORD	3,623	3,382	- 2.6	690	796	16,134	16,341
BRISTOL	4,921	4,865	- 1.2	1,264	1,453	24,693	25,078
BULLS	3,435	3,214	- 2.3	729	672	17,006	15,742
LEICESTER	4,113	4,035	- 2.4	748	671	20,074	20,036
LIVERPOOL	2,887	2,998	+ 4.7	753	696	14,054	13,899
MANCHESTER	19,737	19,449	- 2.8	4,639	4,269	103,629	94,857
NEWCASTLE	38,201	38,600	+ 5.3	8,810	8,632	190,753	185,278
NOTTINGHAM	6,374	5,744	- 6.0	1,358	1,470	31,043	29,760
SHEFFIELD	2,043	1,966	- 0.4	500	425	10,241	9,672
DUBLIN	4,551	4,232	- 3.0	848	1,792	22,848	22,105
Total: 11 Towns	98,936	97,439	- 2.8	22,668	22,922	497,893	479,246

† Based on clearings per working day. ‡ 19 calendar weeks.

MONEY RATES

LONDON

	May 11, 1939	May 12, 1939	May 13, 1939	May 15, 1939	May 16, 1939	May 17, 1939	May 18, 1939
Bank rate (changed from 2½% June 30, 1932)	%	%	%	%	%	%	%
Market rates of discount:							
60 days' bnks' drafts	58	58-11/16	58-11/16	58-11/16	58	58	58
3 months' do.	116-3/4	116-1/2	116-1/2	116-1/2	116-3/4	116-3/4	116-3/4
4 months' do.	78-11/16	78-11/16	78-11/16	78-11/16	78-11/16	78-11/16	78-11/16
6 months' do.	12	12	12	12	12	12	12
Discount Treasury Bills:							
3 months'	12	12	12	12	12	12	12
Loans—Day-to-day	12-1	12-1	12-1	12-1	12-1	12-1	12-1
Short	12-1	12-1	12-1	12-1	12-1	12-1	12-1
Deposit allwncs.: Bk.	12	12	12	12	12	12	12
Discount houses at call	34	34	34	34	34	34	34
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	%	%	%	%	%	%	%
Apr. 20	12-1	116-3/4	116-3/4	116-3/4	116-3/4	116-3/4	116-3/4
May 27	12-1	116-3/4	116-3/4	116-3/4	116-3/4	116-3/4	116-3/4
May 18	12-1	116-3/4	116-3/4	116-3/4	116-3/4	116-3/4	116-3/4

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	May 18, 1938	Apr. 19, 1939	Apr. 26, 1939	May 3, 1939	May 10, 1939	May 17, 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	12	12	12	12	12	12

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges
(Range of the day's business)

London on	Par of Exch. per £	May 12, 1939	May 13, 1939	May 15, 1939	May 16, 1939	May 17, 1939	May 18, 1939
New York, \$	4.86	4.68-1/2	4.68-1/2	4.68-1/2	4.68-1/2	4.68-1/2	4.68-1/2
Montreal, \$	4.86	4.69-1/2	4.69-1/2	4.69-1/2	4.69-1/2	4.69-1/2	4.69-1/2
Paris, Fr.	124.21	176-3/4	176-3/4	176-3/4	176-3/4	176-3/4	176-3/4
Brussels, Bel.	35.00a	27.50-54	27.50-53	27.50-53	27.49-52	27.49-52	27.49-52
Milan, L.	92.46	89-00	89-00	89-00	89-00	89-00	89-00
Zurich, Fr.	25.22	20.83-86	20.84-86	20.83-85	20.81-85	20.81-84	20.81-84
Athens, Dr.	375	540-555	540-555	540-555	540-555	540-555	540-555
Amst'dm, Fl.	12.107	8.73-1	8.72-74	8.68-73	8.68-72	8.70-1	8.70-1
Berlin, Mk.	20.43	11.64-68	11.65-68	11.65-68	11.65-68	11.65-68	11.65-68
Registered Marks							
Br. India Rup.	18d.	17-1/2	17-1/2	17-1/2	17-1/2	17-1/2	17-1/2
Hong Kong, \$	141-1/2	141-1/2	141-1/2	141-1/2	141-1/2	141-1/2	141-1/2
Shanghai, \$	8-8 1/2	8-8 1/2	8-8 1/2	8-8 1/2	8-8 1/2	8-8 1/2	8-8 1/2
Rio, Mil.	15-899d.	2 1/4	2 1/4	2 1/4	2 1/4	2 1/4	2 1/4
B. Aires, \$	11-45	17-13h	17-13h	17-13h	17-13h	17-13h	17-13h
Valparaiso, \$	40	117-1/2	117-1/2	117-1/2	117-1/2	117-1/2	117-1/2
Montevideo, \$	151d.	18-19	18-19	18-19	18-19	18-19	18-19
Lima, Sol.	17-38	24-1/2	24-1/2	24-1/2	24-1/2	24-1/2	24-1/2
Mexico, Pes.	9-76	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd
Manila, Pes.	125-66d.	25-1/4	25-1/4	25-1/4	25-1/4	25-1/4	25-1/4
Moscow, Rbls.	24-81 1/2	24-81 1/2	24-81 1/2	24-81 1/2	24-81 1/2	24-81 1/2	24-81 1/2

Usance: T.T., Rio de Janeiro, Lima, Valparaiso (90 days). * Sellers. † Pence per unit of local currency. ‡ Par 8-23 1/2 since dollar devaluation on February 1, 1934. (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.

(b) Other Exchanges

London on	Par of Exch. per £	May 12, 1939	May 17, 1939	May 18, 1939
Helsingfors, M.	193-23	226 1/2-227	226 1/2-227 1/2	226 1/2-227 1/2
Madrid, Pt.	25-22 1/2	42 1/2	42 1/2	42 1/2
Lisbon, Esc.	110	110-110 1/2	110-110 1/2	110-110 1/2
Budapest, Pen.	27-82	23 1/2-24 1/2	23 1/2-24 1/2	23 1/2-24 1/2
Prague, Kc.	164 1/2	137*	136 1/2	136 1/2
Danzig, Gul.	25-00	24 1/2-25 1/2	24 1/2-25 1/2	24 1/2-25 1/2
Warsaw, Zl.	48-38	24 1/2-25 1/2	24 1/2-25 1/2	24 1/2-25 1/2
Riga, Lat.	25-22 1/2	24 1/2-25 1/2	24 1/2-25 1/2	24 1/2-25 1/2
Bucharest, Lei.	813-8	650-670	650-670	650-670
Istanbul, Pst.	110	580*	580*	580*
Belgrade, Din.	276-32	205-215	205-215	205-215
Kovno, Lit.	48-66	27 1/2-28 1/2	27 1/2-28 1/2	27 1/2-28 1/2
Sofia, Lev.	673-66	370-400	370-400	370-400
Tallinn, E. Kr.	18-159	17 1/2-18 1/2	17 1/2-18 1/2	17 1/2-18 1/2
Oslo, Kr.	18-159	19-85-95	19-85-95	19-85-95
Copenhagen, Kr.	18-159	19-35-45	19-35-45	19-35-45
Alexandria, Pst.	18-159	22-35-45	22-35-45	22-35-45
Kobe, Yen.	124-58d.	131 1/2-141 1/2	131 1/2-141 1/2	131 1/2-141 1/2
Singapore, \$	12-11	8-70 1/2-74 1/2	8-69-73	8-69-73
Batavia, F.	12-11	8-70 1/2-74 1/2	8-69-73	8-69-73
Bangkok, Baht	12-11	22 1/2-26 1/2	22 1/2-26 1/2	22 1/2-26 1/2

Usance: T.T., except Alexandria (Sight). * Sellers. † Pence per unit of local currency. ‡ Par 197-10 1/2 since koruna devaluation on February 17, 1934. (a) Under Anglo-Turkish Agreement. (b) Under Anglo-Spanish Agreement. (c) Under Anglo-Italian Agreement. (d) Nominal. (e) Official.

LONDON—FORWARD

(Closing quotations)

London on	May 12, 1939	May 13, 1939	May 15, 1939	May 16, 1939	May 17, 1939	May 18, 1939
New York cent.	1 Month (p)	(p)	(p)	(p)	(p)	(p)
Paris, francs	1 Month (p)	(p)	(p)	(p)	(p)	(p)
Amsterdam, cent.	1 Month (p)	(p)	(p)	(p)	(p)	(p)
Brussels, cent.	1 Month (p)	(p)	(p)	(p)	(p)	(p)
Geneva, cent.	1 Month (p)	(p)	(p)	(p)	(p)	(p)

(p) Premium. (d) Discount.

EXCHANGE RATES—cont.

NEW YORK

New York on	May 11, 1939	May 12, 1939	May 13, 1939	May 15, 1939	May 16, 1939	May 17, 1939
London:—						
60 days	Cents	Cents	Cents	Cents	Cents	Cents
Cables	467 1/2	467 1/2	467 1/2	467 1/2	467 1/2	467 1/2
Demand	468 1/2	468 1/2	468 1/2	468 1/2	468 1/2	468 1/2
Paris, Fr.	2.65	2.64 1/2	2.65	2.64 1/2	2.64 1/2	2.64 1/2
Brussels, Bel.	17.02	17.01 1/2	17.02	17.02 1/2	17.02	17.02
Switzerland, Fr.	22.47	22.46	22.45 1/2	22.47 1/2	22.48	22.47 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	40.13 1/2	40.13 1/2	40.13	40.13 1/2	40.13	40.13
Amsterdam, Guilder	53.57 1/2	53.60	53.67	53.91 1/2	53.74	53.67 1/2
Copenhagen, Kr.	20.90 1/2	20.90 1/2	20.90 1/2	20.90 1/2	20.90 1/2	20.90 1/2
Stockholm, Kr.	23.52 1/2	23.52 1/2	23.52 1/2	23.53	23.53	23.52 1/2
Athens, Dr.	24.12 1/2	24.12 1/2	24.12 1/2	24.12 1/2	24.12	24.11 1/2
Montreal, Can. \$	99.605	99.635	99.650	99.665	99.710	99.710
Yokohama, Yen.	27.31	27.31	27.32	27.32	27.32	27.32
Shanghai, \$	16.15	16.15	16.15	16.15	16.15	16.15
B. Aires, \$	29.05	29.04	29.04	29.05	29.04	29.04
Rio, Milreis	5.50	5.50	5.50	5.50	5.50	5.50

Usance: T.T. † Official.

CLEARING ACCOUNTS

The Controllers of the Anglo-Roumanian, Anglo-Italian and Anglo-Turkish Clearing Agreements have made the following statements of transactions up to April 29, 1939.

ANGLO-ROUMANIAN CLEARING AGREEMENT

RECEIPTS

(September 12, 1938, to April 29, 1939)

	£	£
Balances from the previous Agreements	3,710 317	177,414
In respect of debts due for Roumanian goods		
Less amounts allowed for Oil Companies' transactions under Article 3 (1) of the Agreement	445,521	3,264,796
Advanced by the National Bank of Roumania, under Article 13 (4)		8,511*
		3,450,721

ALLOCATION AND DISPOSAL

	Allocated	Paid and in course of payment
Roumanian Public Debt, etc.	£ 590,023	£ 414,067
Short-term Banking Credits, etc.	73,682	62,928
Trade Debts :—		
(1) Outstanding Debts :—		
(i) Due before August 1, 1935.	226,025	160,406
(ii) Due after July 31, 1935, for Imports of United Kingdom Goods before September 12, 1938.	77,738	77,738
(2) Current Exports (United Kingdom Goods Account)	799,129†	398,612
(3) Roumanian Government Purchases (United Kingdom Goods)	180,370	132,532
(4) Compensation Trade :—		
(i) United Kingdom Goods	382,191†	308,370
(ii) Goods from any Country	269,754†	224,906
Miscellaneous Remittances (General United Kingdom Account)	536,230†	379,687
National Bank of Roumania	315,579	315,579
	3,450,721	2,474,825

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended May 14 (1939)						Aggregate Gross Receipts, 19 weeks (1939)					
	Passenger	Merchandise	Coal	Goods	Total	Receipts	Passenger	Merchandise	Coal	Goods	Total	Receipts
L.M. & S.—												
1938	434	470	244	714	1,448	8,151	9,090	5,273	14,363			22,514
1939	438	517	262	779	1,217	7,968	8,663	5,448	14,111			22,079
L. & N.E. (a)—												
1938	286	319	232	551	837	5,331	6,427	4,919	11,346			16,677
1939	289	342	266	608	897	5,238	5,984	4,964	10,948			16,186
Great Western—												
1938	185	192	105	297	482	3,415	3,685	2,213	5,898			9,313
1939	188	214	124	338	526	3,378	3,672	2,191	5,863			9,241
Southern—												
1938	282	62	28	90	372	5,309	1,153	630	1,783			7,092
1939	286	68	32	100	386	5,288	1,110	647	1,757			7,045
Total—												
1938	1,187	1,043	609	1,652	2,889	22,206	20,355	13,035	33,390			55,596
1939	1,201	1,141	684	1,825	3,026	21,872	19,429	13,250	32,679			54,551

(a) Week ended May 13.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross decrease, first half 1939, 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	— 435	— 491	— 72	— 47
Av. weekly decrease, 1st half 1939	— 22.89	— 25.84	— 3.79	— 2.47
Latest week compared with 1938	+ 69	+ 60	+ 44	+ 14
Latest week compared with average 1927-30	— 138	— 111	— 45	— 11

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended May 12, 1939 (£'000)			Aggregate Gross Receipts 19 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1938	1.9	0.5	2.4	34.7	8.3	43.0
1939	1.9	0.5	2.4	34.8	8.3	43.1
Great Northern—						
1938	8.4	8.1	16.5	163.3	164.1	327.4
1939	8.5	10.4	18.9	166.5	189.4	355.9
Great Southern—						
1938	28.0	38.7	66.7	570.7	764.4	1,335.1
1939	29.3	41.3	70.6	566.0	778.8	1,344.8

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			Net Profit	Dividend
					Prefce. Amount	Ordinary Amount	Carried to Reserve, Depreciation, etc.		
Breweries									
Brampton Brewery	Mar. 31	35,464	33,859	69,323	5,500	25,000	10	33,823	38,024
Buchanan-Dewar	Mar. 31	120,987	1,104,414	1,225,401	234,554	870,000	30	120,847	1,120,474
Chesters Brewery	Mar. 31	69,120	119,653	188,773	16,454	81,693	24	72,626	124,900
Electric Lighting, etc.									
Madras Electric	Dec. 31	41,566	134,863	176,429	24,849	47,856	8†	135,606	8†
Financial, Land, etc.									
Canada Company	Dec. 31	5,229	2,049	7,278	...	1,508	5	5,770	191
Grand Junction Co.	Mar. 31	15,262	40,105	55,367	5,622	29,796	4	15,449	43,315
House Property & Investment	Mar. 31	22,185	60,763	82,948	27,320	14,500	10	20,269	52,584
Howard & Bullough (Secr.)	Mar. 31	50	46,044	46,094	10,875	33,984	3‡	1,235	11
Platt Bros. (Holdings)	Mar. 31	22,073	118,104	140,177	71,730	24,895	5	18,691	80,684
Raglan Property Trust	Mar. 31	4,543	11,809	16,352	3,987	...	...	2,298	24,969
St. Martin's le Grand Prop.	Mar. 25	3,028	25,698	28,726	...	18,000	6	7,498	(a)
Waddon Investments	Mar. 25	1,714	18,917	20,631	...	16,000	8	2,000	(a)
Welwyn Com. Buildings	Mar. 31	804	20,861	21,665	6,510	12,011	10	2,133	(a)
Welwyn Garden City	Mar. 31	9,376	32,747	42,123	...	26,815	5	3,287	27,826
Gas									
Associated Gas, etc.	Mar. 31	17,564	75,150	92,714	40,076	29,878	5	...	59,419
Imperial Continental Gas	Mar. 31	516,369	415,786	932,155	...	406,000	10	526,155	427,686
Montevideo Gas, etc.	Dec. 31	74,213	43,404	117,617	...	27,000	4†	61,355	81,344
Iron, Coal and Steel									
Harland and Wolff	Dec. 31	17,312	627,915	645,227	...	...	...	600,000	13,804
Johnson (R.) and Nephew	Mar. 31	26,266	73,810	100,076	15,225	19,575	9	40,000	25,276
Niddrie and Benhar Coal	Mar. 31	26,044	64,018	90,062	...	...	20†	12,290	37,772
Park Gate Iron and Steel	Mar. 31	42,485	113,935	156,420	...	36,250	2‡	74,951	45,219
Pease and Partners	Mar. 31	240,304	434,876	675,180	62,500	154,460	12‡	195,000	263,220
Ransomes, Sims and Jefferies	Dec. 31	60,374	65,270	125,644	11,000	37,500	7‡	52,144	72,411
Sanderson Brothers, etc.	Dec. 31	35,613	15,404	51,017	2,473	...	...	37,205	35,613
Summers (John) and Sons	Dec. 31	187,793	221,207	409,000	93,080	...	...	315,920	86,090
Wilsons and Clyde Coal	Feb. 28	34,028	50,476	84,504	3,538	29,362	6	17,000	34,604
Yorks Amal. Collieries	Mar. 31	70,000	245,607	315,607	10,875	158,514	7‡	50,000	96,218

LONDON TRANSPORT BOARD

	Receipts	Compared with prev. Year
Week ending May 13, 1939, before pooling	594,600	+ 20,800
Total, 46 weeks to date	26,150,700	+ 269,700
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	4 Apr. 30	Rs. 11,10,413	- 1,10,891	Rs. 31,29,955	- 5,50,102
Bengal-Nagpur	4 May 10	Rs. 30,17,000	- 1,14,758	Rs. 90,44,000	- 5,89,435
Bombay, Bar. & C.I.	5 May 10	Rs. 35,08,000	- 1,67,000	Rs. 1,41,37,000	- 5,96,000
Madras & S. Mah.	3 Apr. 20	Rs. 23,55,000	+ 6,096	Rs. 46,84,000	+ 2,26,044
S. Indian	3 Apr. 20	Rs. 14,53,012	- 1,51,795	Rs. 30,05,011	- 77,060

CANADIAN

	1939	1938	1937	1936	1935	1934	1933	1932	1931
Canadian National	19	May 14	3,883,664	691,805	63,049,577	41,677,000	1,580,706	652,000	...
Canadian Pacific	19	May 14	2,716,000	364,000	44,677,000	...	...	...	...

SOUTH & CENTRAL AMERICAN

	1939	1938	1937	1936	1935	1934	1933	1932	1931
Antofagasta	19	May 14	£11,620	5,010	257,970	70,400	...	...	...
Argentine N.E.	45	13	£174,100	17,200	7,149,900	474,200	...	...	...
B.A. and Pacific	45	13	£1,603,000	172,000	65,539,000	25,415	...	...	...
B.A. Central	44	Apr. 29	£99,442	10,670	4,065,699	3,041	...	...	...
B.A. Gt. Southern	44	May 13	£91,600	600	4,363,400	4,246,000	...	...	...
B.A. Western	45	May 13	£2,110,000	53,000	106,829,000	263,398	...	...	...
Central Argentine	45	13	£130,893	3,288	6,627,109	483,000	...	...	...
Central Uruguayan	44	13	£136,377	31,963	34,149,000	30,024	...	...	...
Leopoldina	19	13	£175,678	11,264	87,432,200	1,751,850	...	...	...
Mexican Railway	18	13	£14,996	2,072	371,052	100,000	...	...	...
Nitrate	19	15	£14,996	2,072	371,052	100,000	...	...	...
United of Havana	45	13	£25,832	5,574	1,088,873	59,390	...	...	...

* 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

	1939	1938	1937	1936	1935	1934	1933	1932	1931
Transit Receipts	18	May 10	£259,600	£13,300	£3,369,200	£230,100	...	...	...

THE WEEK'S COMPANY RESULTS—continued.

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation				Balance Forward	Corresponding Period Last Year	
					Dividend		Carried to Reserve, Depreciation, etc.	Net Profit		Dividend	
					Prefce. Amount	Ordinary Amount					Rate
		£	£	£	£	£	%	£	£	£	%
Motor, Cycle & Aviation											
Tilling-Stevens	Dec. 31	...	53,975	53,975	...	16,692	7½	20,373	16,910	35,336	Nil
Rubber											
Bagan Serai	Dec. 31	2,119	8,132	10,251	...	6,885	4½	1,000	2,366	20,034	10
British Malay	Dec. 31	4,875	3,204	8,079	...	...	...	2,890	5,189	14,772	3
Bras Perak	Feb. 28	278	602	880	647	...	...	102	131	2,557	2½
Dangan	Dec. 31	1,597	2,863	4,460	25	...	...	...	4,435	14,757	6
Emerald	Jan. 31	12,176	16,106	28,282	...	10,750	5	5,500	12,032	25,062	10
Hollywood	Dec. 31	3,500	5,139	8,639	...	4,308	5	750	3,581	16,368	12½
Kepong (Malay)	Dec. 31	15,727	43,647	59,374	...	33,460	4½	10,000	15,914	123,311	13½
Marawan (Java)	Dec. 31	3,460	474	3,934	...	...	...	...	3,934	5,788	6
Nordanal (Johore)	Dec. 31	5,630	2,456	8,086	...	...	...	1,500	6,586	9,300	5
Oriental	Dec. 31	6,831	1,471	8,302	...	...	...	1,433	6,869	7,532	2½
Peacock and Niliambe	Dec. 31	5,411	9,954	15,365	2,685	5,822	4.68	1,500	5,358	11,781	3½
Pelmadulla	Dec. 31	14,971	15,907	30,878	1,005	12,989	10	3,327	13,557	39,151	17½
St. George	Dec. 31	3,884	5,084	8,968	...	4,900	7	...	4,068	12,195	12½
Straits Rubber	Dec. 31	16,896	29,779	46,675	...	23,625	3	7,500	15,550	65,027	6½
Strathmore	Dec. 31	878	9,675	10,553	...	4,927	6	...	5,626	14,466	4½
Sungei Batu (Malaya)	Dec. 31	9,612	7,644	17,256	...	4,125	5	3,350	9,781	16,896	13
Sungei Matang	Dec. 31	1,398	2,125	3,523	...	1,800	3	561	1,162	7,841	10
United Sumatra	Dec. 31	3,662	1,782	5,444	...	1,650	1½	...	3,794	15,878	10
Windsor (F.M.S.)	Dec. 31	4,873	1,076	5,949	...	598	2½	750	4,601	4,535	10
Shipping											
Britain Steamship	Dec. 31	1,695	52,047	53,742	...	18,125	5	31,650	3,967	98,041	10
Nitrate Producers Steam	Apr. 30	25,325	54,007	79,332	...	15,630	10½	38,000	25,702	133,542	12½
Shops and Stores											
Kennards, Ltd.	Feb. 10	30,505	39,871	70,376	13,125	22,375	12½	850	34,026	38,859	12½
Tea											
Alliance Ceylon	Dec. 31	6,376	14,702	21,078	...	7,500	5	7,162	6,416	17,738	7
Amalgamated	Nov. 30	54,858	115,250	170,108	21,000	66,969	7	22,000	60,139	122,168	7
Anglo-American Direct	Nov. 30	75,479	105,634	181,113	30,000	49,678	7½	21,337	80,098	125,501	10
Cons. Tea and Lands	Nov. 30	119,928	238,379	358,307	78,000	120,000	10	45,000	115,307	326,108	13
Darjeeling Company	Dec. 31	5,401	11,443	16,844	...	8,125	6	3,500	5,219	15,922	7½
Imperial Ceylon	Dec. 31	6,752	14,449	21,201	...	7,840	7	6,513	6,848	15,498	8
Kanan Devan Hills	Nov. 30	88,371	226,121	314,492	33,000	131,250	17½	41,613	108,629	217,588	16
Mayfield (Dimbula)	Dec. 31	8,928	6,606	15,534	1,980	3,371	11	3,000	7,183	6,701	12
Yatiantota Ceylon	Dec. 31	3,361	6,473	9,834	2,700	3,150	2	1,500	2,484	13,642	3½
Textiles											
Armitage (Sir Elkanah)	Apr. 1	13,458	23,722	37,180	...	9,062	5	8,048	20,070	18,643	4
British Cotton and Wool	Mar. 31	54,760	74,552	129,312	...	25,805	3½	49,330	54,177	85,091	4½
Fine Cotton Spinners	Mar. 31	Dr 212,538	132,380	Dr 80,158	...	...	...	100,000	Dr 180,158	233,761	Nil
Trusts											
Bankers' Investment	Apr. 30	51,484	82,125	133,609	29,658	39,562	6	12,500	51,889	94,071	7
British Hosiery Trust	Mar. 31	3,639	32,794	36,433	...	32,625	9	...	3,808	29,876	8
British Shareholders Trust	Mar. 31	76,604	51,821	128,425	...	40,366	7½	10,000	78,059	52,510	8½
Canadian and Foreign	Mar. 31	21,394	13,425	34,819	4,056	7,375	5	...	23,388	15,371	5
English and International	Apr. 5	27,325	26,692	54,017	27,500	...	...	...	26,517	32,262	Nil
First Conversion Invest.	Apr. 15	8,041	(g) 38,433	46,474	...	38,089	5	...	8,385	(a)	(a)
Industrial and General	Mar. 31	74,857	283,828	358,685	58,447	182,000	14(c)	28,000	90,238	306,395	12
1928 Investment	Mar. 31	9,956	41,698	51,654	27,814	11,154	3	3,000	9,686	44,356	3
St. Andrew Trust	Apr. 15	32,854	22,091	54,945	16,594	3,319	1½	...	35,032	26,518	1½
Second Guardian	May 5	16,699	34,851	51,550	18,229	14,583	4	5,000	13,738	37,638	4
Second Mercantile	May 5	58,510	50,917	109,427	18,229	27,302	7½	5,000	58,896	53,081	7½
Sphere Investment	Mar. 31	35,756	62,806	98,562	26,100	21,750	5	...	50,712	66,750	5
Waterworks											
Rickmansworth Water	Mar. 31	49,612	58,640	108,252	9,160	32,994	11½	19,000	47,098	59,186	11½
Other Companies											
Beautility Furniture	Mar. 31	24,497	39,308	63,805	...	22,656	25	3,969	37,180	35,342	25
Callender's Cable, etc.	Dec. 31	565,023	360,112	925,135	56,000	168,587	15	310,000	390,548	507,989	20
Cape Asbestos Co.	Dec. 31	15,656	74,444	90,100	28,800	22,400	17½	21,000	17,900	60,223	15
Derinted Stamping	Feb. 28	10,303	32,712	43,015	...	18,922	15	11,000	13,093	32,479	15
East London Rubber	Feb. 28	10,149	21,405	31,554	...	4,229	2½	6,521	12,829	29,561	10
Finlay (James) and Co.	Dec. 31	275,255	243,323	518,578	30,000	187,500	12½	15,000	286,078	229,971	12½
Laporte (B.)	Mar. 31	29,803	72,286	102,089	11,235	39,375	22	20,863	30,616	74,229	22½
Liverpool Storage	Mar. 31	7,841	3,225	11,066	...	3,261	10	...	7,805	3,344	10
Macowards, Ltd.	Jan. 31	...	(d) 8,751	8,751	...	4,350	7½	3,109	1,292	(a)	(a)
Majestic Theatres	Mar. 31	486	13,911	14,397	5,191	5,800	8	2,471	935	12,952	8
Malkin Tiles (Burslem)	Feb. 28	29,853	6,278	36,131	3,540	4,350	10	...	28,241	15,673	20
Marcroft Wagons	Dec. 31	2,445	9,174	11,619	...	5,075	7	3,110	3,434	8,476	7
Meters, Ltd.	Mar. 31	13,695	22,560	36,255	5,322	12,556	9	5,000	13,377	17,035	9
National Trading Co.	Dec. 31	11,887	39,704	51,591	6,875	20,000	16	10,000	14,716	61,927	20
Odham's Press	Dec. 31	81,153	287,276	368,429	70,500	77,400	10	138,426	82,103	327,992	12½
Portsmouth, etc., Newspapers	Mar. 31	7,476	69,115	76,591	31,201	26,100	30	12,865	6,425	88,674	30
Royal Sovereign Pencil	Dec. 31	8,116	21,317	29,433	6,595	12,985	6	1,000	8,853	23,280	7½
Siemens Brothers and Co.	Dec. 31	352,644	301,733	654,377	55,000	183,750	7½	50,000	365,627	31,995	15
Spear and Jackson	Dec. 31	9,784	30,817	40,601	4,000	20,625	12½	5,000	10,976	19,013	10
Stephany (Furniture Trades)	Mar. 31	920	14,567	15,487	5,655	5,800	10	3,000	1,032	44,452	9
Telephone Manufacturing	Dec. 31	10,937	41,203	52,140	...	23,490	9	22,319	6,331	86,604	15
Tweedales and Smalley	Apr. 30	52,106	82,229	134,335	...	67,500	15	10,000	56,835	(a)	(a)
Wickman (A. C.)	Dec. 31	...	(b) 45,245	45,245	8,469	19,938	10	7,190	9,648	(a)	(a)
Wiggins Teape and Co.	Dec. 31	52,666	359,651	412,317	96,410	168,500	10	94,702	52,705	424,461	10
Yorkshire Amalgtd. Products	No. of Cos.	14,557	14,882	29,439	...	4,594	5	10,392	14,453	(a)	(a)
Total Profits, 1939, in £,000's											
To May 13	1,010	44,299	140,007	184,306	28,659	73,183	...	35,630	46,834	153,247	...
To May 20	1,103	48,240	148,208	196,448	30,049	77,431	...	38,120	50,848	161,916	...

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

[illegible]

(a) Interim dividend. (b) Final dividend. (c) Dividends for full year. (d) Paid in £N.Z. (e) Allowing for exchange. (f) Flat yield. (g) Yield worked on 4% basis. (h) Yield on 4½% basis. (i) Yield worked on 12% basis. (j) Yield worked to average redemption—end 1959. (k) Based on redemption at par in 1946. (l) Based on redemption at par in 1959. (m) Based on payment of 21%. (n) To redemption at par, in year shown. (o) Yield worked at ¾% of face value. (p) Yield worked on a 10% basis. (q) Yield worked on 22½% basis. (r) Yield worked on a 5½% basis. (s) Yield worked on a 14% basis. (t) Yield worked on 2-0925% basis. (u) Yield based on 40% of coupon. (v) Yield based on 47% of coupon. (z) 1% paid free of income tax. † Free of Income Tax.

Prices Year 1939 Jan. 1 to May 17, inclusive										Prices Year 1939 Jan. 1 to May 17, inclusive										Prices Year 1939 Jan. 1 to May 17, inclusive										Prices Year 1939 Jan. 1 to May 17, inclusive									
Last two Dividends		Name of Security		Price, May 17, 1939		Change since May 10, 1939		Yield May 17, 1939		Last two Dividends		Name of Security		Price, May 17, 1939		Change since May 10, 1939		Yield May 17, 1939		Last two Dividends		Name of Security		Price, May 17, 1939		Change since May 10, 1939		Yield May 17, 1939											
High-est	Low-est	(a) %	(b) %	(c) %	(d) %	High-est	Low-est	(a) %	(b) %	(c) %	(d) %	High-est	Low-est	(a) %	(b) %	(c) %	(d) %	High-est	Low-est	(a) %	(b) %	(c) %	(d) %	High-est	Low-est	(a) %	(b) %	(c) %	(d) %										
45 1/2	34 1/4	Nil	8c	Nil	40 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
75 1/4	80 7/8	Nil	8c	Nil	40 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
25 1/2	24 3/4	7 1/2	6	Nil	24 3/4	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
23 1/2	19 1/2	7 1/2	6	Nil	19 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
24 3/4	21 1/2	12 1/2	3 1/2	Nil	21 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
67 1/2	58 9/16	22 1/2	12 1/2	20c	58 9/16	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
4 1/4	2 3/8	Nil	Nil	Nil	2 3/8	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
5 1/2	2 1/2	Nil	Nil	Nil	2 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
2 1/2	1 1/2	Nil	Nil	Nil	1 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
6 1/2	3 1/2	Nil	Nil	Nil	3 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
39 1/2	30 7/16	10c	10c	10c	30 7/16	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
29 1/2	23 1/2	12 1/2	2 1/2	2 1/2	23 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
32 1/2	22 1/2	12 1/2	2 1/2	2 1/2	22 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
4 5/16	1 9/16	Nil	Nil	Nil	1 9/16	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
29 1/2	20 1/2	3 1/2	3 1/2	3 1/2	20 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
49 1/2	44 1/4	12 1/2	10c	10c	44 1/4	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
13 1/2	4 1/2	Nil	Nil	Nil	4 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
45 1/2	34 7/16	10c	10c	10c	34 7/16	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
87 1/2	77 1/2	5 1/2	15 1/2	15 1/2	77 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
90 1/2	68 1/2	5 1/2	10 1/2	10 1/2	68 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
21 1/2	15 1/2	6 1/2	24 1/2	24 1/2	15 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
36 1/2	31 1/2	10 1/2	10 1/2	10 1/2	31 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
81 3/4	70 9/16	17 1/2	20c	20c	70 9/16	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
21 1/2	15 1/2	5 1/2	15 1/2	15 1/2	15 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
41 1/2	32 1/2	5 1/2	7 1/2	7 1/2	32 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
26 9/16	20 3/8	7 1/2	7 1/2	7 1/2	20 3/8	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
13 1/2	8 7/8	\$1	\$1 1/2	\$1 1/2	8 7/8	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
68 1/2	63 1/2	6 1/2	9 1/2	9 1/2	63 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
30 1/4	26 1/2	2 1/2	5 1/2	5 1/2	26 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
33 1/2	26 1/2	3 1/2	4 1/2	4 1/2	26 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
37 1/2	34 3/4	3 1/2	5 1/2	5 1/2	34 3/4	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
46 1/2	41 1/2	3 1/2	5 1/2	5 1/2	41 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
27 1/4	22 1/2	2 1/2	5 1/2	5 1/2	22 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
34 1/2	29 1/16	2 1/2	5 1/2	5 1/2	29 1/16	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
51 1/2	26 3/8	3 1/2	4 1/2	4 1/2	26 3/8	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
38 1/2	34 1/2	2 1/2	5 1/2	5 1/2	34 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
32 3/4	28 1/2	2 1/2	5 1/2	5 1/2	28 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
46 1/2	41 1/2	2 1/2	5 1/2	5 1/2	41 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
29 1/2	24 1/2	15 1/2	12 1/2	12 1/2	24 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
38 1/2	33 1/2	2 1/2	5 1/2	5 1/2	33 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
38 1/2	34 3/8	3 1/2	5 1/2	5 1/2	34 3/8	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
23 1/12	19 9/16	2 1/2	5 1/2	5 1/2	19 9/16	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
126 1/4	98 1/2	2 1/2	5 1/2	5 1/2	98 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
22 1/2	20 6/8	2 1/2	5 1/2	5 1/2	20 6/8	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
105 1/4	82 1/2	2 1/2	5 1/2	5 1/2	82 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
50 7/12	38 1/12	12 1/2	15 1/2	15 1/2	38 1/12	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
38 9/16	28 3/8	1 1/2	5 1/2	5 1/2	28 3/8	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
37 1/2	23 1/2	5 1/2	30 1/2	30 1/2	23 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
28 1/2	23 1/2	5 1/2	30 1/2	30 1/2	23 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
27 1/2	23 1/2	5 1/2	30 1/2	30 1/2	23 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
20 1/12	15 3/8	6 1/2	33 1/2	33 1/2	15 3/8	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
95 3/4	51 10/12	5 1/2	5 1/2	5 1/2	51 10/12	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
92 1/2	70 7/12	25 1/2	25 1/2	25 1/2	70 7/12	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
39 1/2	27 1/2	45 1/2	45 1/2	45 1/2	27 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
49 1/2	35 1/2	15 1/2	5 1/2	5 1/2	35 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
51 1/2	51 1/2	7 1/2	17 1/2	17 1/2	51 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
19 7/12	13 11/16	40 1/2	22 1/2	22 1/2	13 11/16	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
51 1/2	41 1/4	5 1/2	15 1/2	15 1/2	41 1/4	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
3 1/12	2 3/8	Nil	Nil	Nil	2 3/8	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
20 9/16	19 1/8	3 1/2	5 1/2	5 1/2	19 1/8	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
23 9/16	16 1/2	5 1/2	5 1/2	5 1/2	16 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
15 1/2	8 1/2	Nil	Nil	Nil	8 1/2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
17 3/8	12 9/16	6 1/2	4 1/2	4 1/2	12 9/16	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...										
28 1/12	20 1/2	5 1/2	5 1/2	5 1/2	20 1/2	...	...	...	...	...																													

(a) Bid and offered prices are free of Commission and Stamp Duty. (b) Interim dividend. (c) Final dividend. (d) Yield on 18.95% basis. (e) Yield on 8% basis. (f) Yield on 12½% basis. (g) 8½% paid free of Income Tax. (h) Allowing for rate of exchange. (i) Last two yearly dividends + Free of Income Tax. (j) Yield on 30% basis.

Industry and Trade

COMMODITY STATISTICS

Coal

COAL OUTPUT ('000 tons)				
District	Week ended		Jan.-April	
	Apr. 29, 1939	May 6, 1939	1938	1939
Northumberland	293.6	282.1	4,563.7	4,500.3
Durham	700.3	646.3	11,106.5	10,440.9
Yorkshire	970.6	937.5	15,422.2	15,219.2
Lancs, Cheshire and N. Wales	365.7	347.5	5,898.0	5,894.9
Derby, Nottingham and Leicester	672.0	633.8	11,762.6	12,090.7
Staffs, Worcs. Salop. and Warwick	411.2	406.5	6,834.7	7,025.9
South Wales and Monmouth	813.9	660.3	12,768.8	11,616.6
Other English districts*	125.5	117.8	1,910.5	1,832.9
Scotland	640.8	638.6	10,496.4	10,442.5
Total	4,993.6	4,670.4	80,763.4	79,073.9

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton

RAW COTTON delivered to Spinners ('000 bales)

Variety	Week ended		Total Deliveries	
	May 5, 1939	May 12, 1939	Aug. 1, 1938-1939	Aug. 1, 1938-1939
American	20.8	20.1	1,011	813
Brazilian	6.1	7.8	236	241
Peruvian, etc.	2.8	2.9	96	100
Egyptian	6.8	8.7	282	270
Sudan Sakel	2.2	2.6	118	111
East Indian	25.1	13.6	294	350
Other countries	5.3	4.1	143	148
Total	69.1	59.8	2,180	2,033

Metals

SALES ON LONDON METAL EXCHANGE

	Week ended		From Jan. 1 to May 17, 1939
	May 10, 1939	May 17, 1939	
Copper	4,700	6,350	114,460
Tin	1,175	1,080	27,310
Lead	5,000	4,400	111,250
Spelter	2,150	2,250	71,570

U.K. Stocks

	May 6, 1939	May 13, 1939
Copper (Br. official w'houses):	5,900	6,148
Refined	26,829	26,713
Rough	12,368	11,941
Tin (London and Liverpool):		

METALS—(cont.)
TINPLATE INDUSTRY

	Week ended		
	May 7, 1938	Apr. 29, 1939	May 6, 1939
Production—per cent. of capacity	33.92	53.97	64.55
Shipments—Tons	1938	1939	1939
Stocks—warehouse and in vans	4,375	2,704	4,622
Shipments—Tons	1938	1939	1939
Stocks—warehouse and in vans	5,610	6,533	7,267
Shipments—Tons	1938	1939	1939
Stocks—warehouse and in vans	102,413	73,918	

Foods

WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)

From	Week ended		Season to	
	May 6, 1939	May 13, 1939	May 1938	May 1939
N. America	530	743	18,602	23,852
Argentina and Uruguay	475	413	6,808	9,244
Australia	229	207	12,856	9,716
Russia	116	147	5,004	4,488
Danube and dist.	116	147	5,004	4,488
India	23	35	691	1,189
Other Countries	23	35	691	1,189
Total	1,373	1,545	51,102	56,725

From	Week ended		From Apr. 1 to	
	May 6, 1939	May 13, 1939	May 1938	May 1939
U.K.	297	383	12,760	13,684
France	268	230	11,171	12,693
Belgium	111	170	4,773	969
Holland	92	53	2,615	3,886
Italy	63	16	853	1,276
Greece	6	44	1,867	1,151
Scandinavia	15	74	1,347	1,334
Other European Countries	40	91	5,842	4,530
Ex-European Countries	469	472	9,829	14,129
Total	1,373	1,545	51,102	56,725

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

From	Week ended		From Apr. 1 to	
	May 6, 1939	May 13, 1939	May 1938	May 1939
Argentina	561	530	347	2,090
Atlantic America	59	79	1,807	351
Danube Region	75	65	1,043	451
S. & B. Africa	6	39	18	178
Indo-China, etc.	38	44	111	181
Total	738	757	3,326	3,251

OTHER FOODS

	Week ended	
	May 6, 1939	May 13, 1939
BACON		
Arrivals in London (bales):		
Danish	13,991	15,385
Canadian	5,627	3,615
Lead	5,695	4,029
Lithuanian	2,549	2,536
Polish	4,324	4,519
COCOA		
Movement in Lond. (bags):		
Landed	1,245	5,746
D/d for home consumption	8,376	6,009
Exports	63	186
Stocks, end of week	149,508	149,059

OTHER FOODS—(cont.)

	Week ended	
	May 6, 1939	May 13, 1939
COFFEE		
Movements in Lond. (cwt.):		
Brazilian—Landed	9	187
" D/d for home consn.	290	311
Exports	4,733	4,609
Stocks, end of week	8,761	7,466
Central and S. American:		
Landed	7,274	3,145
D/d for home consn.	430	1,316
Exports	100,650	103,655
Stocks, end of week	4,442	4,022
Other kinds—Landed	5,822	6,715
" D/d for home consn.	1,836	1,953
Exports	177,877	173,231
Stocks, end of week	8,803	7,980
MEAT		
Supplies at Smithfield (tons):		
Total	4,851	4,325
Beef and veal	2,651	2,404
Mutton and lamb	801	820
Pork and bacon	500	431
Poultry, etc.		
SUGAR		
Movements, London and Liverpool (tons):		
Imports	8,211	11,356
Deliveries	21,514	23,847
Stocks, end of week	178,027	165,536
TRADE		
Sales on Garden A/c. (pkgs.):		
N. India	36,943	36,686
S. India	3,411	3,605
Ceylon	24,337	25,135
Java	996	1,557
Sumatra	96	555
Africa	5,236	4,769
Total	71,019	72,307

* Weeks ended May 4th and May 11th.

Miscellaneous Commodities

MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL

	Week ended	
	May 6, 1939	May 13, 1939
Landed—tons	743	1,066
Delivered—tons	1,953	2,409
Stocks, end of week—tons	67,320	65,977

WORLD SHIPMENTS OF LINSBED ('000 tons)

	Week ended		From Jan. 1 to	
	May 6, 1939	May 13, 1939	May 1938	May 1939
Argentine to U.K. and Orders	2.5	5.3	152.0	162.3
Continent	9.0	5.7	287.0	292.4
U.S.A. and Canada	13.0	6.9	149.3	224.4
Australia, Brazil, Calcutta to U.K. and Orders	1.1	...	8.9	8.1
Continent	7.7	1.9	18.2	26.4
Bombay to U.K. and Orders	6.5	4.4	56.7	66.8
Continent	7.7	2.0	2.8	7.1
Madras to U.K.	...	...	...	...
India to U.S.A.	...	1.3	4.1	6.3
Sundries	1.1	...	...	1.2
Total	36.2	27.5	679.1	795.7

BRITISH WHOLESALE PRICES

CEREALS AND MEAT

	May 10, 1939	May 17, 1939
GRAIN, etc.—		
Wheat		
No. 2, N. Man. 496 lb.	29 6	28 6
Eng. Gaz. av. per cwt.	4 8	4 10
Liv. May., per cental	4 7	4 7
Flour, per 280 lb.		
Straights, d/d London	24 0	24 0
Manitoba, ex store	22 0	22 0
Barley, Eng. Gaz., av. per cwt.	7 5	7 0
Oats	6 0	6 3
Maize, La Plata, landed, 480 lb.	28 0	27 0
Rice, No. 2 Burma, per cwt.	8 4 1/2	8 3
MEAT—		
Beef, per 8 lb.—		
English long sides	4 1	4 6
Argentine chilled hinds	4 0	4 5
Mutton, per 8 lb.—		
English wethers	5 4	5 4
N.Z. frozen wethers	2 2	2 2
Lamb, per 8 lb.—		
N.Z. frozen	4 2	4 2
Pork, English, per 8 lb.	5 2	5 2
BACON (per cwt.)—		
English	88 0	88 0
Danish	90 0	90 0
Dutch	83 0	83 0
Irish	78 0	78 0
RAMS (per cwt.)—		
Canadian	98 0	98 0
United States	88 0	88 0

OTHER FOODS

	May 10, 1939	May 17, 1939
BUTTER (per cwt.)—		
Australian	108 0	104 0
New Zealand	110 0	106 0
Danish	126 0	124 0
Swiss	127 0	124 0
CHEESE (per cwt.)—		
Canadian	71 0	71 0
New Zealand	74 0	74 0
English Cheddars	55 0	51 0
Dutch	88 0	90 0
Gouda	100 0	100 0
COCOA (per cwt.)—		
Accra, g.f.	21 0	20 9
Trinidad	21 0	21 3
Grenada	42 0	42 0
COFFEE (per cwt.)—		
Santos sup. c. & f.	31 0	31 6
Rica, medium to good	72 0	70 0
Kenya, medium	52 0	54 0
EGGS (per 120)—		
English (15-15 1/2 lb.)	10 3	10 3
Danish (15 1/2 lb.)	10 9	10 9
FRUIT—		
Oranges, Valencia (Bloods), 12 cases I-II	9 0	13 0
" Jaffa	8 0	7 0
Lemons, Naples	15 0	12 0
" Sicilian	10 3	11 6
Apples, S. African (var.) barrels	8 6	8 6
" Australian	8 0	8 0
Grapes, S. Africa	15 9	14 9
Grapefruit, Jaffa	3 6	3 3
" Californian	10 3	10 9
Pears, Australian	9 0	9 0
LARD (per cwt.)—		
Irish, finest bladders	50 0	50 0
U.S.	58 0	58 0
PEPPER (per lb.)—		
Black Lampong (in Bond)	0 2 1/2	0 2 1/2
White Muntok (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	7 0	6 6
Wisbech	8 0	7 0
SUGAR (per ton)—		
Centrifugals, 96% prpt. shipm.	130 0	100 0
c.i.f. U.K./Cont.	8 4 1/2	8 3 3/4
Refined London	23 9	23 9
Yellow Crystals	28 3	28 3
Cubes	28 9	28 9

	May 10, 1939	May 17, 1939
Wool, Southdown, greasy	12 1/2	12 1/2
English, Lincoln hog, washed	12 1/2	12 1/2
Queensland, scd. super combg.	21 1/2	22 1/2
N.S.W. greasy, super combg.	12 1/2	13 1/2
N.Z., greasy, half-bred 50-56	12 1/2	12 1/2
" Crossbred 40-44	11 1/2	10 1/2
Wool, Merinos 70's average	26	26
" 64's	24	24 1/2
Crossbred 48's	16 1/2	16 1/2
" 46's	16	16
MINERALS		
COAL (per ton)—		
Welsh, best Admiralty	19 6	19 6
Durham, best gas, f.o.b. Tyne	22 0	22 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	42 1/3	41 0 0
Three months	42 2/6	41 1/3
Tin—		
Standard cash	225 10 0	225 5 0
Three months	226 0 0	225 10 0
Lead, soft foreign—		
Cash	14 12 6	14 7 6
English, pig	14 13 9	14 8 9
Spelter, G.O.B.—		
Spot	13 15 0	13 8 9
Aluminium, ingots and bars	13 15 0	13 11 3
" rolling billets	102 0 0	102 0 0
Nickel, home and export	180 0 0	180 0 0
Antimony, Chinese	52 0 0	52 0 0
Wolfram, Chinese	53 0 0	53 0 0
Platinum, refined	5 0 0	5 0 0
Quicksilver	7 10 0	7 10 0

* Weeks ended May 4th and May 11th.

† 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.

	May 10, 1939	May 17, 1939
GOLD, per fine ounce	148 5 1/2	148 5 1/2
SILVER (per ounce)—		
Cash	1 8 1/2	1 8 1/2

MISCELLANEOUS

	May 10, 1939	May 17, 1939
CEMENT, best Eng. Portland, d/d site, London area in paper bags 20 to ton (free, non-returnable)—4-ton loads and upwards	42s. per ton	
CHEMICALS—		
Acid, citric, per lb., less 5% ...	s. d. s. d.	s

Special Statistics

OVERSEAS TRADE RETURNS

IMPORTS (Value C.I.F.)

	Month ended April 30		Four months ended April 30	
	1938	1939	1938	1939
I.—Food, Drink and Tobacco—				
A. Grain and Flour	5,652,253	4,167,372	26,150,096	19,348,836
B. Feeding-stuffs for Animals	883,866	843,731	3,918,519	3,644,026
C. Animals, Living, for Food	452,107	659,331	2,128,831	2,946,142
D. Meat	7,456,665	7,425,768	29,992,712	29,780,023
E. Dairy Produce	6,335,887	5,482,089	25,790,990	24,266,670
F. Fresh Fruit and Vegetables	3,285,655	3,784,324	12,795,023	13,007,833
G. Beverages and Cocoa Preparations	3,158,556	2,779,500	13,855,029	13,571,610
H. Other Food	3,650,048	4,386,823	16,067,354	18,501,114
I. Tobacco	1,037,386	767,963	7,429,809	5,547,053
Total, Class I	32,112,423	30,296,901	138,131,363	130,613,309
II.—Raw Materials and Articles Mainly Unmanufactured—				
A. Coal	923	835	5,330	4,617
B. Other Non-Metalliferous Mining and Quarry Products and the like...	386,133	399,636	1,576,797	1,457,531
C. Iron Ore and Scrap	1,126,377	627,152	6,193,017	2,030,470
D. Non-Ferrous Metalliferous Ores and Scrap	1,535,855	1,229,725	6,054,089	5,262,485
E. Wood and Timber	1,902,503	1,788,569	9,522,919	8,269,346
F. Raw Cotton and Cotton Waste	2,627,479	2,141,334	12,579,773	8,728,016
G. Wool, Raw and Waste, and Woollen Rags	5,017,634	4,954,955	17,633,991	19,206,443
H. Silk, Raw, Knobs and Noils	153,077	130,242	937,607	567,183
I. Other Textile Materials	878,891	1,384,548	4,868,136	5,172,783
J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	3,316,922	3,329,278	12,206,903	10,424,574
K. Hides and Skins, Undressed	1,422,101	1,219,077	7,657,440	6,387,751
L. Paper-making Materials	1,421,318	1,103,956	6,091,523	4,415,668
M. Rubber	997,711	555,145	4,825,256	2,651,130
N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	715,804	669,548	3,411,693	3,014,085
Total, Class II	21,502,728	19,534,000	93,566,474	77,592,082
III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel	1,039	203	2,651	2,625
B. Pottery, Glass, Abrasives, etc.	624,705	510,658	2,477,144	2,076,100
C. Iron and Steel and Manufactures thereof	708,213	989,288	8,378,569	3,993,022
D. Non-Ferrous Metals and Manufactures thereof	3,782,788	3,139,540	13,595,212	12,327,938
E. Cutlery, Hardware, Implements and Instruments	568,051	547,840	2,362,465	2,140,793
F. Electrical Goods and Apparatus	223,654	231,846	1,000,958	895,653
G. Machinery	1,823,712	2,140,952	7,942,852	8,075,585
H. Manufactures of Wood and Timber	459,597	417,097	2,182,199	1,859,848
I. Cotton Yarns and Manufactures	264,841	234,703	1,119,908	1,008,434
J. Woollen and Worsted Yarns and Manufactures	283,140	375,096	1,282,521	1,467,541
K. Silk Yarns and Manufactures	350,964	347,457	1,765,926	1,699,999
L. Manufactures of other Textile Materials	406,297	544,863	1,548,865	1,727,861
M. Apparel	792,461	646,771	3,226,103	2,754,774
N. Footwear	275,248	317,155	1,060,698	1,160,966
O. Chemicals, Drugs, Dyes and Colours	969,972	1,322,455	4,125,541	4,911,882
P. Oils, Fats and Resins, Manufactured	4,353,557	3,794,019	16,222,630	14,968,217
Q. Leather and Manufactures thereof	495,255	651,646	2,132,352	2,477,307
R. Paper, Cardboard, etc.	1,062,661	1,123,833	5,182,737	4,521,048
S. Vehicles (including Locomotives, Ships and Aircraft)	279,380	320,654	1,948,641	1,783,276
T. Rubber Manufactures	65,492	74,193	265,330	278,884
U. Miscellaneous Articles wholly or mainly Manufactured	1,897,030	1,958,925	6,995,636	7,403,215
Total, Class III	19,688,057	19,689,194	84,819,138	77,434,968
IV.—Animals, not for Food	212,798	166,761	903,639	959,547
V.—Parcel Post	191,223	397,933	1,131,703	1,661,672
Total	73,707,221	70,044,789	310,552,317	288,261,578

EXPORTS OF PRODUCE AND MANUFACTURES OF THE UNITED KINGDOM (Value F.O.B.)

	Month ended April 30		Four months ended April 30	
	1938	1939	1938	1939
I.—Food, Drink and Tobacco—				
A. Grain and Flour	131,562	109,657	566,618	478,078
B. Feeding-stuffs for Animals	96,037	53,520	275,025	264,033
C. Animals, Living, for Food	136	1,267	790	5,696
D. Meat	85,014	105,572	355,941	457,914
E. Dairy Produce	91,115	94,565	315,133	318,817
F. Fresh Fruit and Vegetables	10,589	10,673	72,134	91,006
G. Beverages and Cocoa Preparations	799,107	854,176	4,237,618	4,288,436
H. Other Food	756,689	854,883	3,483,291	3,701,371
I. Tobacco	397,941	349,003	1,646,037	1,571,368
Total, Class I	2,368,190	2,433,316	10,952,587	11,179,719
II.—Raw Materials and Articles Mainly Unmanufactured—				
A. Coal	2,840,142	2,723,222	11,671,926	11,144,497
B. Other Non-Metalliferous Mining and Quarry Products and the like...	76,166	115,729	318,732	378,646
C. Iron Ore and Scrap	41,441	31,067	98,257	227,720
D. Non-Ferrous Metalliferous Ores and Scrap	181,093	164,997	809,341	680,583
E. Wood and Timber	6,589	4,251	27,124	25,796
F. Raw Cotton and Cotton Waste	49,479	42,996	172,334	184,809
G. Wool, Raw and Waste, and Woollen Rags	488,482	346,460	1,983,435	2,016,117
H. Silk, Raw, Knobs and Noils	50,627	115,974	114,337	452,061
I. Other Textile Materials	27,165	24,054	102,727	76,752
J. Seeds, Nuts for Oil, Oils, Fats, Resins and Gums	268,462	175,241	1,081,805	781,213
K. Hides and Skins, Undressed	88,433	73,884	472,742	438,735
L. Paper-making Materials	100,644	86,076	412,964	398,097
M. Rubber	22,683	17,046	84,163	77,065
N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	240,063	231,192	979,644	1,007,473
Total, Class II	4,481,469	4,152,189	18,329,531	17,889,566
III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel	150,784	196,346	1,129,327	1,136,147
B. Pottery, Glass, Abrasives, etc.	821,014	759,197	3,098,574	2,917,386
C. Iron and Steel and Manufactures thereof	3,709,008	2,955,662	15,265,337	11,546,208
D. Non-Ferrous Metals and Manufactures thereof	901,713	1,056,026	3,987,079	4,776,815
E. Cutlery, Hardware, Implements and Instruments	766,027	710,410	3,031,447	2,896,531
F. Electrical Goods and Apparatus	1,050,906	922,705	4,610,347	4,139,256
G. Machinery	4,897,490	4,187,984	19,604,104	18,382,651
H. Manufactures of Wood and Timber	92,577	104,738	376,198	379,411
I. Cotton Yarns and Manufactures	4,110,718	3,682,951	18,252,616	16,237,923
J. Woollen and Worsted Yarns and Manufactures	1,836,335	1,911,120	9,828,267	9,761,510
K. Silk Yarns and Manufactures	436,604	408,046	2,020,107	1,814,029
L. Manufactures of other Textile Materials	876,387	918,519	3,729,129	3,746,164
M. Apparel	600,137	634,306	3,059,711	3,068,744
N. Footwear	145,901	138,084	682,015	572,413
O. Chemicals, Drugs, Dyes and Colours	1,833,351	1,814,767	7,403,974	7,357,663
P. Oils, Fats and Resins, Manufactured	377,289	395,651	1,790,013	1,618,936
Q. Leather and Manufactures thereof	288,642	330,178	1,207,815	1,426,571
R. Paper, Cardboard, etc.	528,437	574,389	2,366,818	2,205,477
S. Vehicles (including Locomotives, Ships and Aircraft)	3,488,517	3,287,991	14,022,601	16,769,888
T. Rubber Manufactures	150,668	115,271	526,023	499,346
U. Miscellaneous Articles wholly or mainly Manufactured	2,281,639	2,325,294	9,208,542	9,694,020
Total, Class III	29,346,144	27,429,635	125,200,044	120,937,089
IV.—Animals, not for Food	58,109	51,445	199,223	213,944
V.—Parcel Post	1,012,395	1,082,106	3,454,323	4,030,366
Total	37,264,307	35,148,691	156,135,710	154,250,668

OIL OUTPUTS

Trinidad Petroleum Development Company, Ltd.—Output for week ended May 13, 1939, 57,685 barrels.

British Controlled Oilfields, Ltd.—Total output week ended May 13, 1939,

19,188 barrels; total output April, 1939, 76,377 barrels; total shipments for April, 1939, 39,258 barrels.

Dacia Romana Petroleum Syndicate, Ltd.—Gross output, April, 1939: Dacia,

1,902 tons; Perimeter X, 2,376 tons; Starnaphta, 558 tons.

Venezuelan Oil Concessions, Ltd.—Total output week ended May 13, 1939, was 1,269,288 barrels.

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MONTHLY TRADE SUPPLEMENT

Agreement in Sight

THE Prime Minister's statement in the House of Commons on Wednesday can only mean that the long-awaited Anglo-Russian agreement is now in sight. Pending the promised announcement of the terms after Whitsun, we are unlikely to hear more details; but we already know, and have known for weeks and months past, that the details are of relatively little importance compared with the broad fact of achievement. With Russia, France and Great Britain agreed to present a common front against attacks upon any of their own number or any of the smaller European countries upon whom the first blow might descend, the aggressor will be made aware that he is now confronted with too great a combination of force for him to move with any prospect of success.

The reasons for the Government's long procrastination, now happily brought practically to an end, will probably remain obscure. We have the impression that the Polish and Roumanian misgivings, which have been hinted at in British official quarters, are a once genuine obstacle which has latterly become little more than a pretext, as Polish and Roumanian coldness and suspicion towards Russia have melted under the heat-rays of German menaces. On the British side, there has perhaps been some reluctance to alienate Franco Spain or to exacerbate Nazi Germany further by too close a contract with the Soviets; but a principal cause of delay may well have been an innate repugnance, in Conservative circles, to making an infrangible

agreement with a Communist Power. On the Russian side there has certainly been suspicion, too, and doubts about the unreserved determination of the makers of the Munich Agreement to stand firm now; and in spirit and psychology the Kremlin is very much further away from London than its physical distance of 1,500 miles.

It is to be hoped that this chapter of history can now be regarded as closed; for the obstacles, whatever they may have been, do appear now at last to have been set aside. This great and welcome change may be put down to three causes: the personal conviction of Lord Halifax that the agreement must be clinched at once; the active mediation of the French Government; and the rising pressure of British opinion, expressed in all sections of the Press and lately even on the Conservative back benches.

Mr Chamberlain's announcement is all the more satisfactory when read in the light of the statements, made Geneva on Tuesday, by Lord Halifax and M. Bonnet. By Foreign Ministers made what was, in effect, a public cantation of the policy of opportunism which has substituted for the policy of collective security by France and British statesmanship since the date of the Hoare Plan. The contention that the collective policy is tactically idealistic and the opportunistic policy realistic has been disposed of by the events in Anglo-

glad to accept it gratefully now that it has been uttered at last. Everything, said Lord Halifax, that the British Government have done since Germany's seizure of Czechoslovakia is in strict conformity with the spirit of the League Covenant.

The Government hold no less strongly than they have ever done to the ideals of international collaboration of which the League has been, and is, the symbol.

And "the purpose, in loyalty to which the League was founded, can never die."

The truth is that, even if the Peace Front is now consolidated by the conclusion of an Anglo-Russian pact, only the immediate and the negative part of our task will have been accomplished. When we have built our dyke against the waves, we shall still have to calm the troubled waters of European life. Our improvised co-operation for defence will not avail to save us from ultimate disaster unless we make full use of any respite that we may gain in order to build up a permanent association of the European peoples for living and working together in peace. To-day, said M. Bonnet at Geneva, the nations find themselves confronting the alternatives of domination or collaboration. The present danger is that Europe may be united politically by the intolerable method of Nazi domination; we are making ready to prevent that. But it is collaboration between the nations that we are really seeking. The war of 1914-18, did not, after all, teach us our lesson; now, when, little more than twenty years after the last armistice, we find ourselves in imminent danger of being overtaken by another war of a far more appalling character, no one can fail to realise that, under the new technical and psycho-

logical conditions of to-day, the old Europe is no longer viable. It is impossible any longer for Europeans to go on living, as they have lived for the past 400 years, divided absolutely in allegiance between some twenty local sovereign States which acknowledge no obligations and tolerate no curb upon their independence.

The only open question now is the way in which the necessary political co-ordination of Europe can be brought about, and the choice lies between the dictators' way and ours. The dictators' way is, in Signor Mussolini's latest words, for the Rome-Berlin Axis to "impose" peace. The way of the rest of Europe is, or ought to be, a collective system in which no country is to be subjected to any other country and no country is to be excluded, against its will, from participation. Between these two present alternatives, no good European can hesitate. The Italo-German way of unification means a peace-by-domination that would be intolerable to all but a small minority of Europeans. It could not last, and the accomplishment of the Anglo-Russian agreement may make the Hitler-Mussolini plan no longer practical politics. But the only conclusive way of putting out of court a bad solution of a pressing problem is to put a good solution in its place. As soon as the Anglo-Russian pact has been completed, we must consolidate the whole of the Peace Front into a real unity of European States, with much more than preparedness against aggression as their common task, and with places ready and open for Italy and Germany as soon as they are in the mood to enter. Here would be a solution without either victors or vanquished, masters or subjects; and this is the only line along which Europe can hope to find lasting salvation.

Prescription for Transport

IT is the modern practice for ailing industries to write their own prescriptions for recovery, and the report of the Transport Advisory Council on the "Square Deal" proposals of the main line railways could, without disrespect, be included within this category. The Council is not a body of disinterested assessors, weighing expert evidence; it is itself composed of transport experts and transport users. But in this prescription, the "second opinion" has qualified the recommended treatment. At an early stage in its deliberations the Council arranged for the railway representatives to enter into parallel discussions with trading and other transport interests to ascertain what measure of agreement could be reached. Its report (summarised on page 482) in large measure adopts the agreements which were actually reached.

The railways may regard the Council's findings as a vindication of their "Square Deal" claim. After considering the various bilateral agreements the Council concludes that

in existing circumstances a material relaxation of the present statutory control of charges is necessary to assist the railway companies in overcoming the difficulties which they claim to arise from that control and to establish conditions which in their view and that of other transport interests will provide a favourable approach to the ultimate objective of co-ordination.

This recommendation is followed by legislation—and the Minister of Transport's announcement on Wednesday that the Government has accepted it in principle—marks the end of the standard charges and classification by the Act of 1921, with the associated regulations for exceptional rates and agreed charges, equality of the standard revenue provisions. In this sense the "campaign" has been won. But it has been won for the railways' original claim was for rates and

transport. The report also introduces the overriding safeguard that any Act embodying its recommendations should be limited to five years, or a shorter period if a suitable degree of co-ordination can be effected. Five years, it would seem, will be none too long to achieve real co-ordination.

Uneasiness at the prospect of giving the railways unlimited charging powers was inevitable, after a century of restriction. Hence, new machinery has been proposed. Charges must be "reasonable" and the decision will lie with a tribunal which will take into account the public interest, variations in costs, alternative facilities, the financial position of the parties concerned, and charges made to a trader's competitors for the same services. Thus the railway companies will no longer be able to plead a shortfall of revenue below standard revenue in justification of any increase in rates. Regular conferences between the railways and trading organisations to discuss charges may provide a measure of agreement on charges. But, as the Council repeatedly emphasises, their success depends upon the exertion of the greatest goodwill. Even in discussions of principle, differences have arisen with the coal industry and with traders, on the question of publication. Agreement on charges will be no easier matter. Failing agreement, the railways may give one month's notice of any proposed increase and introduce it after this period. If, on appeal, the Tribunal fixes a lower charge, the differences must be repaid to the traders.

Thus the safeguards relating to charges comprise, first, the possibility of amicable agreement, and secondly, the right of appeal on the ground of "reasonableness." This does not mean that charges for identical services will necessarily be identical to all parties. And, since the further safeguard on this point is the publication of charges—on which the Council has declined to make explicit recommendations—importance attaches to the statement that the railways intend "to make their charges known on

appropriate commercial lines to all interested parties." That is the immediate protection against unfair discrimination between different transport users, though its interpretation depends upon the scope of the words "appropriate commercial lines."

These safeguards go far to allay natural uneasiness that the railways should be granted complete absolution from control. Their effectiveness will depend, in large measure, on the strength of the organisations representing the trader's interest. Their operation, however, will be determined by the speed at which the entire transport industry moves towards "the ultimate objective of co-ordination." Co-ordination is a blessed word. Among its manifold meanings, at least two almost contradictory ones can be distinguished. Co-ordination may mean such an organisation of transport that traffic always moves by the route and on the system which involve the smallest social cost; in this sense it would involve a decision that certain types of traffic are suitable for the rail and others for the road, and it would take away the more costly varieties of the trader's present freedom of choice. Or it may mean that the present competitors strike a bargain with the object not so much of maximising their joint efficiency as of stabilising their present positions. In this meaning of the word, the existing alternative and competing services would be left in existence, but they would merely cease to undercut each other.

The present proposals have elements of both conceptions. But since they are based on a road-rail agreement it is inevitable that they lean to the second meaning of co-ordination. Possibly, by a scheme of differential charges, traffic may be directed to the system best fitted to handle it. It will be interesting to see, in five years' time, how much progress has been made on these lines.

For the road haulage industry, the new proposals will involve considerable changes. It will not be possible to make agreements on rates with the railways unless the industry has some plenipotentiary negotiating body and unless the agreements, when made, can be enforced. A much greater degree of uniformity among the present large number of independent operators will thus be necessary and, as in the passenger branch, uniformity and regulation will almost inevitably lead to amalgamation. The larger road hauliers have clearly a lot to gain from an alliance with the railways, and the net result of the proposals may well be to restore the transport monopoly of the century in the form of a road-rail condominium.

For the railways, the fruits of the "Square Deal" will clearly be of a long-term order. In fact, the area over which they may be able to gain (though, in all probability, they will have to share that gain with the road hauliers) is limited to the higher classifications, where road competition has eroded the traffic offering to the railways. If neither side is in a position to offer large concessions to the other, the conclusion suggests itself that the transport user will have to meet a bigger bill. But while the roads may pursue their own rates policy, subject to agreement with the railways, only the railways may be compelled to justify their part of the bargain before the Tribunal. Moreover, the problem of heavy traffic on which, in principle, increased rates could be imposed, will still remain. The inability of the railways to reach agreement with the coal industry is symptomatic of the difficulty of contemplating changes in a rates structure for heavy goods on the basis of which the industrial organisation of the country has been built up. Heavy industry is tied to the railways, but the railways would hardly be wise in trying to make the traffic bear significantly higher charges.

The interim period provided by the "Square Deal" Report, however, may show whether the more remunerative traffic can be shared to better advantage with the road hauliers, so that the railways may make up the growing deficiency on heavy goods. The period may be too short to reveal any decisive result. Perhaps, when it has elapsed, more fundamental treatment may be needed. It may be that the tentative methods of negotiation which have arisen from the recent discussions will not function, even with the exercise of the greatest goodwill on all sides. Time will be needed to sketch even the outline of a co-ordinated rates structure for rail and road. Meanwhile, the transport user will enjoy safeguards, explicitly on the rail side and by implication on the road side. Out of this web of bilateral understandings a co-ordinated system of transport may emerge. But the reflection cannot be suppressed that it would emerge more quickly if full community of financial interest existed between rail and road. The ultimate problem is to ensure that transport pays its way, and offers a reasonable return upon its capital. Both of the principal partners would have difficulty in defining precisely what their capital investment is. But, so far as the transport user is concerned, it is fair neither to ignore the social investment in our highways nor to refuse to consider whether economic changes have rendered some part of past capital investment in the railways redundant.

The Other India

THE question whether Germany's old colonies should be kept or given back is an issue in world politics and strategy. The real colonial problem is very different: it is one of administration and economic development, not primarily of sovereignty. A century and a quarter ago, Britain did give back colonies taken in war; but the importance of the Dutch East Indies to-day does not lie mainly in the fact that they are owned by Holland and not by Britain, but in the way in which their sixty-odd million inhabitants are governed and the means that have been used to exploit their island riches.

Netherlands India, with its string of islands stretching from Sumatra, Java and Borneo through the Celebes and Moluccas to Dutch New Guinea, will bear comparison with our own mainland Empire. It mirrors the same problems of the relations in ruling between Europeans and natives; and there has been the same push-and-pull between the interests of native cultivators and Western traders and capitalists. Exporting 80 per cent. of the world's exports of pepper and 38 per cent. of the world's exports of rubber and 30 per cent. of the world's exports of coconut palm

products, and rich in petroleum, oil-seeds, vegetable oils, coffee, sugar, tea and tobacco, Netherlands India is a key country in the balance of world economic power (as the diagrams on page 522 show). Its protection against marauders is as important to the British in Singapore and Australia as it is to the Dutch in Batavia and at the Hague.

The Dutch Indian Empire, like the British, grew without design out of the exigencies of commerce; and its story for the last three and a half centuries has at last been admirably told by an English author.* For two hundred years, up to 1800, it was a trading company which flew the Dutch flag in the islands, and it was the profits of trade that they sought, not territorial sovereignty. Only in Java itself, in the pale around Batavia, did they take over territory. When the Dutch monarchy took over control in 1815, the colonies became a State business concern. Produce was paid to the administration in lieu of taxes: there was enforced planting of indigo, sugar and coffee.

But the Crown farm failed. Exports rose sixfold between

* Netherlands India. By J. S. Furnival. Cambridge University Press. 502 pages. 25s.

1830 and 1840, but they then stagnated. In Holland the middle-class became critical from 1850 and called for Parliamentary control, and *laissez faire*. It was in 1870 that the door was fully opened to private traders. And it was now made possible for capitalists to hire land from natives on lease for planting, though actual alienation of the State lands subject to customary native rights was still forbidden.

The dawn of the twentieth century saw in Holland, as in other European countries, a new Imperialism. Parliament's attention turned to the Outer Provinces, where the Dutch still held little more than an option with guards to keep trespassers away—even to-day two-thirds of the Netherlands Indian population is in Java and Madura, which is one-fifteenth of the area. In the rising industrial Europe and America there was need for raw materials as well as Java's staple foodstuffs; and there was oil in Sumatra and Borneo. And native welfare was now an aim.

The Netherlands India we know to-day is built upon the trials and errors of the nineteenth century. But it has been mainly made since 1900. A generation ago the colonies were ruled by

a Governor-General under Parliament's instructions, and he had a Council to advise him and a Civil Service, with native and European branches. Rule was direct through Dutch governors in the State territories free of native rights; and indirect through native rulers in the State lands subject to native custom. The principle was the dual one that like should

rule over like, but it was an arbitrary system, and Dutch officials had the last word everywhere. The new Imperialism and a new Nationalism dictated changes. The main structure of Indian government was retained, but local councils of Europeans and natives were set up with advisory powers in 1903; and in 1918 the first representative Parliament, or *Volksraad*, for central Indian affairs, was created.

Simultaneously, an economic transformation took place. The expansion was enormous: sugar production rose fourfold and tea tenfold between 1900 and 1930; agricultural exports rose sevenfold; and only between 1915 and 1930 rubber output was multiplied ten times. Between 1900 and 1930, too, tin production was doubled, coal production was raised ninefold and oil output was brought from 360,000 tons to 5½ million tons. It was a rich new seam that was struck, and, while the population of Java and Madura rose from 19.8 millions in 1880 to 41.7 millions in 1930, that of the Outer Provinces climbed from 7.6 millions in 1905 to 19 millions in 1930. The number of Europeans rose sixfold in fifty years and the number of Chinese was quadrupled in the same half-century. Foreign capital flooded in as well; and in 1929 over a quarter of

all capital in Javan and Sumatran agriculture, and more than two-fifths in crops other than sugar, was foreign. Total international capital in Netherlands India was 4,000 million florins, and over a quarter of it was invested in oil.

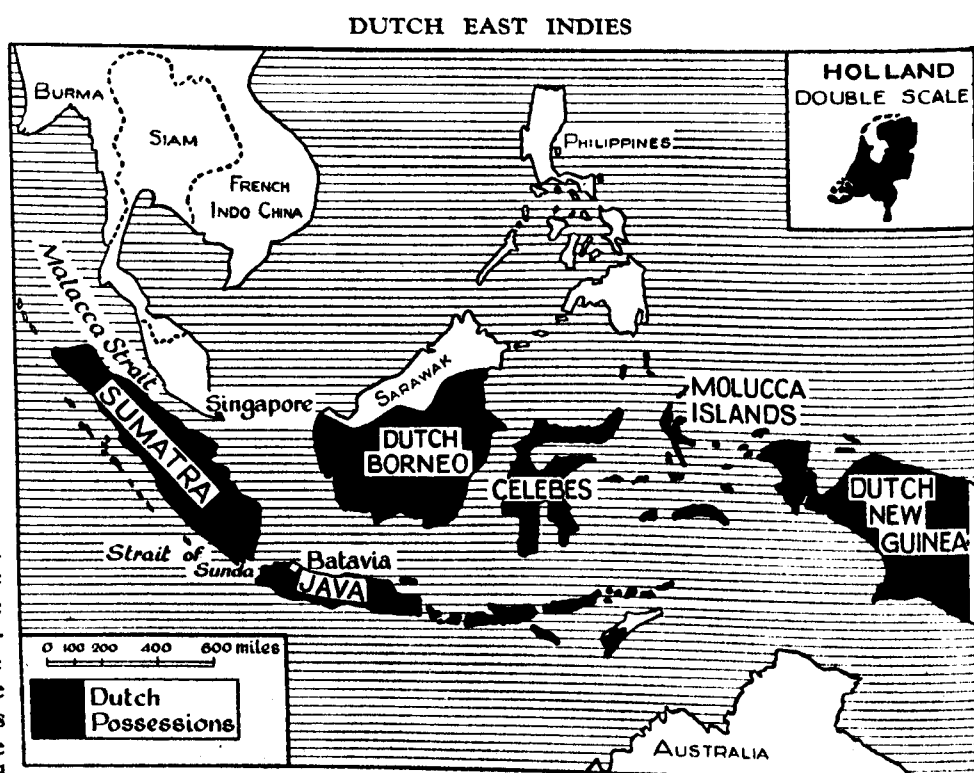
Netherlands India to-day thus presents a composite picture. Side by side with crowded long-developed Java there are the rich and newly developed Outer Provinces: minerals and raw materials of all sorts now supplement foodstuffs and spices in the balance of the colonies' trade. In 1937 of exports valued at 951 million guilders, rubber accounted for 298 millions, petroleum products for 16 millions, oil seeds and vegetable oils for 105 millions, tin for 84 millions, sugar for 51 millions, tea for 49 millions and tobacco for 41 millions. Side by side, too, there are three peoples: the Europeans, numbering about 50 per 1,000 natives in Java and 30 per 1,000 elsewhere, and strikingly evenly dispersed among production, industry, transport, commerce, the professions, public administration and the army and police; six times as many Chinese concentrated in commerce as merchants and shopkeepers and

in the plantations and factories as coolies; and nearly 60 million natives overwhelmingly dependent upon agriculture and mining.

The balance of peoples, production and occupations is not an easy one. "For the last twenty-five years, over this densely populated country, has swept a wave of colonisation such as it never experienced before; and at the

same time all kinds of nationalist waves are rolling in higher and faster"; and the crisis of 1929, which reduced the annual value of exports between 1931 and 1934 to one-fifth of the 1925 level, not only drove the Government to restrict the export and output of staple products, but also led to schemes for industrialisation to lessen dependence on world prices and to counter swiftly advancing Japanese penetration. Politically and economically Netherlands India is at a cross-roads. "India must now learn to manage her own affairs" is the official view, but the new Constitution of 1927 has failed to meet Liberal and Nationalist claims.

It is probably the wisdom of the Dutch official on the spot that has most marked Holland's rule in the East in the past. The burden is heavy: the islands are passing through something like a social and industrial revolution; and both in Java and in Holland itself Imperial defence has suddenly become a matter of immediate moment. Holland's record in colonial administration and development is at least no worse than that of other countries; in many ways it is better. But the need to defend her Empire has not arisen for more than a hundred years.



Cricket's Financial Problem

THERE is a crisis in cricket. Even the keenest admirers of the game fear that the time may not be far off when the values in English life which this dignified recreation so uniquely represents, with all its pleasant incidental characteristics, will have disappeared in the unthinking scurry of the present search for more facile amusements. The financial difficulties of many first-class cricket clubs are well known; and there are growing suspicions of faults in the game itself. This is no place to assess the status of cricket as a game or as an institution. But the expression of its *malaise* is economic: and some attempt to diagnose the precise nature of the present trouble in terms of pounds shillings and pence might not be out of order. Some of the existing troubles are beyond control, such as the English climate and the existence of amusements alternative to cricket; they are important, but hardly remediable by policy. Where cricket competes with other games it must stand or fall on its own merits. Nor is it likely that there is much to be gained by an attempt to convert the devotees of, say, dirt-track racing to cricket by transforming it into a raree-show with faster and more spectacular methods.

Two groups of difficulties remain: those directly connected with finance, and those which arise out of the nature of the game itself and express themselves in monotonous high scoring, undue caution and lack of enterprise—in a word, in bad cricket. If the rules are found to be faulty they can be altered: recent years have seen a modification of the leg-before-wicket rule and an experimental introduction of the eight-ball over; and the deficiencies which persist, such as those associated with over-perfect pitches and "timeless" Test Matches, can readily be cured by a process of trial and error. At bottom these technical questions, too, are economic: pitches are prepared to last a long time without wear because county secretaries want to make sure of three days' play and three days' gate money. That their calculations are probably unsound is shown by the sorry state of their balance sheets. It is quality not quantity that spectators want in their cricket, and it is the rehabilitation of good cricket according to the highest standards of the heroes of the past and the best players of the present that should be the best selling line. The game is as popular actually and potentially as ever it was. Hundreds of thousands of people play cricket regularly; and literally millions read about it. The Club Cricket Conference which co-ordinates the activities of many of the rank and file clubs had nearly 1,400 clubs affiliated to it in 1938, 1,205 being in the Home Counties. In South Lancashire and the West Riding of Yorkshire 180 to 200 teams play in 12 leagues, which are run on lines akin to the Association football leagues. And Test Matches are events of national importance. Demand is not lacking, but the game's entrepreneurs have failed to adapt their organisation and methods of finance to changing times.

Test Matches apart, the best standards of English cricket are set and maintained by the seventeen first-class counties. The matches played by these seventeen clubs produced £73,000 in gate receipts in 1937 and £115,000 in 1938. Cricket paid £20,000 in entertainment tax in 1937-38, as against £450,000 for football, £250,000 for horse-racing and £270,000 for other racing. These figures plainly indicate that the problem is a small one in absolute terms. But small concerns work on small margins and stand or fall by their revenue and expenditure position. That position in the case of the English county cricket clubs is unstable in the extreme. (The estimates in the next column are based on the accounts of fourteen out of the seventeen clubs.) The increase in revenue between 1937 and 1938 was due chiefly to a rise in gate receipts (for which the visit of

REVENUE AND EXPENDITURE OF SEVENTEEN COUNTY CRICKET CLUBS, 1937-38

	1937	1938
Revenue	160,000	244,000
Expenditure	169,000	221,000
Profit or loss	- 9,000	+ 23,000

an Australian team was largely responsible) from about £73,000 to £115,000. In 1938 gate receipts represented 47 per cent. of total revenue; a further 29 per cent. came from members' subscriptions; and most of the remaining 24 per cent. consisted of the share accruing to the counties from the profits of the M.C.C. tour in Australia in 1936-37 and the Australian tour in England in 1938. It is the proceeds from these tours which, in the case of the weaker county clubs, often make the difference between profit and loss on an ordinary year's working. Thus, in 1938 Gloucestershire made a profit of £648, largely as a result of the £446 received from the profits of Australian matches. Again, Kent turned a loss of £1,819 in 1937 into a profit of £2,003 last year, partly as a result of a grant of £2,009 from the same source. In fact, the finances of county cricket depend almost entirely for their final appearance on the profits of Anglo-Australian Test Matches.

Present expenditure cannot be cut, so new sources of revenue are required. This entails an advance on a wide front. In the first place, better cricket means better gates; natural pitches and play truer to Edwardian traditions might do something here, though on balance the game is sound enough as it is. In the second place, more might be done to swell the sums taken from club members in subscriptions. But still there might remain the need for new sources of income. The M.C.C. commission of enquiry recommended that a County Cricket Fund should be built up out of the profits of Test Matches now going to the county clubs. The suggestion received little support, since it would entail starving the straitened smaller county clubs, and might even lead to the collapse of some—though there is a body of opinion inside the game which holds that the number of first-class counties is already too large and that for the good of the game the number should be cut down to what it was before the war.

Yet the M.C.C.'s recommendation did contain the germ of an idea which might be the means of saving the situation. Such a centralised fund might indeed be set up, but there is no reason why it should depend on the profits of Test Matches. There are other sources that might be tapped. The number of rich men sufficiently interested in cricket to spend large sums of money on it is probably smaller now than it used to be, but there are still enough of them to provide the nucleus for an endowment fund. Their efforts could be supplemented by bequests, and in a host of ways it might be possible to capitalise the goodwill towards the game which exists among its regular following of leisured and retired people, its occasional following of Saturday and half-holiday enthusiasts, and the millions to whom the cricket reports are so pleasant a daily feature of the newspapers in summer time.

This is but one suggestion for stabilising the game's finances. The endowment method may seem fantastic, but at least it symbolises two facts: first, that cricket is our national game and has perhaps some claim to look to national sentiment and esteem for its survival; and secondly, and more realistically, that cricket needs money even if it has to go cap in hand to get it. In the end the acid test is that of the market place, and unless the struggling counties can make both ends meet by some or all of these devices, the time for them to draw stumps for good may be very near. If we want to keep first-class cricket we must be prepared to pay for it.

The "Square Deal" Report

THE following is a summary of the Report of the Transport Advisory Council on the proposals of the main line railway companies regarding the conveyance of merchandise by rail, dated April 4, 1939, and published on May 19, 1939.

Terms of Reference and Proceedings

The Council was instructed by the Minister of Transport, in a letter of December 12, 1938, to consider and report "as expeditiously as possible" on memoranda submitted by the Railway Companies' Association, which proposed:

that the existing statutory regulation of the charges for the conveyance of merchandise traffic by railway, together with the requirements attached thereto, including such matters as classification, publication and undue preference, should be repealed,

and to make recommendations. The Minister expressed the qualified opinion that there was a *prima facie* case for the relaxation of existing regulations provided that due regard was had to the ultimate object of the co-ordination of all forms of transport. (Para. 1.)

The railway companies indicated that they did not seek total abolition of statutory control of charges, and expressed willingness to negotiate with other transport interests for a co-ordinated system of charges and with trade interests to determine suitable safeguards. These negotiations proceeded concurrently with the investigations of the Committee. (Paras. 9-10.)

The railways reported in due course that:—

- (i) they no longer proposed that they should be relieved of their obligations as to the provision of reasonable facilities, or as to through rates or standard conditions of carriage;
- (ii) arrangements should be made for regular periodical meetings between the various trading associations and the railway companies for the discussion of railway rates and charges, trade prices and other matters of common interest; and
- (iii) they should be entitled to make such reasonable charges as they thought fit with a right to traders (failing voluntary agreement) to appeal against the charge made to a Tribunal, such as the Railway Rates Tribunal, on the question of reasonableness. (Para. 11.)

The memoranda embodying the results of the negotiations between the railways and the various transport and trading interests indicated a large measure of agreement, except in the case of the coal industry. (Paras. 12-14.)

Recommendations

The Council emphasises that any Act passed as a result of the Report should be regarded as an emergency measure and be limited in its duration to five years or less. (Para. 15.) The recommendations are set out below:—

1. Agreements with Trading Interests

Principles agreed in consultations between railway companies and trading interests are approved as forming a suitable basis for determining railway charges during the interim period of five years or less. These comprise:—

- (i) setting up of conferences to consider proposals by the railway companies for any general increase of existing charges;
- (ii) failing agreement on such proposals at the appropriate conference, the giving of one month's notice by the railway company(ies) of intention to bring the increase into force and the reference of the matter to a Tribunal for determination;
- (iii) giving of notice by railway companies of increases in individual charges with a right to the trader affected to take them to the appropriate conference and, if necessary, to the Tribunal;
- (iv) right of any trader or body of traders to challenge any charge or to apply for reduced charges before the Tribunal; and
- (v) the basis of the Tribunal's determination in all cases to be the reasonableness of the proposed charge. (Para. 29.)

These proposals are regarded as providing suitable protection for the coal industry also, and hope is expressed that further negotiations will be undertaken between the railway and coal interests. (Para. 31.)

2. Relaxation of existing Statutory Regulations

The main proposals under this head are:—

- (a) *Classification of standard charges* should be repealed. Railways would retain a voluntary system of classification.

- (b) *Exceptional rates and agreed charges* to be repealed.
- (c) *Publication*. No recommendation. Railways are willing "to make charges known on appropriate commercial lines to all interested parties," and have reached agreement with National Farmers' Union and British Iron and Steel Federation, but not with representatives of the traders' interests. Railways are prepared to accept any obligation regarding publication which is applied to all forms of transport.
- (d) *Standard revenue* provisions no longer appropriate to recommendations of Report.
- (e) *Equality of charge and undue preference* provisions to be repealed.
- (f) *Disintegration* provisions to be repealed.
- (g) *Rights of traders to apply to the Tribunal for new or reduced rates or agreed charges*. Existing statutory provisions considered inappropriate, but the right should be retained.
- (h) *Through rates and standard conditions of carriage*. No change.

3. Protection of Trade and Industry

In order to preserve fullest flexibility, proposed periodical conferences between railway companies and trading interests should be set up by Statute. (Para. 35.) In the event of conference failing to agree on proposals of railways for a general increase in existing charges, following procedure to be adopted:—

- (i) Reference to the Railway Rates Tribunal after one month's notice of increase by the companies. The Tribunal to fix reasonable charges after hearing both sides.
- (ii) The increased charges to come into force not less than one month after notice.
- (iii) Proposed increases in individual charges to be notified to traders concerned at least one month before the increases come into force. Traders may refer to the appropriate conference and afterwards to the Tribunal if unable to agree with railways.
- (iv) If rate is fixed lower than railways' charge put into force, difference must be repaid to traders.
- (v) Traders may appeal to the Tribunal for a reduction of charges.
- (vi) In determining the reasonableness of a charge the Tribunal shall consider
 - (a) Whether or not the charge is detrimental to the public interest.
 - (b) Variations in the value of currency.
 - (c) Cost of affording the service(s) in respect of which the charge is made.
 - (d) Existence of any alternative or competitive transport facilities and the charges made for like merchandise by such alternative transport.
 - (e) The effect of the charge on the financial position of the parties concerned, either generally or individually.
 - (f) The charge made to other traders for the carriage of like merchandise if it affects the trader concerned. (Para. 37.)

The Railway Rates Tribunal shall not be permitted to question any increase in railway costs as a result of the grant of improved remuneration or conditions of employment. (Para. 38.)

Protection of Other Transport

The main features of the agreement arrived at between the railway companies and the Liaison Committee on Road Transport Rates are approved. They are:—

1. Save in exceptional circumstances the railways will not during a period of two years after obtaining freedom from rate control raise objection to applications for carriers' licences under the Road and Rail Traffic Act, 1933.
 2. The setting up of a Central Consultative Committee to formulate the principles on which voluntary agreements can be reached for charges for carriage of merchandise traffic by road and rail.
 3. Owing to the large number of operating units in the road haulage industry, adherence to voluntary agreements cannot be relied upon, and must be enforceable. (Paras. 40-49.)
- Paragraphs 51 to 75 of the Report approve the proposals for further agreements between the railways and canals, coastal shipping (tramps and liners) and docks and harbours.

NOTES OF THE WEEK

Recovery and Policy.—It is an unfamiliar prospect that the economic signs foreshadow. It has been generally agreed for some time now that the demands of the Government's vast defence expenditure this year are likely, *inter alia*, to remove at no very distant date the burden of abnormal unemployment which laid heavy on this country even in the remarkable prosperity of two years ago. Now, as *The Economist's* monthly Trade Supplement, published with this issue, describes, the latest reports and statistics show that Britain is already in the midst of a vigorous trade recovery. It is mainly the great increase in Government orders that has brought this year's expected recovery in plain sight before the autumn date which seemed likely earlier this year. The heavy industries, iron, steel and engineering, are working at high and growing pressure; shipbuilding, under the influence of the Government's subsidy plans, is notably active; even the coal industry, chief heir to Britain's post-war *malaise* of maladjustment, is enjoying something like a prosperous period. Nor is the rising tempo of work confined to industries directly affected by the defence drive: revival in textiles, mounting car sales and wide evidence of increased consumers' purchases show that recovery is now progressing on a very wide front. But it is by no means a complete front: in markets sensitive to the troubled international outlook, in branches of trade similarly susceptible, like London's West End retail trade and in some sectors of private investment, there is still doubt and hesitation, engendered by the very fears which have stimulated the general recovery by making higher defence expenditure imperative. And it is only that a rise in prices cannot, in these conditions, be very long delayed. It is also unquestionable that the very vigour of recovery makes urgent and pressing the need for plans by the Government, industry and the trade unions to eke out the nation's resources of plant, goods and labour to the best advantage of national defence. Control and regulation of trade and industry are, admittedly, distasteful, but they cannot now be avoided for long if the defence programme and the Government's borrowing are to be carried through without dislocation, grave bottlenecks and the wastes of inflation. The boom that is apparently ahead is a challenge to preparedness.

A Ministry of Supply.—The Supply Bill was published on Thursday night. It proposes wide compulsory powers for the Minister: to secure priority for Government orders of "articles required for the public interest"; to examine contractors' records; to take over and manage recalcitrant businesses; and to fix prices. The thorny but vital problem of control over labour is left aside. But the full application of the Bill would be a valuable first step forward, though it is perhaps ominous that the Minister's powers are to be limited to Government departments whose supply functions are specifically transferred; the intention to restrict them mainly to Army supplies for the time being is apparently to be adhered to. Nor is it reassuring that the hampering principle of checks and balances is to be retained by making the Minister's exercise of these powers subject to the control of a Ministerial Priority Committee. But the Ministry is wanted at once, and time to deal with the Bill is sadly lacking.

Parliament's Timetable.—The bottlenecks arising from the pressing needs of national defence are not to be found only in industry. There is a bottleneck, too, in the process of Parliamentary legislation. It was only by the rigorous use of the guillotine that the Military Training and Reserve Forces Bills were forced into law before Whit-suntide; and there is a clutter of important measures still

waiting attention or lingering in Committee. The Cotton Industry Bill is making slow progress; the Building Societies Bill is only past its second reading; a Poultry Bill has been published and no more; and the Government are committed to various agricultural and other proposals which still need to be embodied in statutes. Nor is it merely a matter of actual Bills or proposals held up: the recommendations of the Royal Commission on Safety in Mines urgently require legislation; the passing into law of the Square Deal proposals for the railways will be a legislative task of no small magnitude; and somewhere in a dusty Ministerial pigeon-hole there are plans for the re-organisation of electricity distribution. Of more immediate moment there is the promised measure to restrict arms profits and there is the Supply Bill. It is true that Parliament may be able, by stringent self-denial, to work off the major Bills actually in hand before the summer recess. It is impossible for all the legislation begun or contemplated to be duly accomplished; and, in the autumn, there will be a heavy legacy of things undone for the new session—or for the newly-elected Parliament. It does not help that the Government's personnel, never outstandingly able, is by now weary, too. The pressure of Parliamentary business nowadays, even in genuine peace-time conditions, places too heavy a strain on Parliament's inherited procedure of law-making; and the present *impasse* serves to underline the urgent need for more expeditious methods. No sound reasons have ever been advanced why the time of Parliament should not be economised, and legislation speeded up, by the institution of functional Committees to deal concurrently with the details of even important measures. Parliament, no less than the Service Departments needs an efficient machinery of supply.

The White Paper in Palestine.—The White Paper on the future of Palestine was bound to disappoint all parties. We must regard it as so much to the good that, in Palestine and Parliament alike, the inevitable reactions have been not so very violent or distinctive. While the Arabs have shown no enthusiasm for the new plan, and some suspicion that they may be cheated of the benefits which they stand to gain by it ultimately, the Jewish demonstrations and disturbances have subsided, at least for the moment, after having been indulged in for only a single day. At Jerusalem on May 18th, a day of orderly demonstrations ended in a riot in which ten policemen were injured (one of them fatally) and 85 Jews (partly in faction fights among themselves). On Friday the 19th, General Haining, the British officer commanding in Palestine, sent a warning to leaders of representative Jewish

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organisations to let them know that any further violence would be vigorously repressed. The Jewish threat to copy Arab resistance methods is, as we pointed out last week, a logical consequence of the history of Palestine since 1917. In Jewish hands, however, this weapon would be a boomerang, since its use would merely lead to an earlier stoppage of Jewish immigration and to the erection of an independent Palestine in which the only participating "Palestinians" would be Arabs. It is to be hoped that, on second thoughts, the Jews will turn their energies towards getting the most that they can—and it is surely much—out of a self-governing Palestine in which they will have one-third of the numbers and at least two-thirds of the wealth, skill, experience and ability.

* * *

—And in Parliament.—Meanwhile the debate in the House of Commons on Monday and Tuesday has resulted in a Government majority of 100 against the Labour amendment and of 89 in favour of the Government's own policy. At least 110 supporters of the Government must have abstained from voting; it was at once a victory and something like a semi-defeat for the Government—in face of a three-line whip. The policy of the White Paper is likely to be tried because no single Member who opposed it—neither Mr Morrison nor Mr Amery nor Mr Churchill—had any positive alternative to suggest. The abstentions of the Government's own supporters expressed merely chagrin at the bankruptcy of a policy for which the whole House is collectively responsible. Mr MacDonald's speech on Monday had at least the substantial merits of frankness and common sense. He was frank about the origins of the present crisis. "It was born in the tumult of war," when we were bidding for the support of Arabs and Jews alike. He was sensible about the limits of our right and power to coerce the Arabs. Under the mandate we were bound to encourage immigration "under suitable conditions." He did not think that conditions were suitable for immigration at the present time if that immigration, however advantageous it might be in certain other directions, was the direct cause of disturbance and hatred that threatened fatally, for a long time to come, the welfare of Jews and Arabs alike in Palestine. This was a point which none of the Colonial Secretary's critics ventured to take up.

* * *

Mr Chamberlain and the Czechs.—From the difficulties which beset the Czech Government in trying to administer territories over which it has no final authority—that authority being invested in Baron von Neurath, the "Reich Protector"—it is evident that the German Government has small concern to lessen the troubles and humiliations of the people which it now protects. The essential orders (essential from the German point of view) are given by the Army authorities; civil needs can take care of themselves. Alongside the retarding effect which the Protector's office is exercising on the civil government of Bohemia-Moravia, there have lately been domestic worries caused by the Czech Fascist Party, insignificant in everything but its capacity for mischief-making. General Gajda, its leader, who will be remembered as having been a German pawn, is said to have ambitions for the Ministry of the Interior; from the latest reports it would seem that President Hacha has managed to resist this fresh attack on the little dignity that remains to the Czech administration. Meanwhile, in the House of Commons, Mr Chamberlain

has given us good grounds to suspect that he wishes to accord some sort of recognition to the annexation of Bohemia-Moravia. Following on the intention to transfer £5-6,000,000 of Czech gold—held in London on account of the Bank for International Settlements—to which reference is made in our financial columns—Mr Chamberlain's firm refusal to give an assurance that he would not accord recognition without first consulting the House seemed a confirmation that such recognition sooner or later would be given. If it does not mean that, then the refusal was little short of official petulance of the worst kind; while if it really does mean recognition then Mr Chamberlain is reverting to a bad policy which is as inexpedient as it is wrong. There need be no question of the Government riding away from the issue on the plea that we must have consular representation in Prague; if a precedent is required then let us by all means create one. We have the German Government's example in the matter of precedents. When the Germans marched into Prague they woke up not only the inhabitants but the conscience of the civilised world. It may be that one day redress will be made in such a way that recognition will be permissible; the one thing that is certain is that recognition must not and ought not to be made now.

* * *

Poland and Danzig.—The regrettable incident of last week-end, in which a Polish frontier guard shot and killed a citizen of Danzig after his Customs post had been raided by a number of Nazis, has passed off without more serious repercussions than the Press comments customary to such an occasion. The German account of the affair was so improbable as to evoke memories of Czech "atrocities" last September and an anxiety that this might foreshadow raids on a bigger scale and martyrdoms even more magnificent. If the Danzig Nazis have since drawn in their horns, it is presumably at the command of Berlin; the Polish protest which asked for preventive measures, an inquiry, compensation, and a statement of guarantees that the Danzig Senate could prevent further outbreaks of this kind, showed a more vigorous indignation than they could hope to ignore or explain away. As so often in the past, the truth may be that Berlin is merely trying out the ground, and testing Polish nerves, and upon the diagnosis will depend the policy towards Danzig. It was just such an incident as this that was feared might open a campaign which could end only in the surrender of Danzig or in war. Feelings in the Free City are now in that state of nervous surcharge produced by constant uniformed parades and envenomed harangues, worked on by the propaganda of Germans coming in from East Prussia, exacerbated by the knowledge of the nearness of Polish troops, which would give Berlin *carte blanche* in directing almost any sort of manoeuvre, however suicidal. The chief condition for any appreciable relaxation of tension is genuine goodwill and the absence of provocation on the German side; but it may be hoped that the Polish Government, in its turn, while preserving its admirably firm attitude of the past week, will seek whatever incidental means are possible, conceivably through the office of the League Commissioner, of deflating this most dangerous state of tension. The last war, after all, was started by three shots from a revolver.

* * *

The German-Italian Alliance.—On Monday of this week Herr von Ribbentrop and Count Ciano signed a treaty in Berlin consisting of a preamble and seven articles. The vital clause is Article 3:—

If, contrary to the wishes and hopes of the contracting parties, it should happen that one of them is involved in hostilities with another Power or Powers, the other contracting party will come immediately to its side as ally and support it with all its military forces on land, on sea, and in the air.

The striking feature of this article is its absoluteness. Though the three preceding articles provide for consulta-

tion in crisis, it would appear that if, for example, Germany were to go to war over Danzig, after having heard, but decided to disregard, Italian objections, Italy would be bound automatically to fight on Germany's behalf.

Actually, the new treaty does not appear to alter the international situation very much except in so far as it seems to subordinate Italy to Germany. The effect of this subordination is difficult to forecast. Does Germany stand to win more by having Italy's resources officially at her disposal than she stands to lose by the surely inevitable recalcitrance of Italian public opinion against an arrangement which is so palpably humiliating, as well as perilous, for the junior partner in the Axis? It is dangerous driving to tilt one's axis too steeply when one is skirting a precipice. At the same time, Herr Hitler must be depressed by the conspicuous absence of the name of another hoped-for signatory. In 1914 Germany lost an Italian ally and gained a Turkish ally instead; in 1939 she has gained Italy, but has lost both Turkey and, seemingly, Japan. Last Saturday the Inner Cabinet of the Japanese Government decided not to enter into an alliance with Germany and Italy, but to maintain an attitude of benevolent non-commitment towards the Axis Powers. This decision marked a defeat of the army in Japan's counsels by the navy and the civilians. We cannot yet be sure that this Japanese decision will not be reversed; but, if it is not, it is of historic importance.

* * *

Evacuation Dilemma.—The Government's plans for removing children, mothers and blind persons from specially vulnerable places in time of war are still making halting progress. The groundwork for moving the priority classes to safety has been well done: transport and billeting arrangements have been completed in detail; and new provisions to prevent the forestalling of property and accommodation have been announced. But the scheme threatens to be seriously upset by the very problem for which critics have been anxiously seeking the Government's solution for many months past, namely, the status of private arrangements in relation to the official programme. The difficulty was brought to a head last week-end, when the response to the London County Council's appeal for the registration of all children, mothers and other persons in the selected categories was unexpectedly meagre. In part this was due to the old fault in A.R.P. of unsuitable publicity. In large measure, again, it was due to the natural disinclination to desert fathers and husbands and to break up families. Finally, it was due to the fact that very many of the persons concerned had made plans to stay with friends or relations in time of emergency and were in consequence reluctant to enter the official scheme, which involves removal to an unknown destination and the care of strangers. The position now is that, within the priority classes, there are three categories: those who have accepted to be moved by the Government; those who have made private arrangements but must look to the public transport services for conveyance; and those whose private plans include private transport arrangements as well. On Wednesday Mr Elliot told the Commons that any who wished were fully entitled to make personal arrangements for leaving, but that it would be impossible to provide special transport services for them. Those moving under the official scheme will have first call on road and rail, and if there is any surplus capacity (which, in the official view, is unlikely in the first 48 hours of emergency) private evacuees may use it. The onus of averting a panic flight is specifically placed upon private citizens, an attitude which is quite untenable, since only an ordered exodus can reasonably be expected to be orderly. The presumption grows that private persons are in fact to wait until the official evacuees have gone. If this is to be the case, then the Government must say so clearly, and they must be ready to revise their shelter programme accordingly. Better still, they might cast the net of their planning for evacuation wider by making some attempt to equate demand and supply in the matter of emergency transport facilities and equipment, and issue limiting instructions accordingly.

Germany and Lithuania.—This week's long-heralded trade treaty has surprised those who forecast that Germany would be able to extend her domination across Lithuania as soon as Memel had been yielded. Germany's share of Lithuanian exports is to be increased only to 30 per cent. (from 27 per cent. in 1938): when compared with the position of undisputed leadership which Germany held as an importer from Lithuania before the Memel troubles of 1934, this is very reasonable, and the allotted share is at least 5 per cent. lower than informed Lithuanian opinion was inclined to expect. The following figures show Great Britain's present leading place in Lithuanian foreign trade:—

	(In million lits)			
	Exports		Imports	
	1937	1938	1937	1938
Great Britain	96.6	91.8	59.3	69.2
Germany	36.7	63.0	48.0	55.0
Russia	11.1	13.3	17.9	14.9
Belgium	7.8	10.7	16.7	8.6

The success of the Lithuanian authorities in defending the present distribution of their country's trade may be in part because they could point to their urgent need for foreign exchange, not only to make purchases on the world market but also to settle their 133 million lits of foreign debt. Another support for the Lithuanian position is the intimate relations now developing between Lithuania and Poland. The German authorities are understood to have negotiated in a very friendly spirit: perhaps they remembered that Poland, immediately after the cession of Memel, offered special transport facilities to Lithuania for export through Gdynia; and, on the political side, that General Rashitkis, Commander-in-Chief of the Lithuanian Army, was lately well received in Warsaw.

* * *

Appeasement in the Balkans.—It was only natural that a new diplomatic alignment in Europe should strongly affect relations between the small States. From the British point of view the encouraging thing is that, in whatever direction one looks, the change has been for the better. The single exception may prove to be Yugoslavia; the Yugoslavs are troubled with the stress of internal politics and, when they look beyond their frontiers, they do not like the prospect; the Government is unsure both of its people and its neighbours. This week's meeting between the Foreign Ministers of Yugoslavia and Roumania was therefore of unusual importance. M. Cincar-Markovitch was probably instructed to find out to what extent the Roumanian Government considered that the Yugoslav attitude had been decided and Balkan neutrality endangered by the British guarantees and the Turko-British alliance; and it may be assumed that M. Gafencu took the opportunity of pointing out that Roumanian policy had changed only because Germany had advanced one step



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further south-eastwards, and that the preservation of Balkan neutrality now lay largely in the hands of Belgrade. It is difficult not to sympathise with the Regent, anxious as he is genuinely known to be to keep Yugoslavia free from definite commitments on one side or the other, for he can draw closer to his Balkan neighbours only at the cost, which may be prohibitive, of Axis displeasure; while, if he goes in with the Axis, he stands to lose all that Yugoslavia has gained—which is nothing less than independence within favourable frontiers—during the last twenty years. One immediate step for the betterment of Yugoslavia's position does, however, seem open to him. That is to help on a genuine *rapprochement* between Bulgaria and the members of the Balkan entente. Like Turkey, which is now making fresh and welcome efforts to draw Bulgaria into the Balkan fold—in this case through satisfaction of the claim on Roumania and renunciation of the claim on Greece—Yugoslavia has no outstanding problems with Bulgaria, and is thus able to take the rôle of honest broker.

* * *

Price Insurance for Sheep.—No further details of the Government's scheme of price insurance for sheep have been published since the Minister of Agriculture made his statement last week. It is obvious that the proposals then outlined will need considerable amplification by the Livestock Commission before they can be put into practice. The immediate question for the public is how much this further aid to farming is likely to cost. The deficiency, if any, below a minimum price of 10d. per lb. for fat sheep (lambs are not included) is to be paid by the Exchequer, not on the actual weight of each sheep, but on a standard weight. Sir Reginald Dorman-Smith stated last week that, on the basis of prices in the last six years, the average annual cost is expected to be £900,000. *The Economist*, in the issue of January 28th, made tentative estimates of the cost of price insurance schemes for various agricultural products; it was there calculated that in the decade 1928-37 it would have cost the Treasury £2.3 millions, or £230,000 per annum, to have maintained a minimum price for fat sheep of 9½d. per lb., or £670,000 per annum for a price of 11d. per lb. The divergence between *The Economist's* estimates and the Minister's forecast is probably due to the fact that the former were based on the supposition that the minimum price set would apply in each year to the number of fat sheep which were estimated to have been sold for slaughter in 1936-37. The Government's guarantee, on the other hand, is to be related to a total sheep population of 27 millions in the United Kingdom, a figure which has only once—in 1932—been exceeded in the last fifteen years; in June, 1938, a total of 26.6 million sheep was returned. The minimum price is to be reduced by ½d. for each successive increase of 250,000 above the standard number of 27 millions up to 28 millions and thereafter by ¼d. for each additional 250,000. It is probable that this high figure has been chosen partly to safeguard a valuable source of meat in time of war, since sheep make the smallest demand among livestock on imports of feeding-stuffs. The taxpayer may therefore regard an appreciable new liability, at present still unlimited though estimated at £900,000 per annum, as part of the general bill for civil defence. But the extra charge will only be justified if the sheep proposals really constitute an integral part of an all-round food, farming and shipping policy for national defence. For the moment the size of the estimated cost can only be noted with some considerable reserve.

* * *

Road Plans.—"This is scarcely the time for economies in transport improvements," Mr Keynes's broadcast plea on Tuesday might have been a challenge to the new Minister of Transport, Captain Euan Wallace's recent statement on schemes to improve the trunk roads, for which the Ministry has now been responsible for two years, was welcome as an assurance that work will actually be begun

in the present financial year. But there is no evidence at all that anything like the rapid progress in trunk road betterment that is imperatively needed is contemplated even now. Captain Wallace said that schemes which would ultimately cost £15 millions had been "put in hand"; further information about the amounts actually to be spent this year on the fifty major schemes projected reveal that very little is likely to be accomplished in the near future. Only £517,000 will be spent in the current financial year. In the case of the St. Albans By-Pass, which will ultimately cost about £1,755,000, for instance, immediate expenditure will only amount to a very small fraction of the total sum. Similarly, of the £347,000 required for improvements to the Barnet By-Pass, only £26,000 will be spent this year. There are many reasons why large-scale work on new trunk roads should be commenced as soon as possible: the waste and danger of congestion and delay in peace-time are one reason; the all-important rôle of the country's transport equipment in any plan for preparedness for war is another. Captain Wallace has scarcely begun well. His excuse for previous delays, namely, that the Ministry of Transport only became responsible for trunk roads in 1937, is quite untenable. And his somewhat sceptical remarks about the value of the recent Alness Report on the prevention of road accidents simply run counter to all the best and most informed opinion on the subject. The Government's record in road policy since the last election has been consistently unsatisfactory. In 1935 they proclaimed a five-year plan to spend £100 millions; later it transpired that this meant no more than a promise not to stop spending something like the usual annual amounts on road improvements. If traffic chaos and road casualties have not spurred Ministers to action, surely the needs of national defence may. If there is any single type of preparation which ought to be completed before an outbreak of war, it is the building of roads. It may be too late now to do the job properly, because the pinch of what is virtually a war-time demand for labour and materials is not far distant. But it is not too late to do something, and if there is no war, we shall be no poorer, to say the least, for having better roads.

* * *

Italy's Financial Burden.—In his speech on the Budget estimates on Tuesday last, Senator Thaon di Revel, the Italian Minister of Finance, explained that, in view of new expenditure to be incurred in Albania and Libya and on armaments, he had had to abandon all hope of a return to normal finance. The table given below shows the latest estimates of Italian expenditure, which are considerably above those announced at the beginning of the year.

ITALY'S BUDGETS (Years to June 30)				
	Million lire		Estimates	
	1937	1938	1939	1940
Revenue.....	24,702	20,597	25,072	24,561†
Ordinary expenditure	23,413	23,770	32,500	32,000
			(25,035)*	(29,316)*
Extraordinary expenditure	17,519	8,000	6,500	?
Total expenditure	40,932	31,770	39,000	?
Deficit	16,230	11,173	13,928	?

* Earlier estimates published on page 12 of *The Economist* of January 7, 1939.

† Not taking account of new taxation.

Total expenditure this year is in the region of £400 millions, and next year it is likely to exceed the record reached in 1936-37. In order to cover the deficit the Minister announced that the whole system of taxation was to be reformed. This refers particularly to direct taxation on land, property and income: the State will now take a larger share of the increase in incomes and capital values than has taken place in the last two years. Even so, if the Minister's hope of a balanced account next year is to be fulfilled, the additional tax payments by the middle and wealthy classes will have to be very large indeed.

THE WORLD OVERSEAS

The Difficulties of Western Canada

(From Our Ottawa Correspondent)

THE three prairie provinces of Canada, lying between the Eastern boundary of Manitoba and the Rocky Mountains, are the Canadian counterpart of the deep-soiled land of Phiotis of which Homer sang, and their settlement and development in the opening years of the present century constituted one of the great sagas in the story of the British Commonwealth. Before the War they were pulsating with energy and optimism; the acreage under cultivation was expanding every year; railways were being built in all directions; new towns were being founded and old ones were growing rapidly; and anybody who suggested that this territory was not destined to hold at least eight million people by the middle of the century would have been denounced as a "knocker."

To-day, the bright dream of abounding progressive prosperity for the prairies has vanished through the ivory gate, and the present state of these three provinces and their future is a source of grave anxiety to everybody who has any interest or stake in them. The population is growing only very slowly, as there has been a substantial emigration; a considerable acreage has been withdrawn from cultivation; the business life of most of the cities and towns is stagnant; completely deserted villages are not unknown; public and private debts are a grave burden, and the bankruptcy of all three provinces has only been averted by generous succour from the Federal Treasury.

Extravagance in expenditure, foolish and wasteful administration and the impact of a series of disastrous droughts have made their contributions to the sad decline of this fertile region. But the chief factor is the unhappy plight of wheat-growing, which was the foundation of their prosperity and, from 1900 onwards, the most important stimulus to the notable economic expansion of the whole Dominion. Wheat-growing finds itself caught to-day in the meshes of economic nationalism, subsidised export competition and strangling political forces, over which it has no control, and its spokesmen maintain that, under these circumstances, it is entitled to obtain from the nation as a whole special assistance to tide over a grave emergency and avert a wholesale collapse of the Western economy.

Falling Wheat Prices

The case which its spokesmen present is reasonable. Canada's pact of Confederation had two definite objectives: the union of a group of struggling colonies, and national expansion. That expansion took the form of the development of Western Canada, which was responsible for the great Canadian boom of the first decade of this century and continued to provide a great stimulus to the general expansion of Canadian prosperity up till 1930. But, when the Great Depression came in 1930 and the sharp drop in the prices of farm products curtailed the aggregate income of the prairie region, its inhabitants were loaded with additional burdens because the tariff was raised to the highest level in Canadian history.

In a normal year, when drought or rust does not take a heavy toll of its grain, Western Canada has to find a market for at least two-thirds of its wheat, and the problem of marketing it has grown more difficult year by year. In the crop years 1937-38 the meagreness of the yield solved the problem; but, as the result of declining world prices, the crop of 1938-39, which was more than twice as large as its predecessor, will realise at ruling market prices some 30 million dollars less. It is estimated that, during the period 1931-37, there was a decline of \$2,540 millions (£520 millions) in the gross value of agricultural production in the prairie provinces compared with its value in the period 1924-30, and more than half of the decline can be attributed to the fall in agricultural prices.

This drastic curtailment of Western agricultural income has had disastrous local consequences. It has produced a general slump in Western business because few farmers,

even if they have a good crop, can buy more than the necessities of life; financial reserves have been wiped out, equipment and buildings have been allowed to deteriorate; and the gap between farmers' debts and their income has been seriously widened. Up to last year, the assistance given to the Western wheat industry by Canadian Governments was relatively small in comparison with the help given to grain-growers both in other wheat-exporting countries like the United States and Australia and in importing countries. Considerable sums were spent by the Federal and the three provincial Governments for the relief of indigent farmers who had suffered total or partial crop failure, but this expenditure would have been necessary even if prices had remained at remunerative levels after 1930. It is true that, in 1935, the Bennett Ministry intervened with a Wheat Board to support the market when prices began tumbling down to ruinously low levels, but the operations of the Board up to July 31st, 1938, at the end of last crop year, have resulted in a net loss to the Federal Treasury of \$2,954,335—a comparatively small sum in view of the magnitude of the business involved.

Future Federal Aid

Last year a major economic disaster was threatened by the collapse of grain prices, and it was only averted by the action of the Federal Government, operating through the Wheat Board, in fixing a guaranteed price of 80 cents per bushel for wheat on the basis of No. 1 Northern, the highest grade, delivered at Fort William. According to the Minister of Agriculture, this guarantee will at the end of the crop year on July 31st have cost the Federal Treasury at least \$48 millions. This 80 cents price, being equivalent this year to a farm price of about 57 cents for average grades, does not permit the payment of debts on the average farm unless better than average yields have been secured. But it has helped to tide the wheat industry over a grave crisis.

The price guarantee has not been popular in the Eastern provinces whose grain-growers are not eligible for it, and it has been vigorously attacked by Eastern politicians like Premier Hepburn, of Ontario. Nevertheless, it can be argued that its continuance, until better days dawn for the Western grain-growers, is justifiable in the larger national interest. Canada's national economy has to a very large extent been built up around its export industries, and of these the most important was the wheat industry, which, through exports of wheat, wheat flour and other milled products, has never in recent years provided less than 20 per cent. (and once as much as 38 per cent.) of Canada's annual export trade. Furthermore, the wheat industry has every year established very large foreign credits, which have been an essential factor in the liquidation of the country's external obligations and in the provision of new capital for an expanding country.

These considerations were recently submitted to a full meeting of the Federal Cabinet at Ottawa by a delegation of the Western Committee on Markets and Agricultural

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Re-adjustment. This Committee had its origin in a conference summoned last December by the Government of Manitoba to consider the problem of markets for Western farm products and to discuss the general situation of Western agriculture. The conference decided that the most urgent need was the continuance of Federal assistance to the wheat industry; and a delegation was later sent to Ottawa. Its mission was hastened by the announcement made on February 16th by the Minister of Agriculture to the effect that the Government proposed to abandon the present system of a guaranteed price, discontinue the operations of the Wheat Board and substitute a new plan which would probably take the form of an acreage bonus. These proposals had a very unsympathetic reception in the West; and the delegation had the backing of Western public opinion and the Press when it presented to the Cabinet as its basic demands, firstly, the continuance of the Wheat Board for the crop year 1939-40, and, secondly, the maintenance of a guaranteed price at the 80-cent level. It also suggested subsidiary assistance for farmers growing coarse grains for sale and crop insurance.

The Government promised careful consideration to the demands of the delegation, but it is in a difficult quandary. A nice calculation of political considerations will probably play a large part in its ultimate decision. A general election must come within the next 18 months, and, in view of the political problems which now confront the Government in Ontario and Quebec, it does not want to give its Eastern opponents ammunition for accusing it of showing special favouritism to the West. But, on the other hand, its Western supporters have been warning Ministers that, if the change outlined by the Minister of Agriculture were made, there would not be a safe Liberal seat in Western Canada.

Cognisance must also be taken of the financial aspects of the price guarantee; the drain of 48 millions this year will end the tale of decreasing deficits, and, if in 1939 the prairie provinces had a crop of 500 million bushels, a guarantee of 80 cents might cost the Federal Treasury over \$100 millions. Some compromise is inevitable.

Financial Omens of American Recovery?

[FROM OUR NEW YORK CORRESPONDENT]

THOUGH business retains the general dullness of many weeks past, positive developments of unusual magnitude have recently occurred in the financial environment. Even for an economy subject to extensive and speedy fluctuations, these recent changes are unusual.

The rapid rise in Government security prices has been most noticeable. Since the end of January this advance has carried the yield of the average of such securities maturing more than 12 years hence from about 2.5 per cent. to 2.17 per cent., and the major part of this movement has occurred in the past two months. During approximately the same period, since January, the weekly reporting member banks have added about \$600 millions, or about 4.5 per cent., to their holdings of investment securities, and this addition has been only about half offset by the seasonal liquidation of loans. Demand deposits, adjusted, for the same banks have risen in this period by about \$700 millions, or about 4.3 per cent., and most of this rise has occurred in the past two months. Excess reserves of all member banks of the Federal Reserve System now total a little over \$1 billion above the level of about \$3 billions at the opening of the year. The monetary gold stock has risen about \$1.4 billions, or approximately 10 per cent., since the beginning of the year. And the expenditure of the Federal Government, and its deficit, have been high during this period, especially in April.

This statistical recitation is largely self-explanatory of the

forces which have been at work. The huge inflow of gold (\$900 millions in the first four calendar months of the year) equalled the major part of the advance in excess reserves. Treasury outpayments, utilising some of the \$1.5 billions net gold import of the last four months of 1938, account for the rest. Deposits were, of course, built up by this flow of funds into the banks. The rise in deposits was augmented by the bank purchases of Government securities resulting from the continued increase in idle cash and the need for earnings. Bank profits were lower in 1938 than in 1937, and those institutions which had been reluctant to acquire securities at what were comparatively high prices finally succumbed. The banks, incidentally, were further encouraged to make the move by the belief that idle funds would remain large for a long time to come, owing to the troubled European outlook, the consequent imports of gold, and the prospect of a long continuation of deficit operations by the Federal Government such as to cause a further reduction in its cash holdings.

Consideration of these recent changes suggests that they may go on. Gold is still arriving in this country in quantity. The deficit will continue at a high level for some months, and in substantial amounts through the next fiscal year; and the cash holdings of the Treasury are large. Bank earnings remain low and the demand for funds small. What do these developments mean? What are the implications of a sudden drop in the long-term rate of interest by 13 per cent. and of such rapid rises in the volume of the means of payment, in excess bank cash, and in gold?

Historically the answer is clear. Recovery movements in this country have been associated with such developments. The recovery from the post-war depression and after 1932-33, and the larger advances made since then, have seen movements of a similar character. Perhaps the most similar period in financial movements was that of early 1938. The Treasury's dewatering of about \$1.5 billions of gold in April, with the consequent assured rise in bank cash, was analogous to the recent gold inflow and Treasury outpayments. Federal expenditure and the deficit rose rapidly from January. Banks purchased securities in some volume with the rise in their cash holdings. Demand deposits rose from March, and the rate of interest fell from April.

Does this mean that further recovery is now fore-shadowed? Those who say not hold the view that the economy has been desensitised to this kind of change. This alleged imperviousness is said to result from world disturbances and/or the policies of the Government and their effects. These create a psychology of apprehension and distrust adequate to bar the historically to-be-expected response in the shape of recovery. And there is, in addition, they say, the burden of taxes, the discouragement of continued deficit finance, trade union disturbances and the like. Certain structural difficulties, such as those in the case of the railroads, are also present. But, in a broader sense, those financial developments set forth at the outset are only a continuation, after a brief and small hesitation, of the trend which started little more than a year ago. It is likely that revival is about to be resumed.

May 16th.

Economic Outlook in France

[FROM OUR PARIS CORRESPONDENT]

THE war industries are going ahead; and the output of aircraft is at last coming up to the mark. These industries are privileged; they are supplied with Government orders, and their employees work a 60-hour week. The lot of the civil sector of industry is much less favourable. The Opposition points to the rising cost of living and to reduced retail sales to demonstrate what they call "the failure of M. Reynaud." "Buy," says a daily Press campaign, "because hoarding provokes unemployment." But the point is that taxes are increasing quicker than incomes, and the burden of these charges is hampering both fresh enterprise in private industry and increased demand from consumers. The economic expansion that must bear the charges of re-armament is thus hampered by the weight of re-armament itself. M. Reynaud, in his recent official report, emphasised that the index of retail prices had increased by only 1.76 per cent. between November, 1938, and March, 1939, compared with 3.92 per cent. and 7.87 per cent., respectively, during the same periods of 1936-37 and 1937-38. Similarly, the index of

the cost of living rose by 1.50 per cent. between November, 1938, and March, 1939, against 5.93 per cent. and 2.82 per cent., respectively, during the same periods of 1936-37 and 1937-38. The index of retail prices even shows a fall of 9 points in March, against a fall of only a point in March, 1938, and a rise of 9 points in March, 1937. Moreover, the rise in the cost of living will be counterbalanced in the next few months by increases of earnings as the result of extra hours of work and by the seasonal decline in food prices. But there is no reason for immediate anxiety. Actually the rise in prices is slowing down, as the following table shows:

Date	Wholesale Prices			
	Imported Goods	Domestic Products	Retail Prices	Cost of Living
Nov., 1936.....	418	504	534	91.1
March, 1937 ...	506	554	576	96.5
Nov., 1937.....	506	637	664	110
March, 1938 ...	552	657	690	113.1
Nov., 1938.....	620	678	739	120.3
March, 1939 ...	631	709	752	122.1

Again, even if consumption does show a certain falling off, recent returns of the public saving banks show that the French people are still saving, and probably with renewed intensity since the franc recovered its stability. Thus the Government gains in new possibilities for borrowing what it loses by the decline of the yield of indirect taxation. And the hope may now be expressed that the strike of capital will come to a complete end, just as the flight of capital has done, in view of the Government's firm and confident policy. Already new means have been brought into the short-term market, which is a precious aid to the Treasury.

Actually, hoarding does not now lead to expatriation of capital as it did in the past. On the contrary, figures show that capital continues to return home and to bring a surplus to an already balanced balance of payments. The Minister of Trade laid stress yesterday on the persistent increase in French exports and on the fall of the import surplus "to a level which makes support of the franc easy and is lower than the surplus in the best pre-war years." The Department of Tourism, on the other hand, estimates at 71,483 the number of foreign visitors in Paris during the first four months of 1939, against 59,626 in 1938, and in the principal tourist places at 172,000, a figure which also shows an important rise.

May 23rd.

Germany's Raw Material Needs

[FROM OUR BERLIN CORRESPONDENT]

THE signing of the German-Italian military pact has shown the world that the two dictatorships refuse to renounce their so-called dynamic foreign policy. They will continue to work for the achievement of their so-called living rights and for the share they claim in the world's wealth. The closer co-operation between Germany and Italy has also an economic background. The dynamic policies of the two countries have set up economic disturbances which cannot be overcome by either of them alone. Foreign trade especially has been severely affected. Since a change in this unfavourable economic trend could only be brought about by a change in policy—which the Governments are unwilling to attempt for political reasons—their view is that the continuation of their drive for expansion remains the only way in which to achieve the increase in economic strength they now need to restore the balance of their finances and productive economy. It is a vicious circle.

In the case of Germany, the harmful effects of political expansion are shown in the foreign trade figures for April. According to an official report, Greater Germany's imports declined by almost Rm. 100 millions from the previous month's value. They amounted to Rm. 410 millions against Rm. 504.2 millions in March and Rm. 477.1 millions in April, 1938. This is not surprising: the unfavourable export position that has been evident for more than a year indicated long ago that a considerable cutting down of imports would be sooner or later inevitable.

The decline in imports of foreign foodstuffs and raw materials is extraordinarily damaging to the German economy—which is mainly employed in strengthening Germany's war potential. The autarky plan is not yet far enough advanced to allow Germany anything like freedom from

imports. Herr Funk himself has stated in a speech that the measures undertaken in the Four-Year Plan to guarantee a supply of raw materials to industry have not yet sufficed; and that Herr Hitler's words, "export or die," have a greater meaning to-day than ever. The trend of exports, on the other hand, shows how little special measures to promote exports and to dump goods have availed against a disinclination abroad to buy German goods for political reasons. Exports in April fell by about Rm. 45 millions to Rm. 435 millions; in March they still amounted to Rm. 480½ millions and in April, 1938, they were Rm. 453.6 millions. The return of the Czech gold deposited abroad, which even the Germans did not expect so speedily, will provide only a temporary easing of the straitened imports position.

The results of the Leipzig Spring Fair do not suggest any spectacular improvement in exports; and most of the large German shipping firms are reporting a decline in traffic. Outgoing ships, it seems, are nearly always insufficiently filled with cargo and passengers, while incoming ships have until lately been fairly well filled by German purchases. This unfavourable state of affairs has led to a partial renunciation by the Hamburg America and the North German-Lloyd lines of the North Atlantic Conference agreements on passenger fares. They say they will not begin a price war, but it may be expected that they will try and increase their cabin class passenger traffic by various price adjustments.

Metal and Oil Requirements

The situation is serious. A recently published study of Germany's metal provision shows that she is still heavily dependent on imports for armament production. Although domestic production and imports have risen, demand cannot be fully covered. The position is shown in the following figures:—

	SMELTING PRODUCTION				
	(in 000 tons)				
	1934	1935	1936	1937	1938*
Copper.....	53.0	56.6	61.6	65.5	70.0
Lead.....	120.0	122.3	139.0	162.4	185.3
Zinc.....	72.9	124.2	136.4	163.3	194.5†
Tin	7.0	6.5	6.7	7.0	...

* 1938 includes Austria. † The Sudeten territory is included in the zinc figures.

	ORE IMPORTS			
	(in tons)			
	1936	1937	1938	First Quarter 1939
Lead ores	99,297	126,788	141,288	37,497
Copper ores.....	482,471	555,577	653,931	170,874
Nickel ores	17,651	19,990	34,215	4,006
Zinc ores	120,641	146,262	185,003	27,744
Tin ores	1,563	6,623	6,141	1,522

	RAW METAL IMPORTS				
	(in tons)				
	1936	1937	1938	1939	1939
Crude and old lead	68,895	73,296	75,326	14,200	10,644
Crude copper.....	127,549	169,920	272,400	56,260	51,362
Old copper	24,271	32,703	27,308	6,003	5,976
Nickel	3,392	3,365	3,984	1,090	990
Crude zinc.....	59,092	59,315	58,757	16,321	14,277
Fine zinc	13,677	11,243	16,150	3,017	4,659
Tin	9,176	10,320	12,090	3,299	2,254

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There is some movement from metal imports to imports of ores. This is due to the increased capacity of domestic foundries for finishing work, and it means a saving in foreign exchange. The heavy imports of 1937 and the high world prices then ruling placed a great burden on the foreign exchange balance, but last year the low world prices made possible large imports without any additional claims on foreign exchange. The point is that, although Germany is attempting to raise domestic production and to introduce substitutes, it is most unlikely that her import needs can be much reduced. Thus, the trade and foreign exchange position is vital.

German mineral oil imports tell the same story. With the announcement of the Four-Year Plan, Germany was told she must be self-sufficient in mineral oils within one and a half years. Since then there has been a considerable increase in the number of motor vehicles in use, especially in the number of army motor vehicles. In 1938, mineral oil imports rose to 5 million tons against 4.3 million tons in the preceding year; in place of only Rm. 230 millions, nearly Rm. 267½ millions had to be spent to buy it. Mineral oil imports have risen from 4.2 per cent. of total German imports to 4.9 per cent. In view of possible military needs large stocks have been kept, so that imports and actual consumption cannot be significantly compared. Owing to the enlargement of domestic refineries there has been a shift-over in favour of unrefined crude oil imports. The main countries selling to Germany are:—

	Total Imports (in Rm. million)	Mineral Oil Imports (in Rm. million)
Venezuela	30.3	8.2
Dutch Indies	77.4	76.8
U.S.A.	404.6	84.4
Roumania	140.4	36.0
Mexico	62.6	19.8
Iran	38.4	8.1

Mineral oil exports, which consist mainly of lubricating oils, are unimportant compared with imports; in 1938 they amounted to 195,000 tons valued at Rm. 19.1 millions.

May 23rd.

Developing British Guiana's Hinterland

[FROM OUR GEORGETOWN CORRESPONDENT]

WHEN the Royal Commissioners were in British Guiana they heard the complaint, from many witnesses, that steady economic progress was impossible while the Colonial Office made such frequent changes of Governors. In the absence of administrative continuity, a most curious procedure is followed. Each new Governor spends his first year and a-half in collecting reports from various *ad hoc* committees and commissions; in the second year he has a clear conception of the Colony's fundamental needs; in the third year he is promoted.

All the important economic committees set up by the present Governor, Sir Wilfrid Jackson, have now reported. The most important of the investigations has been that of the Hinterland Development Committee, whose report, recently issued, must influence greatly the findings of the Jewish Refugees Colonisation Commission. With sugar production limited by quota considerably less than the country's productive capacity, and agricultural prices low and likely to remain low, the development of the hinterland of British

Guiana has become an urgent matter. West Indians have always felt that if this area—some 84,500 square miles—could be systematically exploited, it would be able to absorb the surplus population of all the islands.

The Hinterland Development Committee recommended that surveys should be at once undertaken of the cheapest and most practicable methods of improving river transportation, and of the forest, mineral, pastoral, and agricultural resources of the near interior, the gold and diamond belt, and the far interior. And they advised the most active assistance possible towards the establishment of a wood pulp industry from wallaba. Until the surveys are undertaken, railway construction cannot be recommended, and Sir Walter Egerton's great scheme for a railway link between Georgetown, the Colony's capital on the Atlantic seaboard, and Manaos, the Brazilian town on the Amazon, must therefore be held in abeyance, as it has been since 1913.

The rivers of British Guiana are much impeded by rapids and falls; but, from the Corentyne on the Dutch border to the Cuyuni, whose source is in Venezuela, they form a series of channels penetrating far into the interior, throughout the whole length and breadth of the Colony. Down these waterways, the Hinterland Development Committee points out, have come many millions in gold and diamonds. Yet practically nothing has been done to improve the transportation facilities of these rivers. A few portages—and here and there a very badly designed haulage-way—these are all that has been accomplished. Many years ago, during one of the most spectacular gold rushes seen in British Guiana, Michael McTurk, prospector and explorer, put in a simple haulage at Great Matope Cataract; one mouldering beam now remains on the shore, and to this day old hands point it out and mention his name with gratitude, saying that this haulage often saved them a day's work going up the Cuyuni River. The blasting of eight rocks on the Essequibo River between Bartica and the Rupununi River mouth, about 200 miles to the south, would save unloading and reloading at seven points.

Up to 1934 the official view was that water transport could not, on account of the interruptions, compete with road transport. The invention of the propeller-lifting device, permitting the use of inboard engines, has enabled boats of more than double the capacity to be used; and, with the resultant increased power, some rapids can now be negotiated through which, formerly, boats had to be hauled. The effect of this is that these boats of doubled capacity do the round trip in less than half the time, and the cost of transportation by river is now no more than by road. The Committee clearly have in mind that, wherever aerial survey shows such action to be worth while, rocks should be blasted, haulage-ways provided and canals dug to link the rivers.

A Wood-Pulp Industry

All the recommendations of the Hinterland Development Committee are dwarfed by the statement that the establishment of a great wood-pulping centre offers the most immediate prospect of large-scale development. The raw material of the pulp and paper industry would be wallaba, a very durable wood which splits well, grows on otherwise valueless sand, and does not reach a sufficient size to make large supplies of sawn timber. British Guiana's wallaba forests satisfy the necessary conditions for a paper-pulp industry, and research has established that a paper of very high quality can be produced from wallaba. Paper of the same quality is now sold in New York at £20 16s. 8d. per ton.

In the one area (only 365 square miles) reserved for the research work already carried out, the Forest Department's survey gives a wallaba content of over eight million tons. Extracted under a system of natural regeneration of the cut forests, this stand (only a small portion of the available wallaba forests) could give a sustained yield of at least 75,000 tons per annum. At £20 16s. 8d. this would mean £1,562,500, almost the exact value of British Guiana's annual export of sugar, the present mainstay of the country.

With the development of a paper-pulp industry the industrialisation of British Guiana would begin. The extraction of greenheart (in which the Colony holds a world monopoly) from neighbouring forests would be rendered more economic; the development of hydro-electric power from the Colony's many waterfalls would be brought nearer realisation. With the subsidiary industries like the manufacture of rayon and the production of wood alcohol, paper-pulp would give British Guiana, on the banks of the Essequibo River and well within the interior, a new city capable of sustaining a population larger than Georgetown's 70,000. This is of immense importance in assessing British Guiana's contribution to the solution of the refugee problem.

May 5th.

Letter to the Editor

Full Employment

TO THE EDITOR OF THE ECONOMIST

SIR,—It seems that the statement in your article on "Full Employment" (May 6, page 295) that the lowest reasonable estimate of the additional labour directly required by this year's expansion of the defence programme is considerably greater than 600,000, and the forecast that "full employment, with the changes in financial and economic policy that it demands, will be upon us long before next spring" exaggerate the effects of the present re-armament programme. For this criticism there are a number of reasons:—

(1) Some proportion of the total additional expenditure of £250 millions will be spent on goods imported from abroad and on increased payments to the defence personnel. Although it is impossible to say what the proportion is, it could hardly be less than 20 per cent. Hence the additional expenditure on home-produced goods is unlikely to be more than £200 millions.

(2) It is probable that the value of output per head in the armament industries is considerably higher than the average output per head for industry in general. Your article estimates this as £700 for the aircraft industry; and although this is probably much higher than the average, £500 might be regarded as a reasonable estimate for the armaments industries as a whole. On this basis the additional employment required would be 400,000. (Were output per head much lower than this, past armament expenditure would have had a much more marked effect on employment.)

(3) We must take into account that the rate of armament expenditure in the last half of the past financial year was already much in excess of its annual average. Thus the total defence expenditure in the last quarter of 1938-39 when unemployment averaged 1.8 millions, was some £134 millions, which, when due allowance is made for the usual seasonal fluctuations in payments, must have corresponded to an annual rate of £470 millions. Thus, the excess of the average rate of expenditure in 1939-40 over that of the last quarter of 1938-39 will not be £250 millions but only £160 millions. This implies that, if the expenditure in the current financial year were evenly spread, the additional labour requirement, calculated on the same basis, would only be 275,000; or, assuming, on the other hand, that an even percentage rate of progression will be maintained, the level of expenditure in the successive quarters of 1939-40 should be £131, £148, £166 and £188 millions, respectively. This would imply that the additional labour directly required for armaments, over the average of the first quarter of 1939, and calculated on the same basis, would be 100,000 in the second quarter of 1939, 200,000 in the third, 320,000 in the fourth, and 450,000 in the first quarter of 1940. Unless, however, total armament expenditure will reach some £900-£1,000 millions in 1940-41, it is unlikely that this rate of progression will be maintained. (Assuming an even absolute rate of progression, the corresponding figure for the first quarter of 1940 would be 380,000.)

(4) So far we have not taken the indirect effects into account: the effect of increased incomes upon consumption. It will probably be agreed that these are not likely to be larger than the direct effects, and that they are likely to be at least three months delayed. On these assumptions the total increase in employment over the first quarter of 1939, apart from seasonal fluctuations, should be 200,000, 300,000 and 520,000 in the last three quarters of 1939 respectively, and 770,000 in the first quarter of 1940 (assuming an even percentage progression). Hence, even if we accept Sir Ronald Davison's figures as to the amount of available labour, general labour shortage is not likely to be felt before the second quarter of 1940.

(5) The calculation ignores such factors as (i) a revival of private investment, due to the increase in consumption—this would necessitate special restrictive measures on such investment—or, (ii) the inevitable further deterioration in our balance of payments, which, if countered by a further stimulation of exports, or the cutting-down of inessential imports, will make additional demands on home production; or, (iii) a further acceleration in the re-armament programme.

(6) There remains, lastly, the question of "bottlenecks." These, as everyone will agree, are likely to arise in connection with the direct expenditure on armaments, and not in con-

nection with the indirect expenditure. Hence, since the Government is in the position of a monopolistic buyer, such "bottlenecks" should be regarded as a factor limiting the scale of the expenditure itself, rather than as causing inflationary price-movements as a result of the expenditure. If the Government contemplates spending £630 millions in the present financial year, this should imply that it expects that to this extent "bottlenecks" can be overcome.

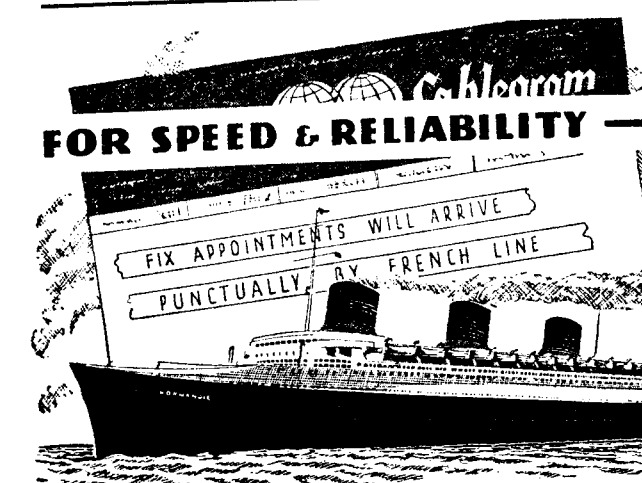
Yours faithfully,

NICHOLAS KALDOR.

[If the total available supply of labour in all industries is only some 600,000, it is unlikely that a demand for more than 200,000 or at the most 300,000 additional workers in the narrow range of the armament industries can be met without difficulty. This fact, and also the virtual certainty that expenditure will exceed the Budget figures, confirm our opinion that the point of "full employment" will arrive, at the latest, in the last quarter of 1939. This conclusion stands, even though "the lowest reasonable estimate of the additional labour directly required by this year's expansion in the defence programme" may be less than 600,000.—EDITOR.]

Books Received

- The New Propaganda.* By A. Blanco White (London) Gollancz. 383 pages. 7s. 6d. net.
Penn'orth of Chips. By C. S. Segal. (London) Gollancz. 128 pages. 3s. 6d. net.
Ulster and the British Empire, 1939. By Henry Harrison. (London) Robert Hale, Ltd., 231 pages. 10s. 6d. net.
Handbuch der Volkswirtschaft der Soviet Union. By G. Keller. (Prague) Universitäts-Buchhandlung Rivnac. 288 pages. No price stated.



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THE BUSINESS WORLD

America's Gold Policy

THE time may seem well past to recall the faint echoes of the gold scare of 1937. Yet they have been rumbling intermittently in the United States during the two years since it reached its climax. With every fresh wave of gold brought to the American continent by political unrest in Europe, the kind of questioning which lay at the root of the gold scare has been resumed. How long is this abnormal accumulation of gold to continue? Is the outside world getting out of a commodity which has ceased to have value and utility "on the back of Uncle Sam?" Is it not true that foreigners are getting shares of productive industries in the United States in return for gold which has become useless to them? It is fortunate that these doubts and suspicions have not been left to rankle. Instead they have been clearly expressed in a detailed questionnaire sent by Senator Wagner to Mr Morgenthau, Secretary to the United States Treasury. In his recent reply, Mr Morgenthau has provided the most concise statement yet published on the attitude of the present Administration towards gold policy.

The relevant questions put by Senator Wagner were: "Why does not the Treasury stop buying gold? Of what use to us is this large stock of gold? What action should be taken with respect to the gold situation? Is it true that the power to devalue the dollar operates to undermine the business man's confidence so as to deter him from making loans and investments in the United States?" The answers to these questions are a model of lucidity and sound reasoning and provide a contrast to the evasiveness which too often characterises the answers to questions on monetary policy in the House of Commons. Mr Morgenthau leads up to his statements on policy by explaining the origin of the abnormal gold inflow in the United States and shows that, up to the end of 1937, the inflow of capital provided the dominant factor in the net imports of gold but that, during 1938, the favourable balance of visible trade was primarily responsible.

Having established these influences governing the inflow of gold, Mr Morgenthau has no difficulty in proving that if, in order to stop gold from coming into the United States, the Treasury simply announced to the world that it would not buy gold for the time being, the foreign exchange and bullion markets would immediately be thrown into a confusion from which no country would benefit. To the related question whether the price of gold should be reduced below the figure of \$35 an ounce, Mr Morgenthau replies most reassuringly. If the drop in the price were modest it would merely create the expectation of further slight reductions, would lead to bull speculation in the dollar and thus intensify the inflow of foreign capital—the very phenomenon which the change in price was designed to arrest. If the drop in the price of gold were substantial it might lead to an outflow of gold from the United States, but only at the cost of an appreciation in the exchange value of the dollar of which "the effects on our economy would be little short of disastrous." Mr Morgenthau points out how seriously U.S. export trade has apparently been hit by the appreciation of the dollar by some 5 per cent. over the past year and, given the marginal character of export trade in the economic activity of the country, leaves it to the imagination of his questioner to decide how that activity as a whole would be undermined by a sudden 40 per cent. appreciation in the exchange.

Mr Morgenthau fully admits the unsatisfactory character of the alternative before the American authorities. "We

should like to receive less gold and even to get rid of substantial amounts of the gold we already have," he writes, but adds that there is no acceptable alternative to the policy the Government has been pursuing. All the proposals examined to deal with this gold influx have involved a remedy which was worse than the disease. "The best way to reduce our gold inflow," he concludes, "is for us to have full recovery so that our imports will rise more rapidly than our exports"—an unexceptionable statement of opinion which seems to belong to an almost vanished pre-nationalistic and pre-mercantilist world.

These answers are highly important. However "inconvenient" the inordinate inflow of gold may be, it will not be arrested by any tampering with the dollar price of the metal. If the U.S. Government desire to retain the powers now vested in the President to vary that price, it is because in the currency instability to-day such powers must be available as an answer to possible external developments. Moreover, they must be available in a form which can be used rapidly and without advertisement to the world, which would result if matters of the kind had to undergo Congressional discussion. In a world of potentially unstable exchanges, the power of varying the dollar price of gold is a factor towards stability. Far from undermining domestic and foreign confidence in the dollar, it has done the reverse—if we may measure confidence by the huge transfers of foreign funds to the United States and by the inordinately low yield basis on which long-term U.S. Government bonds are now valued.

The readiness of the United States to continue receiving the stream of gold which current trade and capital movements necessitate is based not merely on the dislike of the available alternatives. It also rests on a genuine appreciation of the value of gold and on the belief that it will continue to function as a standard of international payments. Mr Morgenthau admits that the United States has enough and more than enough gold to serve as backing for the note circulation. But he is unwilling to follow the arguments of those who suggest that this accumulation of redundant gold may proceed to the point at which the country will be "stuck" with enormous reserves of a metal which no one else wants. He is not misled by the bilateral trade treaties, clearings and barter agreements, adopted by countries operating with little gold or foreign exchange, into believing, as some preach, that gold is rapidly becoming obsolete. On the contrary, after viewing the clumsiness with which these devices operate, he concludes that "there is no one thing which demonstrates more effectively the superiority of gold as a means of settling international balances than the experience of these countries that have tried to get along without it." Though Mr Morgenthau does not develop the point, it has become clear that the utility of gold has never been so apparent as to-day, when the whole world is off the gold standard. Before the war, when half a century of the international gold standard had accustomed the civilised world to exchange stability, based on what was virtually a sterling standard, it might have seemed feasible to separate that stability from its metallic basis, and to make sterling itself the acknowledged, as well as the practical, currency standard. To-day, the position has altered fundamentally. There is no longer sufficient inherent confidence in any single currency to allow it to function as an international standard, independently of provisions ensuring its convertibility into gold. The fact that this convertibility may no longer be effective

on the basis of a fixed parity does not alter this fact. For example, the degree of exchange stability which the Tripartite agreement provides depends wholly on gold for its functioning. Were it not for the provisions which enable each adherent to the agreement to convert immediately into gold the currency of any other adherent acquired in the course of its official operations in the foreign exchange market, the whole technical machinery of the agreement would not even begin to function. So long as gold is the one commodity against which no tariffs or quotas will be raised, it will remain essential to the free functioning of any system of international trade and finance. It is on the knowledge of this fact, allied to a confident belief in the further development of a system of free multilateral trade, that the United States gold policy is based. It is not a *pis aller* reluctantly accepted for fear of even more unpleasant alternatives, but a constructive policy designed to consolidate

the position which gold holds in the economy of free nations. The assurances to this effect contained in Mr Morgenthau's letter should set to rest any rumbling echoes of the great gold scare. This does not mean that we have seen the end of rushes into and out of gold. But in future these are likely to be governed more by political than economic considerations. The anchor of the dollar price of gold seems as safely secured as it can be in the world of to-day. The recent flight from gold into dollars was in fact a compliment to the former, since it was based solely on the belief that, in the event of war, Governments would make it their first concern to acquire—forcibly if necessary—all privately held gold deposited in their countries. That kind of gold scare may occur again and need occasion no concern. But its more dangerous prototype should be a thing of the past, so long as the U.S. Treasury holds fast to its present views.

Wool into Cheap Clothes

THERE are two outstanding facts about the British wool manufacturing industry which make it at present a subject of major interest. The first is that about two-fifths of our export business in wool cloth has vanished in the course of the last ten years. The second is that our retained imports of raw wool have been rising steadily at least since 1928—the earliest year for which figures are available under this head. The curiously divergent nature of the two trends is illustrated overleaf; and it remains striking after allowance has been made for changes in visible stocks. Statistics relating to stocks have only been published since 1933 and the present returns cover public warehouses only, but since these include the great bulk now held the figures quoted can be regarded as accurate for all normal purposes. The full data for production, foreign trade and available supplies are set out in Table I.

What is the nature of the changes in the wool textile industry reflected in these figures? The history of the past few years has been by no means happy. The establishment of wool textile industries, often with British machinery, British managers and a nucleus of British operatives, in the Dominions, India, China, Argentina, Uruguay and other countries which once provided custom for the Bradford mills, has produced a situation in which there is a redundancy of plant in practically every section of the home industry. The consequences have been price-cutting, the removal of profit from the ownership of machinery and the introduction of schemes for eliminating surplus capacity. The fairly compact organisation of wool-combing has enabled that section of the industry to overcome most of its troubles arising out of redundancy, and a few tentative steps have been taken towards the buying up and scrapping of unemployable spindlage, but the manufacturers have made no progress whatever in this direction. At first sight, the evidence of lack of cohesion which such a partial and hesitant movement makes manifest might give rise to some uneasiness as to the future of the industry, and the examination of the decline in exports of woollen and worsted fabrics in isolation could cause uneasiness to become an alarm, not allayed by the fact that there is no reason to believe that foreign competition will decline in future.

It is obvious that such facts as the above call for action within the wool textile industry with a view to recovering such parts of the overseas market as are still capable of being salvaged by improved organisation. Whatever improvements may take place elsewhere it is still of paramount importance both in conditions of peace and of possible and actual war that our export markets should be maintained and if possible extended. Only when this is clearly realised is there any room for congratulation on the fact that the home market has recently been found capable of absorbing a greater quantity of woollen and worsted goods than would have been thought possible fifteen years ago. This is the central fact explaining why it has been possible for available supplies of raw wool to be

deliberately increased in the last ten years side by side with a fall in exports of cloth which in any other circumstances would have been catastrophic—and why, also, Yorkshire has been less depressed than Lancashire. Table II illustrates the development by setting out the figures for the home consumption of woollen and worsted finished goods in 1930 and in the period 1933-38.

More detailed figures as to the final articles into which these products are made up are difficult to obtain. The available information relates only to the value of articles in the wholesale section of the tailoring and dressmaking industry—which does not cover the output of firms employing ten persons or less. The particulars, which are for the years 1930 and 1935, are set out in Table III. The

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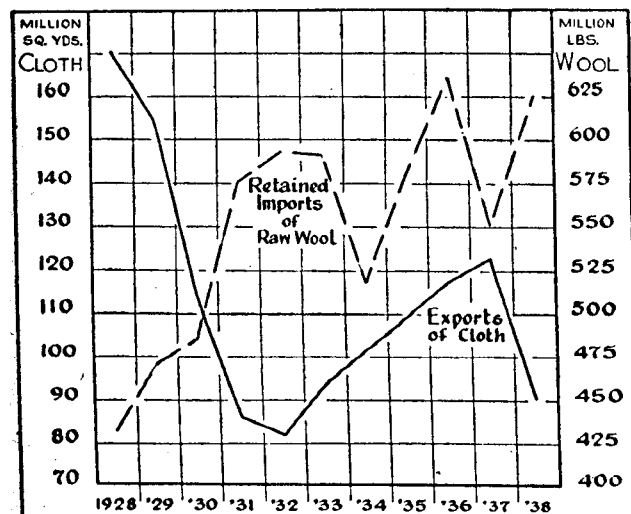
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table probably gives an underestimate of the actual increase of clothing output in that the Ministry of Labour's index of clothing costs, which has been used, is based on the fashions of 1901-02 and includes several products which are no longer widely used. Consequently, the index does not give full weight to the fall in prices caused by mass production in such clothes as men's suits. The increase indicated in Table III is sufficiently striking, and some addition may be made to it to allow for the increase in the output of knitted fabrics shown in Table II.

IMPORTS OF WOOL AND EXPORTS OF CLOTH (1928-38)



It is easy enough to discover where the major part of the new demand lies. The answer is provided by the appearance of any football crowd or of the stream of typists pouring over London Bridge in the morning. The change which has taken place in the last dozen years in clothing habits has affected to a remarkable degree the appearance which the British public presents to itself and to the world. Carlyle envisaged clothes as the ultimate outward covering of the soul, and on his ground a change in the soul might well be expected to reflect itself in a change of clothes. A people

which tends increasingly to patronise the cinema and the dog-track on week-day evenings and to take its pleasure on the road and at the seaside on Saturdays and Sundays will tend to array itself more festively and to seek more sartorial variety than did the nineteenth century labouring poor, who worked for a lifetime in the same suit of corduroy or fustian and always went to church on Sundays in dark serge of a lasting type.

Now most workers can and do afford at least one new suit a year, each being relegated in turn to working use as it loses its early smartness. The turnover increases and with it the number of branches of multiple outfitting firms, which now provide approximately 20 per cent. of the annual consumption of men's and boys' wear, as against 12 to 15 per cent. five years ago. Moreover, these figures are for *value*. The proportion for quantity would obviously be far greater since these goods are among the cheapest on the market. There are now more than 1,800 branches owned by the fourteen principal firms specialising in this department of demand. These include, in addition to undertakings like Burton's and Price's, which are mainly concerned with suits and overcoats, others such as Hepworth's and Alexandre, who have a greater interest in general outfitting, Home Bros. and Meakers, a large proportion of whose sales consist of hosiery, and Austin Reed catering for the same type of demand at higher income levels.

Women's clothes have undergone changes of similar importance. The growing ascendancy of rayon over wool and cotton for underclothes has been more than offset by the fact that with the increasing "fashion-turnover" dresses made of wool, cotton or mixtures are bought more often than formerly. These changes in the nature of the market for British wool textiles covers a social change of considerable importance. Those manufacturers who have kept abreast of the changes by forsaking the aristocratic warp tops and adapting their plant to the medium length wool required if the bulk orders are to be secured have done well, and there is no indication that further enterprise in this direction will go unrewarded. The absorptive capacity of the home market for cheap clothing is not exhausted yet, but this demand alone cannot keep the British wool textile industry in the leading place which is essential to national prosperity in peace and war.

TABLE I.—U.K.: RAW WOOL; PRODUCTION, FOREIGN TRADE, STOCKS AND AVAILABLE SUPPLIES, 1928-38
(Million lbs., actual weight)

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
Imports	779	814	782	848	918	992	789	864	914	784	882
Re-exports*	347	343	296	272	325	360	269	283	277	232	257
Domestic production†	114	110	113	113	119	120	115	109	108	107	110½
Exports of home-grown wool	40	40	25	28	35	60	46	56	47	34	30
Wool pulled from imported skins	17	15	15	16	13	18	15	10	13	14	14½
Stocks held at end of year	§	§	§	§	§	118	138	84	86	96	130½
Annual change in stocks	...	...	...	...	...	...	-20	-54	-12	-10	-34
Available supplies, not allowing for stocks	(523)	(556)	(589)	(677)	(690)	(670)	(664)	(644)	(711)	(639)	(719)
Available supplies corrected for changes in visible stocks	...	...	...	...	...	...	644	698	709	629	685

* Including exports of wool treated from imported skins, except in 1938. † Greasy basis. ‡ Estimated.
§ Not available.

TABLE II.—U.K.: CONSUMPTION OF WOOLLEN AND WORSTED FINISHED GOODS, 1930-38
(Million lbs.)

	1930	1933	1934	1935	1936	1937	1938
Woollen tissues	113.4	137.7	133.0	129.9	131.1	126.8	124.6
Worsted tissues	55.1	63.9	60.6	71.2	75.1	63.7	68.1
Knitted fabrics	9.0	12.6	9.1	9.4	10.0	9.5	9.0
Flannels and delaines	5.2	4.0	4.7	4.1	4.9	4.5	3.7
Total	182.7	218.2	207.4	214.6	221.1	204.5	205.4

(Million dozen)

	1930	1933	1934	1935	1936	1937	1938
Stockings and hose of wool	10.4	11.9	11.2	11.2	11.5	11.3	11.0
Woollen underwear	2.0	2.8	2.5	2.3	2.4	2.2	2.0
Fancy hosiery	3.4	4.0	4.2	4.0	4.3	4.0	3.7
Total	15.8	18.7	17.9	17.6	18.2	17.5	16.7

TABLE III
U.K.: VALUE OF PRODUCTION OF CERTAIN KINDS OF WOOLLEN CLOTHING IN 1930 AND 1935

	1930	1935
Wholesale tailoring and dressmaking. Men's, youths' and boys' overcoats, suits, vests, trousers, dressing-gowns, etc.:—	(£'000)	(£'000)
Home production	20,458	17,386
Net imports	48	15
Exports	1,536	1,076
Apparent consumption	18,970	16,325
1935 consumption at 1930 prices	...	20,336

Cost of living index for clothing (July, 1914=100) 111 87

Finance and Banking

Czech Gold.—Between £5,000,000 and £6,000,000 of gold belonging to the former Czech National Bank and deposited at the Bank of England through and in the name of the Bank for International Settlements has, on instructions from Prague, been transferred to the ownership of the Reichsbank. Knowledge of this transaction was disclosed in the British Press towards the end of last week, and on Friday last week the matter was raised in the House of Commons. The Prime Minister, who in the course of the debate answered the question on this subject put by Mr Lloyd George, availed himself of the excuse provided by the garbling of some minor details in press accounts of the story to assert that the "whole story is a mare's nest." To describe this answer as disingenuous would be charitable; at least there would be something lacking in expert advice which omitted to inform Ministers of the existence of assets other than those to which the Czecho-Slovakia (Banking Accounts Restriction) Act applies. Fortunately, the House and the press did not allow this attempt at sidetracking to succeed. The matter was again raised in the House this week and Government spokesmen have had to admit, though with obvious reluctance, the truth of the story. The Treasury were not directly concerned in the matter, since the gold was deposited here in the name of the B.I.S., apparently without reference to its Czech ownership, and was transferred on instructions from Basle without reference to the Treasury. Nevertheless the Government admitted, after first denying it, that they were aware of the true nature of the transfer, and the Bank of England through its close relations with the B.I.S. must certainly have known of the nature of the operation to which it was a party. The Bank had no alternative but to follow the instructions received from the B.I.S. whose assets, whether held for its own account or for that of others, were given unconditional immunity by the Hague Protocol of 1930 and again by the Brussels Protocol of 1936. Even though the gold in question was known to belong to the former National Bank of Czecho-Slovakia it could not be attached.

B.I.S. Immunity.—The most cursory examination of the position will, however, be sufficient to convince the impartial observer that this immunity, which was designed to give the B.I.S. the character of sanctuary essential to the satisfactory fulfilment of its most important functions, has on this occasion been used in a manner utterly contrary to the spirit in which the Protocols were conceived. The immunity has served the purpose of handing to Germany one of the most important prizes of her illegal and, as yet, unrecognised absorption of Czecho-Slovakia. The blame for this perversion of the functions of the B.I.S. rests with the B.I.S. itself. The circumstances of the case would have justified, if not a refusal to follow the instructions of the successors of the Czech National Bank regarding the transfer of the gold in question, at least some request for time to allow the legal difficulties raised by the non-recognition of the conquest to be cleared. As it is, the action of the B.I.S. has raised serious doubts regarding the usefulness of the rôle which it can play under the conditions created by the "white war" now being waged in Europe. The reparations functions for which it was specifically created have ceased to exist. It provides opportunities for consultation which may still be advantageous in any circumstances short of war. But the clauses in its Statutes which were intended to protect the assets of neutrals deposited in countries which went to war have served grotesquely to benefit an aggressor. In this respect, at least, its Statutes appear to call for radical reconsideration.

The New Travel Mark.—The main, and certainly the most ingenious, achievement of the Standstill Committee is the new formula for making up travel marks which will

become operative as from the beginning of June under the new agreement. Under the agreement now expiring, travel marks were made up as to 75 per cent. of registered marks—the source of which was the proceeds of the repayment of standstill credits—and as to 25 per cent. in dego marks—the source of which was the Golddiskontbank which made the foreign exchange proceeds of its sales available to the German authorities as consideration for allowing travel marks to circulate in former Austrian territory. The registered and dego marks commanded the same quotation. Included in the travel mark rate was a licence fee fixed at 15s. per 100 marks. The travel mark thus constituted was a comparatively simple compound. The new mixture, on the other hand, is one which must rank as complicated even if judged by the high standards of Germany's variegated currency system. In the first place, the ratio of registered to dego marks in the travel mark compound will no longer be fixed but will vary with the discount on registered marks. When that discount is 50 per cent. there will be 50 registered to 50 dego marks. When the discount is 60 per cent.—which is approximately the present figure—the ratio will be 60 registered to 40 dego marks. Dego and registered marks will no longer have the same exchange value. Until further notice, the dego mark will be quoted at 50 per cent. discount, while the rate of the registered mark will continue to move freely. The next complication is that of the licence fee, which will be on a sliding scale based on a figure of 15s. per 100 marks when the registered mark rate is 50 per cent. discount, and rising or falling by 4d. for every 1 per cent. of variation in the rate of discount. The greater the discount, i.e. the cheaper the registered mark, the larger will be the

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licence fee. The result of this complicated formula will be to make travel marks somewhat dearer than they are now and to give their rate much greater stability than it has commanded in the past. The German authorities will probably obtain more foreign exchange as a result of the higher ratio of dego to registered marks, but will set aside part of these receipts in order to assist the re-commercialisation of standstill credits.

* * *

America's Balance of Payments.—The preliminary estimate by the Department of Commerce of the balance of international payments of the United States in 1938 is shown in the table to be found at the head of the following column. The sharp depression of 1938 evidently had a great effect on the balance of payments of the United States. Whereas in 1937 the balance on current account was negative by less than the purchases of silver, in 1938 it was heavily positive. On the trading items alone (i.e. omitting interest and dividends) a debit of \$398 millions was converted into a credit of \$466 millions. This was produced not by heavy purchases of American goods and services by foreign countries, but by a very heavy slump in America's purchases of foreign goods and services. Imports of merchandise fell from \$3,084 millions to \$1,961 millions and payments for freight, tourists' expenditures, personal remittances, etc., were all smaller. The two exceptions were American purchases of silver, which increased in 1938, and institutional (i.e. charitable) contributions which showed the response of American generosity to distress in Europe and Asia. In the capital account, the inflow was smaller than in 1937. But this is partly deceptive, for the year fell into two sharply-defined periods, one from January to July, during which there was a net export of capital, and the second from August to December, when there was a very heavy inflow of funds. The large residual item suggests, for the second year in succession, that there are

(All figures in millions of dollars; a plus sign denotes a credit or in-payment, a minus sign a debit or out-payment).

	1937	1938
	Revised	Preliminary
Merchandise	+ 265	+ 1,133
Silver*	- 83	- 224
Freight and shipping	- 103	- 40
Travel	- 403	- 353
Personal remittances	- 145	- 115
Institutional contributions	- 35	- 40
Government transactions	- 97	- 66
Miscellaneous services, etc.	+ 203	+ 171
Total of above	- 398	+ 466
Interest and dividends	+ 330	+ 275
Balance on current account	- 68	+ 741
Gold exports and imports	- 1,586	- 1,972
Gold earmarkings	+ 200	+ 332
Net gold movements	- 1,386	- 1,640
Long-term capital	+ 522	+ 124
Short-term banking funds	+ 354	+ 295
Miscellaneous capital items	+ 5	- 4
Paper currency movement	...	+ 15
Total capital items	+ 881	+ 430
Other transactions and residual	+ 573	+ 469

* Silver is treated in the department's figures as akin to gold. In the table it has been placed in its logical position next to merchandise.

forms of capital inflow which cannot be traced. If the whole of this item can be added to the capital totals, it would appear that half the inflow of gold in 1938 represented capital and half was required to cover the current account. This heavy credit on current account is almost enough by itself to explain the weakness of sterling in 1938; it was certainly a factor of disturbance on the world's exchanges.

MONEY MARKET NOTES

The Money Market

THE result of last Friday's Treasury Bill tender had no immediate effect upon discount rates. The market syndicate maintained its bid at the previous week's level; and although its rate of allotment dropped from 40 per cent. to 28 per cent., total applications rising from £58.3 millions to £60.8 millions, it had every reason to be satisfied with its attempt to keep up the rate, for the amount of bills on offer this week has been raised to £40 millions. Moreover, the syndicate's bid gave a margin of about $\frac{1}{8}$ per cent. over the buying price maintained by most of the clearing banks. Later this week, however, three

	May 26, 1938	May 18, 1939	May 25, 1939
Bank Rate	2	2	2
London Deposit Rate	2	2	2
Short Loan Rates	1-1*	1-1*	1-1*
Clearing Banks	5-8	5-8-3/4	5-4-7/8
Others	5-8	5-8-3/4	5-4-7/8
Discount Rates	1-2	5-8	5-8
Treasury bills	1-2	5-8	5-8
Three months' bank bills	17-3-9/16	5-8	11-16

* 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.

banks raised their buying rates for August bills from $\frac{1}{8}$ to $\frac{1}{4}$ per cent., and the other banks are said to be falling into line. This firmer tendency in the discount market can be attributed to the growing reluctance of the banks to add to their bill portfolios, which have probably now been restored to normal, together with the increase in the supply of Treasury Bills; half-year influences, too, will soon be making themselves felt. The rate for the three months' bank draft is firm at $\frac{1}{4}$ per cent. Credit

conditions remain comfortable. As shown in this week's Bank Return there has been a big fall in bankers' deposits; nevertheless, loans against bills have been readily available at $\frac{1}{4}$ per cent. The activity in the gilt-edged market has increased the demand for bond money from outside quarters, which on Thursday was available at $\frac{3}{4}$ - $\frac{1}{2}$ per cent.

The Bullion Market

A FEATURE of the bullion market this week has been a small but noticeable revival in the hoarding demand for gold, which is a good indication that a brighter view is taken of the international situation. Arbitrageurs, too, have been encouraged to work more freely in view of the new ruling of the War Risks Cargo Pool discussed in a Finance Note last week, although the firmer trend of sterling has been a factor working in the opposite direction. Sales have been mainly of newly-mined

Date	Gold		Silver	
	Price per fine oz.	Prem. or Discount	Amt. dealt in £	Two Mths.
1939				
May 19	148 6	1/2 pm	£000	d. d.
" 20	148 6	1/2 pm	260	2018
" 22	148 5 1/2	par	151	2016
" 23	148 5 1/2	par	335	2018
" 24	148 5 1/2	par	556	2018
" 25	148 5 1/2	par	401	2018
			264	20

* 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.

metal, but partly on official account. The resumption of shipments of Transvaal gold appears to be inducing the authorities to release gold even when they do not need to support the sterling exchange. Nevertheless, on Wednesday buyers had to be rather severely rationed.

The silver market has been quiet but fairly steady. India has been both a buyer and a seller.

The Bank Return

IN preparation for the Whitsun holiday the note circulation shows an increase of £1 million. In the pre-Whitsun week of last year the increase was £4.7 millions, but as that Return was dated June 1st, the larger expansion was due to end-of-the-month requirements rather than to holiday influences. The rise this year has not been offset, for though Government securities

	May 25, 1938	May 10, 1939	May 17, 1939	May 24, 1939
	£ mil.	£ mil.	£ mil.	£ mil.
Issue Dept.: Gold	326.4	226.2	226.2	226.2
Value per oz. fine...	83s. 148s. 5 1/2	148s. 5 1/2	148s. 5 1/2	148s. 5 1/2
Notes in circulation	480.2	495.9	493.6	494.6
Banking Dept.: Reserve	47.0	31.0	33.2	32.2
Public Deps.	26.5	19.1	16.8	25.5
Bankers' Deps.	91.2	101.4	107.3	95.3
Other Deps.	36.1	36.3	36.1	36.4
Govt. Secs.	95.7	114.1	113.5	114.0
Discounts & Advances	9.5	8.1	10.1	7.1
Other Secs.	19.4	21.2	21.3	21.7
Proportion	30.3%	19.7%	20.6%	20.4%

show an increase of £0.5 million, discounts and advances and other securities between them show a net fall of £2.6 millions. At the same time there has been a big switch-over to public deposits, which are up by £8.7 millions

the week. For this the excess of payments for Treasury Bills over maturities, which now amounts to £10 lions weekly, and the accumulation funds for the War Loan dividend on June 1st, are probably responsible. Bankers' deposits as a result all these movements are down by as much as £12 millions to their lowest since April 26th.

Foreign Exchanges

ERLING has been firm in terms of dollars this week, and the sterling-dollar rate has moved up from 4.68½ on Saturday to 4.68 on Monday and

Royal Insurance Company.—New life assurances increased by £18,000 to a record figure of £5,177,000 and annuity considerations to £285,000, against £125,000. The net rate of interest on the life assurance and annuity funds fell from £3 17s. 3d. per cent. to £3 15s. 11d. per cent. Fire premiums showed a decrease of £110,000 to £5,429,000, but accident premiums, at £6,031,000, were greater by £85,000. Marine premiums amounted to £1,015,000, against £926,000, but the 1937 account was closed at a loss of £46,000, against a profit of £41,000 a year earlier. The results of the last two years are shown below:—

	1937	% of	1938	% of
	Profit	£ Premiums	Profit	£ Premiums
Fire	628,499	11.4	511,926	9.4
Accident, Employers' Liab. and General	490,761	8.3	566,920	9.4
Marine	40,927	...	Dr. 46,420	...
Life	50,000	...	50,000	...
Charges to Profit and Loss	1,210,187	...	1,082,426	...
	521,012	...	586,597	...
	689,175	...	495,829	...

Departmental reserves are strong; in addition to the usual reserve of 40 per cent. of the premium income for unexpired risk, additional reserves of £3,500,000 are available in both the fire and accident departments. The marine und amounts to £1,649,000, equal to 62 per cent. of the increased premium income of 1938. Paid-up capital consists of 5,599,930 ordinary shares of £1 each, 10s. paid, and the directors recommend that the sum of £699,991 5s. be transferred from profit and loss to reduce the uncalled liability to 7s. 6d. per share. Consolidated assets exceed £61 millions, and reserve fund stands at £1,500,000. The profit and loss balance, after providing for the 1938 dividend and the capitalisation of £s. 6d. per share, amounts to £2,107,000. Mortgages and loans increased from £4,910,000 to £5,588,000, while mortgages on property alone increased by £679,000 to £3,307,000. British Government securities fell from £13,951,000 to £13,241,000. Dominion, Indian and Colonial Government securities showed little change at £2,621,000, and foreign Government securities increased from £8,696,000 to £9,265,000. Debenture stocks amounted to £9,628,000, against £9,779,000, and ordinary stocks fell from £7,508,000 to £7,001,000, but preference shares increased from £4,629,000 to £4,825,000. Municipal, County and Public Boards Stocks (United Kingdom), which were reduced in 1937 from £1,343,000 to

4.68½ on Tuesday. At one time on Wednesday it was as high as 4.681- $\frac{3}{4}$, but official intervention is believed to have been responsible for the check that then took place, and the closing rate of 4.68½ showed no change on the day. On Thursday there was a reaction to 4.68½ in a very narrow market. Hopes of an early agreement with Russia, and a brighter view being consequently taken of the international situation, are probably responsible for the firmness of sterling. It has not been confined to the spot rate, for the premiums on forward dollars have contracted to $\frac{1}{2}$ c. for one month and 1½ c. for three months. The strength of the Canadian dollar has not been altogether maintained, for there are signs that the

INSURANCE NOTES

£884,000, recovered last year to £1,099,000. The dividend was repeated at 65 per cent., and costs £1,333,000, compared with available interest earnings of £1,193,000.

Sun Insurance Office.—The 1938 accounts of this office, the oldest insurance company in the world, cover the 229th year of its existence. Fire premiums increased by £25,000 to £2,259,000 and accident premiums from £1,860,000 to £1,885,000. Underwriting profits in the accident department were very satisfactory and showed a large increase on the 1937 record. Marine premiums remain practically unchanged at £586,000. In addition to the usual reserve of 40 per cent. of premiums for unexpired risk, additional fire and accident reserves amounted to £1,600,000 and £600,000 respectively, while the marine fund is equal to 174 per cent. of the 1938 premiums. The results of the last two years are given below:—

	1937	% of	1938	% of
	Profit	£ Premiums	Profit	£ Premiums
Fire	289,427	13.0	255,304	11.3
Personal Accident, etc.	131,824	7.2	159,343	8.4
Marine	424,251	...	414,647	...
Charges to Profit and Loss	417,213	...	418,169	...
	7,038	...	Dr. 3,522	...

Included in the profit and loss charges shown above are £100,000 transferred in 1937 to investment reserve and £150,000 written off investments in 1938, together with £50,000 written off properties in each year. Total assets amount to £11,269,000, while general and investment reserves stand at £1,000,000 and £342,000 respectively, and the profit and loss balance, after providing for the 1938 dividend, exceeds £1½ millions. Aggregate market values of Stock Exchange securities on December 31st last exceeded book values. The rate of dividend is maintained at 55 per cent., and costs £243,000, compared with net interest earnings of £260,000.

Alliance Assurance Company.—The results of the fire department of the Alliance have been consistently successful, and last year proved no exception. Premium income increased by £35,000 to £2,211,000. Accident

demand from tourists visiting the Dominion for the Royal tour is falling off, but the rate has been quietly steady at around 4.69½. The French franc has remained very steady at 176½. Tourist buying is fairly extensive, but is not allowed to cause any appreciation in the rate which has hardly moved since the beginning of May. Swiss francs, on the other hand, appreciated early in the week, as a result both of tourist demand and the easing of political tension, although on Wednesday there was a sharp reaction to 20.79½ fr., against 20.77½ fr. on Tuesday. The resignation of the Dutch Finance Minister has been partly responsible for the weaker tendency shown by the guilder, which on Thursday was quoted at 8.72½.

premiums amounted to £1,492,000, against £1,427,000, and marine premiums to £406,000, against £412,000. The departmental reserves are strong at 158 per cent., 90 per cent. and 280 per cent. of the premium income in the three respective departments. Underwriting results of the last two years are given below:—

	1937	% of	1938	% of
	Profit	£ Premiums	Profit	£ Premiums
Fire	432,613	19.9	422,224	19.1
Miscellaneous	146,315	10.3	125,569	8.4
Marine	37,009	9.0	37,649	9.3
Life	51,481	...	57,806	...
Sinking fund	...	...	14,763	...
	667,418	...	658,011	...
Charges to Profit and Loss	325,093	...	343,301	...
	342,325	...	314,710	...

In addition to the profit and loss items included above, £100,000 was transferred to reserve fund in each of the past two years. In the life department new sums assured increased from £3,836,000 to £4,205,000, and the rate of interest on the life assurance and annuity funds fell by 4s. 2d. per cent. to £3 9s. 8d. per cent. A quinquennial valuation of the Alliance life assets was made as at December 31, 1938, and the results are given below:—

	1929-33	1934-38
Surplus earned	2,431,095	2,436,446
Brought forward	380,960	823,337
	2,812,055	3,259,783
Allocations:— Policyholders' bonuses	1,789,846	2,074,474
Shareholders	198,872	230,497
Strengthening reserves	...	*600,000
Carried forward	823,337	354,812
	2,812,055	3,259,783

* Approximate.

The basis of valuation has been strengthened by the assumption of interest at 2½ per cent., against 3 per cent. The cost of this change is stated to be in excess of £600,000, the amount set aside five years ago for this purpose. The rate of bonus has been maintained at 38s. per cent. per annum on the sum assured and existing bonuses. Total assets amount to almost £42 millions, of which £27 millions belong to the life and annuity funds of the Alliance and its subsidiaries. Stock Exchange securities stand in the company's books at or below middle market prices, less accrued interest. General reserve amounts to £1,850,000 and the profit and loss balance to £749,000, after providing for the 1938 dividend, which, for the twelfth successive year, is 18s. per share and costs £458,000, compared with available interest earnings of £367,000.

Investment

Gilt-Edged Lead Recovery.—From the outset this week, gilt-edged have pointed the way for the rest of the market to follow. It would be wrong to deny the appearance of some faint stirring of investment interest. Yet, for the first half of the week at least, the impression prevailed that activity showed little, if any, expansion over the previous week. This week's gains have been the more spectacular since the market is so bare of stock. The original buying impetus required to produce an advance of half a point in War Loan on Monday was extremely small for a stock in which big transactions are normally needed to move the price significantly. But investment buying has been encouraged by the subsequent rises, which have developed into strides of up to a point where earlier in the week fractional gains of a quarter of a point were the general rule. The striking success of the Sydney loan, which closed at 1½ premium at the end of the first day's business on Tuesday, and the eager underwriting and subscription of the South Africa loan, provide a further illustration of the dramatic change in market sentiment. Such a startling rise in the funds is perhaps against the "book," for while industry is staging a rapid recovery the investor has yet to find the funds on which industrial expansion is largely based. Yet the suggestion that the authorities should seize the present "opportunity" to obtain at least the first part of their defence requirements may not be entirely conclusive. For undue eagerness, in a situation where the authorities have to foster the gilt-edged investor's confidence, might be taken as a sign that they were somewhat unconvinced of the permanence of the rise in gilt-edged. In fact, this week's advance is attributable to a batch of mixed influences—reassurance regarding the maintenance of cheap money, the consolidation of the "peace front," and the natural vigorous rebound of a market empty of stock as soon as a moderate volume of buying returns. If the present temper is maintained, however, the appropriate time for a defence issue may be nearer than the autumn.

"House" Firms as Unlimited Companies.—The proposed alterations to the Rules, to give effect to the decision to allow Stock Exchange firms to form themselves into unlimited companies, have been passed by the Committee for General Purposes for confirmation on June 5th. The new rules, 57b, 57c and 57d, are notable for the extreme care that has been taken to ensure that members of firms which elect to take advantage of the scheme will be personally charged with the same degree of responsibility to investors and to the "House," as if they remained as partners. Accordingly, while provision has to be made to allow new unlimited companies to become "corporate members" of the Stock Exchange, persons forming themselves into such companies must first be, and remain, members of the "House." The individual members are answerable for such companies' transactions exactly as if they were their own, and this safeguard applies both to financial and legal obligations and to compliance with the Rules, Regulations and practices of the "House." The mechanical processes outlined are simple. Firms proposing to convert into unlimited companies must give ten days'

notice to the Committee, together with their draft Memorandum and Articles. Unless the Committee objects, the firm may then register itself as a company. The individual members concerned must then apply for membership for the company, but no other proposal, or nomination or recommender or surety is required, nor will there be any election. The acceptance of the application will, therefore, be more or less automatic provided the procedure has been correctly followed. In the case of resignation by a corporate member, this will operate as notice of formation of a new partnership between the individual members. The whole objective has been to reduce the effective position of corporate members to the minimum level necessary to satisfy the accounting and taxation objectives of the scheme.

Railway Recovery.—A further impressive advance in home railway stocks this week follows less from the "Square Deal" report (discussed at length on page 478 and summarised on page 482) than from the current traffic trend. Making all due allowance for the unfavourable course of receipts twelve months ago, traffic gains of £617,000 during the past four weeks are clearly impressive. They have reduced the short-fall in gross receipts for the twenty weeks to date to £838,000, compared with £1,455,000 at the end of the sixteenth week. And the recent gains in coal and merchandise suggest that the rapid industrial improvement of recent weeks is not by-passing the railways. On the passenger side, the recent gains have not been impressive, though the trend shows improvement. With six weeks to go before the end of the half-year, the market is already framing its estimates of current railway earnings. The general basis of assumption is that the lines will "break even" on their gross takings, and after increases of £207,000 and £187,000 in the past two weeks, this assumption is by no means fanciful. In the following table, the shortfall to date is shown for each of the companies, the average weekly traffic gain for the past four weeks, and the average gain required for the next six weeks to "break even":—

	(In £'000's)		Average required gain, next six weeks, to "break even"
	Shortfall, 20 weeks to date, compared 1938	Average gain, past 4 weeks	
L.M.S.	362	54	60
L.N.E.	423	50	70
G.W.R.	17	41	3
Southern	36	10	6
4 main lines ...	838	155	139

For Great Western and Southern, the result is scarcely in doubt. Of the two Northern lines, L.M.S. should be able to put on the slight extra spurt to reach the goal, but the margin for L.N.E.R. is wider. The results, however, may not depend so directly on the traffic receipts as upon the volume of "savings" which the companies are able to retain for a half-year of improved working. The apparent unexpired savings accruing from 1938 amounted roughly to £700,000 for L.M.S., £1,000,000 for L.N.E.R., and £500,000 for Great Western. But these savings are, in effect, based on the maintenance of the volume of traffic at the level of the second half of 1938. In view of the improvement, it may be reasonable to assume that half of these amounts are realised. Hence, on the assumption that gross receipts "break even," the potential savings would be equivalent to extra earnings of 0.87 per cent. for L.M.S. 1923 preference, and 0.58 per cent. for Great Western ordinary. The position of L.N.E.R. for second guaranteed and first preference stocks cannot be readily established by this method, which only provides a rough basis for the current half-year. For the remainder of the year it will obviously become relevant to consider the traffic trend in greater detail.

G.W.R. and Electrification.—Great Western Railway stockholders will probably feel little surprise that the company has decided not to proceed with the proposal to electrify the main line between Taunton and Penzance. When Lord Horne disclosed that the project was under consideration, at last year's meeting, it seemed that the company had deliberately chosen a line superficially unattractive in order to make the examination the more stringent. The report of the consulting engineers, at least, shows that few of the requirements of successful electrification are present. The physical characteristics of the line, the wide variations in the traffic carried between the different seasons, and the cost of replacing no fewer than 164 steam locomotives by electric types at high cost, are decisive points on which the scheme is rejected. As much as two-thirds of the traffic consists of passengers, and the bulk is run during the summer, and even then is concentrated in the middle of the day and at week-ends. Railway stockholders may not regard this somewhat special case as the final answer on the question of railway electrification for mixed traffic lines, though it illustrates some of the difficulties which are involved.

Company Notes

Edmundsons Electricity Report.—The postponement until November of further examination by the House of Lords Select Committee on the effect of holding companies upon the utility industries will probably be welcomed by shareholders of Edmundsons Electricity Corporation, whose annual report for the year to March 31, 1939, has appeared this week. The method of presenting profits has been changed, but not to a degree which affects comparability. A fuller description of the items included in gross trading profit, which totalled £281,737 for 1937-38, shows that it includes profits from supplying engineering and contracting services to subsidiaries, from consulting fees on work carried out at selected stations, and from bulk purchases of consumers' goods supplied to subsidiaries. These amounts are shown at £155,313, after deducting administration charges not recovered from subsidiaries—an item which absorbed £31,938 from the previous year's trading profit. Thus a true comparison would suggest that trading profit has been reduced from £249,799 to £155,313. This fall, however, is more than made good from dividends received from subsidiaries (£695,955 against £569,891) and from other sources (£45,463 against £15,648). Total income is thus increased from £867,609 to £897,130. Such changes in investment income suggest either the rapid fructification of previous investment, or more liberal distributions from subsidiaries' profits. Following last year's 50 per cent. capital bonus, the dividend is proportionately reduced from 9 per cent. to 6 per cent. and it is covered by earnings of 7.3 per cent., as the following table shows:—

	Years to March 31st		
	1937	1938	1939
Trading profits	208,587	281,737	155,313†
Dividends and other income	589,563	585,872	741,818
Total income	798,150	867,609	897,130
Expenses, fees and interest	33,675	78,468	55,309
Taxation and N.D.C.	43,130	51,000	50,000
Debt service	200,978	203,022	203,022
Preference dividends	111,760	113,211	118,821
Ordinary stock:—			
Earned	408,607	421,908	469,978
Paid	336,600	344,200	405,000
Earned %	11.6	11.8	7.3
Paid %	9	9	6
Reserve fund*	30,000	30,000	30,000
Carried forward	50,477‡	98,184	133,161
Issued ordinary capital	3,740,000	4,500,000	6,750,000

* Not including direct transfers of capital profits. † Net of administrative expenses not recovered from subsidiaries. ‡ After writing off £41,250 new issue expenses. § And capital bonus of 50 per cent.

The corporation has striven during recent years to effect a fuller consolidation of its interests. The number of companies within the group has been reduced in two years from 49 to 23, and in the same period certain interests have been sold, and others acquired, to unify the group's areas of supply. These changes, which could doubtless be justified on economic grounds alone, have also accorded with modern tendencies in utility finance. A series of uncoordinated units clearly stands in danger of disintegration if legislative action is threatened, as it was two years ago. That shareholders have not suffered is apparent from the dividend record from 1934, when 7 per cent. was paid, to this year, when 9 per cent. (on a comparable basis) is being distributed, though such rapid progress in the near future could hardly be expected. The £1 stock units stand at 25s. to yield £4 16s. per cent.

* * *

J. Lyons and Company Results.—Happy is the company which can claim new record profits each year, with so little apparent effort as J. Lyons and Company. The latest report, however, provides no exception to the practice of striking a balance of profits which does not exhibit the real variation in trading results. On a long view, of course, there can be no doubt of the substantial position and satisfactory progress of the undertaking, whose fruits for the shareholder are a small increase in disclosed profits, and a consistent 22½ per cent. dividend paid without variation for more than a decade, without large changes in the disclosed earnings cover. The results give the impression of a steady and sheltered business; in fact, the company's profits are affected not merely by its growing scale of operations, but by a considerable degree of competition and by changes in commodity prices. The course of profits in the past three years is shown in the following table, while the chart brings out the massive stability of profits over a longer period:—

	Years ended March 31		
	1937	1938	1939
Profit	1,024,329	1,024,460	1,025,690
Directors' fees	13,452	13,460	13,710
Prof. dividends	462,353	462,353	462,353
Prof. ord. div.	28,000	28,000	28,000
Ord., "A" Ord., and Proportional Profit shares:—			
Earned	520,524	520,647	521,627
Paid	417,661	417,661	417,661
Earned %*	29.9	30.2	30.2
Paid %*	22½	22½	22½
Reserve	100,000	100,000	100,000
Carry forward	42,203	145,189	249,154

* On Ordinary and "A" Ordinary, each Proportional Profit share ranks for one-fifth of dividend on an Ordinary share.

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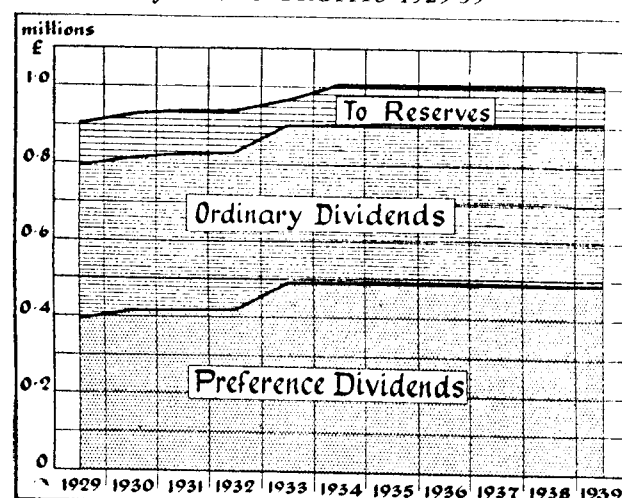
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J. LYONS' PROFITS 1929-39



The latest report contains some comment on the year's working. It is stated that business done showed satisfactory progress, while the provision of still more substantial contingency reserves as a precaution against continued unsettled conditions suggests that trading profits rose by rather more than the mere £1,230 suggested by the accounts. Dividends are supported by the same earnings as before, and, as in 1937-38, a substantial addition is made to the carry forward, instead of making additions to reserve, which stands at £2,000,000. In a balance sheet devoid of any special features, the principal changes are an increase from £407,923 to £443,063 in investments in subsidiaries, and the disappearance from the assets of a £200,000 mortgage. Under peace-time conditions at least, the outlook for 1939-40 should be as favourable as the year which has just closed. At the current price of 5½ J. Lyons £1 ordinary shares yield £4 2s. per cent.

Coal Shares Examined.—The coal share group has again been active this week, and it would be difficult to deny the relative attraction of a group which, according to the Actuaries' Index, provides an average return of 7.17 per cent. This impression is supported by the satisfactory results which have recently appeared. They suggest that the regional selling schemes have now thoroughly proved their value to the industry in maintaining or raising prices. Again, current reports from the industry indicate a high level of activity which was not apparent even in the first quarter of this year. Hence, the profits recently reported may, if the present rate of output is maintained, be exceeded in the current year. A selection of such profits is shown below:—

Company (years to March 31st)	Total Profits	Earned for Ord.		Div.	Present	
		Amt.	Rate		Price	Yield
Pease and Partners—						
1937	302,777	160,492	16.0	5	} 12/3x (10/-)	10 4 0
1938	538,313	317,500	31.9	10		
1939	496,928	202,376	17.8	12½		
Yorks. Amal. Colls.—						
1937	282,161	230,843	...	5 t.f.	} 19/- (£1)	7 18 0
1938	305,587	251,976	...	5½ t.f.		
1939	285,000	233,979	...	7½		
Carlton Main Colly.—						
1937	150,084	87,800	5.4	5	} 21/7½ (£1)	9 5 0
1938	169,842	107,680	6.8	6½		
1939	249,748	187,158	11.9	10		

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Even last year, it will be seen, increased or maintained dividends were the rule. The gross 7½ per cent. dividend of Yorkshire Amalgamated is roughly equal to the former 5½ per cent. tax free distribution; Manchester Collieries have maintained the 5 per cent. payment; while Pease and Partners, to the market's gratification, added a 2½ per cent. cash bonus to their 10 per cent. dividend. The increase in the Carlton Main dividend is more than warranted by a sharp rise in profits. The experience of the different companies, however, has not been identical. Pease and Partners is a mixed undertaking, and reported lower sales and prices for pig iron and coke, but improved earnings from coal. The net effect is a fall of £41,385 in total profits, and a still sharper fall in earnings for the equity, since the provision for renewals and contingencies is £20,000 higher at £50,000, and £50,000 is allocated to reserve against investments in subsidiaries. In spite of these generous increases in special provisions, the increased distribution is well covered, and is less surprising in a year of lower profits if the exceptionally conservative dividend of 1937-38 is remembered. Yorkshire Amalgamated report a "somewhat lower" output of coal, but the fall in profits is only 6½ per cent., and is due also to larger taxation provisions by the constituent companies, besides higher depreciation on account of recent plant extensions. Lord Aberconway's speech this week, however, was distinctly optimistic, and referred to the possibility of a rise in prices. The substantial rise in Carlton Main total earnings follows a period of substantial reorganisation within the group. The repayment of £250,000 4½ per cent. debenture stock on April 1st implies an annual saving of £11,250 gross interest, which will take effect this year. The higher level of activity and the tendency towards fixed prices which have become evident imply that the 1939-40 financial period has begun well for collieries in general. Current share yields, in these circumstances, still seem relatively generous, even after the impressive gains of the past fortnight.

Imperial Airways Offer.—Last Monday, Imperial Airways shareholders ratified the directors' acceptance of the Government's offer of 32s. 9d. per ordinary share. Sir John Reith added a number of details to the general outline of the scheme, including the information that shareholders will be permitted to take up stock in the new corporation, at the price of issue to the public, from the sums which are due to them under the offer. These, presumably, will include the interest which is payable as from April 1, 1938, on the purchase price. The next step is to obtain Parliamentary sanction for the purchase. No information is, of course, available at this stage regarding the terms or which the corporation stock will be issued.

Griffiths Hughes Proprietaries Setback.—In each of the past three years, this proprietary medicine holding company, which became a public concern in 1934, has produced disappointment for the investor. For each of the years to June 30, 1935 and 1936, a 17½ per cent dividend was paid, but the rate was reduced to 11 per cent. in 1936-37, to 6½ per cent. actual for nine months to March, 1938, and has now been cut to 5 per cent. for the latest year. The Proprietaries' dividend for the nine months to March, 1938, represented 8½ per cent. per annum, and the reduction to 5 per cent. for 1938-39 evidently reflects a further deterioration of the operating company's affairs. Its record in recent years is not impressive. Profits amounted to £454,121 in 1935-36, but the following year they were almost halved at £234,026, while in 1937-38 they fell further to £162,196, and the preliminary statement for the latest year shows profits, before tax, of no more than £112,550, a reduction of 30 per cent. A rough impression from these figures

suggests that the holding company's dividend may have been short-earned to the extent of 1½ per cent., assuming that a full year's preference dividend has been charged. The unfavourable experience of the undertaking since it became a public concern points to the importance of keeping abreast of public taste, and stresses the importance of advertising in the fight for obtaining custom.

Tea Profits and Prospects.—The majority of recent tea company reports record some decline in profits and dividends. As compared with rubber producers, however, the reduction in earnings shows welcome moderation. The experience of the Finlay group of tea companies may be considered representative, and their results, together with those of Lunuva and of Nuwara Eliya, are summarised in the following table:

Company	Tea		Total Rev.	Earned for Ord.		Div.	Present	
	Crop	Av. Price		Amt.	%		Price†	Yield
	'000 lbs.	d. per lb.	£'000	£'000	%	%	xd	%
Consol. Tea*—								
1936	16,133	12.63	906.5	124.7	10.5	10	} 28/9	7.0
1937	17,143	13.92	1052.0	206.5	18.8	13		
1938	18,471	12.32	1010.4	115.4	9.6	10		
Anglo-Amer. Direct*—								
1936	7,569	12.66	472.2	41.1	6.3	6	} 18/9	8.0
1937	8,090	14.54	561.7	84.1	13.7	10		
1938	8,789	13.52	542.7	71.3	12.0	7½		
Amal. Tea Est.*								
1936	5,776	13.77	383.4	38.7	4.1	4	} 16/-	8.7
1937	5,955	15.17	432.9	82.3	9.2	7		
1938	6,397	14.20	426.8	72.3	7.8	7		
Kanan Devan*								
1936	12,080	13.55	666.7	105.3	14.5	12½	} 45/-	7.8
1937	13,082	15.12	787.5	168.9	25.0	16		
1938	14,778	14.40	838.1	185.5	27.5	17½		
Lunuvā†								
1936	5,580	12.25	306.4	57.8	9.1	9	} 29/4½	6.8
1937	5,727	14.35	380.7	102.8	15.1	12		
1938	6,310	13.25	375.6	105.1	15.1	10		
Nuwara Eliya†								
1936	2,080	20.19	177.1	60.2	22.6	18	} 33/9	6.5
1937	2,094	18.94	167.0	43.8	16.2	14		
1938	2,289	16.47	158.9	31.3	11.3	11		

* Years to November 30th. † Years to December 31st. ‡ Per £1 share of unit.

The setback in profits is entirely due to the lower average price of tea, which fell by about 1d. a lb.—for Nuwara Eliya, a high-grade producer, there is a decline of nearly 2½d.—though the 1938 average does not compare unfavourably with that of 1936. Increased crop releases, however, ranging between 7 per cent. and 13 per cent., have done much to offset the effect of lower prices. And the companies listed above show that higher crops have provided savings in costs. Lunuva, for instance, reduced f.o.b. costs per lb. from 8.23d. to 7.81d., and the reduction in dividend is a precautionary measure, not necessitated by any fall in equity earnings. The experience of the individual Finlay companies varies, for different movements of prices or crop are complicated by inter-company holdings. Consolidated Tea shows the heaviest rate of decline in equity earnings—its average realised price was 1.6d. a lb. lower—and the fall would have been heavier but for higher dividend receipts. There is also some variation in dividend policy, since the Anglo-American Direct dividend cut is more severe than the fall in earnings, while the Amalgamated Tea Estates distribution is maintained although earnings are reduced. Exceptionally, the Kanan Devan dividend is increased—a result due to a more substantial increase in the crop and a more moderate fall in average prices obtained than the majority of companies. In this country, at any rate, tea consumption shows no signs of resuming an upward trend; London auction prices have ruled at a lower level than a year ago; and some small reduction in releases has been made for 1939-40. But if the immediate outlook lacks cheerful features, there is no reason to expect any substantial decline in profits for the current year.

A New Appointment

MR. NORMAN CRUMP

has been appointed
CITY EDITOR

of the

SUNDAY TIMES

and will contribute his first
article next Sunday, May 28th.

Mr. Crump, who has been an occasional contributor to the SUNDAY TIMES, has been engaged in financial journalism for nearly twenty years. His experience on the staff of *The Economist* and other responsible journals covers every main department of City affairs, and his knowledge and judgment inspire full confidence.

Communications for the City Editor should be addressed to the SUNDAY TIMES, City Offices, 52, Wool Exchange, E.C.2.

Phone: Metropolitan 3720.

The City pages of the SUNDAY TIMES contain the fullest lists of Saturday's Wall Street and Canadian closing prices.

Rand Taxation and Mining Development.—It is quite understandable that Rand mining spokesmen should emphasise the great burden of taxation borne by the industry. Mr P. M. Anderson, in his speech at the Union Corporation meeting, showed that the aggregate profit of the industry as a whole was substantially less than the amount accruing to it in respect of the increased price of gold over the old parity of 85s. The profit per ton milled in 1938 was only 3s. 5d. higher than six years previously, and of this increase no less than two-thirds was absorbed by additional taxation. The question of how far taxation may be considered excessive, in the sense of acting as a deterrent to new exploitation, is naturally one of great concern to finance houses. Mr Anderson seemed to suggest that this stage may already have been reached in some cases. He referred to the high capital cost—£3,000,000 or more, to bring one deep-level mine to full production—and to the proportion of failures, and drew attention to the fact that to-day there are a number of ventures in the developing stage that require further funds, but whose shares are quoted below par, and cannot procure additional capital by normal means. Mr Anderson, however, mentioned that the Union Corporation, as shareholders in Grootvlei and Van Dyk, had exercised rights to subscribe for its proportion of the new issues of those companies last year, and that the preferential subscription right had been exercised in the Marievale issue. Heavy as the incidence of taxation is, managements in general show no inclination to avoid bigger production programmes where the technical indications are known to be sufficiently satisfactory. Thus, Sir Patrick Jones announced at the Rand Leases meeting that the capacity of that company's milling plant would be further increased to 200,000 tons per month. Sir George MacKenzie, at the New Kleinfontein meeting, stated that, having regard to the level of economic working in relation to the taxation factor, it had been decided to incur the necessary capital expenditure to increase the tonnage from 85,000 tons to 100,000 tons monthly. West Rand Consols are going ahead with an increased capital expenditure programme. In such cases, the net economic stimulus, after providing for taxation on its present scale, appears to be sufficiently active, but it must be admitted that the flotation of new ventures at present would be difficult. Technically, there is every reason why West Driefontein should get its money and go ahead as fast as possible, though West Wits have found it necessary to defer the flotation until more favourable conditions prevail. Perhaps the impact of the taxation factor would be less burdensome if political factors no longer swayed the markets.

* * *

The Week's Company Profits.—Apart from the J. Lyons results, this week's profits figures are not influenced by large individual figures. The usual analysis of profit and loss account on page 530 shows that 48 companies for which comparable figures are available have reported net profits of £4,151,000 against £4,285,000, a reduction of only 3 per cent. Aggregate net profits of 1,151 companies reporting this year to date are £152,359,000, or 8½ per cent. below the total of £166,201,000 earned by the same companies a year ago. The week's results are discussed in preceding Notes and on page 504 under the heading "Shorter Comments."

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET ACCOUNT
JUNE 6 JUNE 8

ANOTHER week of all-round improvement has been experienced by the stock markets, with particular strength in gilt-edged but cheerfulness in other sections also. Foreign news has been raising hopes of at least a respite, if not a permanent improvement, in the political

situation, and in this mood the market has been better disposed to take note of more active industrial conditions.

Gilt-edged stocks went ahead almost consistently in a series of spurts, Old Consols, for instance, rising ½ on Monday, then ½, and no less than a full point in mid-week. War Loan and the undated stocks generally showed corresponding gains. Redeemable issues made a good showing, although they were less prominent than the perpetual stocks. A number of factors contributed

Company Meetings of the Week.—In this issue, reports of company meetings begin on page 512. Reviewing the *Royal Insurance* results, Mr A. Kentish Barnes pointed out that in the accident and general departments the premium income created a fresh record at £6,030,000, while the underwriting profit of £566,000 was also a record. At the *Sun Insurance* meeting, Sir William H. Goschen reported that underwriting profit in the fire account showed a ratio of 11.27 per cent. to earned premiums. Mr P. M. Anderson's discussion of the severity of taxation at the *Union Corporation* meeting is reviewed on this page. Mr F. E. Rebbeck informed *Harland and Wolff* shareholders that the Govan shipyard had produced a record output, but that at the end of the year the Diesel engine works were without orders for propelling machinery. Much of the company's engineering capacity, however, had been employed in other directions. In his address to *British and Chinese Corporation* members, Mr D. G. M. Bernard mentioned that the Corporation, together with other groups had been interested in a project for a railway from Szechuan to Burma, which the Chinese were anxious to build. At the *Welwyn Garden City* meeting, Mr Theodore G. Chambers discussed the industrial decentralisation. At the meeting of *Wiggins, Teape*, Lord Portal informed shareholders that the small recession in turnover was largely due to a reduced demand for the cheaper grades of paper. Mr W. J. Clarke informed shareholders of *James W. Cook and Company* that the capital of the company would be increased to pay off subsidiaries' liabilities to the banks. Mr Philip E. Hill, at the meeting of *Timothy Whites and Taylors*, looked forward to increased purchasing power and increased turnover for retail concerns due to the re-armament programme. At the meeting of *Telephone Manufacturing Company*, Mr F. T. Jackson informed shareholders that a factory had been changed over from the manufacture of telephone apparatus to armament work. Mr A. P. Harlow, at the meeting of *United Sumatra Rubber*, declared that cultivation and the drainage system of the estates had been improved. Mr E. D. Hewan informed shareholders of *Sungei Batu (Malaya) Rubber* that re-planting would be necessary, following the extension of the quota, to continue the policy of rejuvenating the estates. At the meeting of *Kepong (Malay) Rubber*, Sir F. Voules discussed the fall in profits, which was due to the smaller exportable crop and the lower market price. Mr R. Olaf Hambro referred with satisfaction to the exceptionally liquid position of *Hambros Bank*. In the late summer of 1938 it had been decided to reduce gilt-edged investments and increase Treasury bill holdings. At the *Associated Gas and Water Undertakings* meeting, Mr W. H. Bennett estimated that the improved efficiency of gas appliances of recent years represented 20 per cent. extra service. As an instance of the scope of the *Odams Press* undertaking, Lord Southwood informed shareholders that last year £3,000,000 was paid out in wages and salaries alone. At the *Industrial and General Trust* meeting, Captain E. C. Eric Smith pointed out that the balance-sheet figure for investments of £8,014,688 was still represented by market values. *Madras Electricity Supply* members were informed by Mr James Gray that almost every branch had contributed to the increased sales. Labour troubles which had hampered the activities of *Indian Copper Corporation* were described by Sir Godfrey B. H. Fell at the general meeting.

to this exceptional cheerfulness: steady public support, the lack of repercussions from the Danzig incidents at the week-end, the Chancellor's reassurance regarding cheap money, and prospects of an Anglo-Soviet agreement. Dominion stocks were firm, being helped by the success of the Sydney issue, though the terms of the South Africa loan slightly depressed comparable stocks. Australians went ahead smartly, and New Zealand issues also gained.

In smaller degree, many foreign

bonds reflected the general improvement. Among European issues, Czechoslovakian bonds were prominent on hopes that the debt service might be met. Japanese bonds were subdued, while Brazilians began the week badly, but recovered later.

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After a slight and somewhat grudging response to the "Square Deal" report, *home rails* were dull early in the week, partly on profit-taking, but hopes, handsomely realised, of good traffics revived interest, and under the lead of Great Western ordinary, prices improved as the week proceeded. Preference issues received fair support, and the guaranteed stocks were firm. Although remaining quiet, Argentine rails were noticeably firmer than of late.

In the *industrial market* the trend of prices was again moderately but steadily upwards, with some broadening of interest after a quietly firm start. The heavy industries were the best supported. Iron and steel shares gained consistently, and became rather more active as the week went on. Ruston & Hornsby rose sharply on the good results. The satisfactory trend continued in coal shares, which were actively supported, while engineering issues renewed their rise after some hesitation on Tuesday. In spite of some return of interest in mid-week, electrical equipment issues were relatively neglected, and electricity supply shares improved quietly, helped by the Edmundsons report. Motor shares began the week irregularly, and then shared in the general improvement. Aircraft issues were belatedly affected by the market cheerfulness, but made a less satisfactory showing than many other sections. Textiles were unaffected by the upward trend and lacked features of interest, except for an impressive gain in Courtaulds after the April output figures. Provincial support helped breweries. Tobacco shares failed to make much headway, though they were very firm. Small gains were general in the stores group, in spite of a little profit-taking in mid-week. The tendency among provision and catering issues was a shade firmer. Useful gains were common among miscellaneous shares, though prices did not vary between very wide limits. London Brick gave way on the reduced interim dividend. Shipping shares were dull and uncertain.

★

Oil shares opened quiet but firm, with selective buying of Venezuelan Oil Concessions and Attock. On Thursday, the market blazed into activity on the announcement of final dividend payments by "Shell" and Royal Dutch. Rubber shares continued firm, but business was small, the public adopting a cautious attitude on the statistical position of the commodity. There was some demand for tea shares on Monday, especially for Indian issues. The tone continued firm in mid-week. In the *mining market*, Kaffirs were firm throughout the week, but changes of sentiment at the Cape were an unsettling factor. West Africans advanced under the lead of Ariston, interest being maintained well into the week. Apart from a rally in Venterspost and West Wits shares on Tuesday, developing issues drifted fractionally downwards. Among the finance companies, African and European issues were early in demand, prices hardening in mid-week. Diamond and copper shares were

neglected, but tin shares improved after Monday in sympathy with the metal.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains	Corres. Day 1939	Security Indices	
			30 ord. shares*	20 fixed int.†
May 19	5,060	7,459	81.5	118.0
" 22	6,785	7,395	81.5	118.2
" 23	5,885	6,780	81.8	118.7
" 24	6,045	7,505	82.2	119.4
" 25	7,340	6,345	83.1	119.7
1939 High...	...	...	88.0	123.5
Low...	...	...	73.7	114.9
			Mar. 10	Jan. 3
			73.7	114.9
			Jan. 27	May 1

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

ACTUARIES' INVESTMENT INDEX

The recent upward movement of the Actuaries' Index of 160 industrial ordinary share prices is continued this week with a gain of 0.7 to 62.8 in the week to Tuesday, May 23rd. A month ago the index stood at 59.4. The average percentage yield this week is 5.65 compared with 5.75 a week ago, and 6.03 a month ago. A selection of the separate indices follows:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Price 1939 High
	Apr. 25, 1939	May 16, 1939	May 23, 1939	
Banks, etc. (10)	101.1	103.0	105.5	109.0
Aircraft Mfg. (5)†	77.2	80.0	79.7	96.7
Coal (8)	76.9	80.9	82.0	82.0
El. light, etc. (16)	112.7	112.8	114.2	120.1
Home rails (4)	34.1	41.3	43.3	43.3
Shipping (7)	13.3	14.1	13.8	15.4
Brews. & Dis. (20)	106.6	114.4	116.6	117.5

Group	Yield (%)			Price 1939 Low
	Apr. 25, 1939	May 16, 1939	May 23, 1939	
Banks, etc.	4.53	4.45	4.34	100.2
Aircraft Mfg.	10.20	9.84	9.89	72.8
Coal	7.62	7.26	7.17	74.0
El. light, etc.	4.93	4.93	4.79	111.9
Home rails	0.50	0.39	0.37	29.5
Shipping	4.59	4.21	4.29	12.9
Brews. and Dist.	6.21	5.79	5.65	106.2

† December 30, 1938 = 100.

New York

WALL STREET rallied strongly late on Monday under the leadership of utility and railroad stocks, but news of labour trouble in the Chrysler works at Detroit imparted an easier tendency on Tues-

day. Aircraft issues were a firm feature, however, on advice of new Government contracts. By mid-week second thoughts on the Roosevelt speech and the anticipated effect of Government spending on purchasing power led a general rally, led by consumption goods shares. Steel shares were also more buoyant on news of increased activity. *Iron Age* reports current steel mill activity as 48 per cent. of capacity against 45.5 per cent. last week. The improvement is due to the settlement of the coal strike and the heavy booking during the recent price-cutting period.

New York Prices

	Close Latest May 18, 1939		Close Latest May 25, 1939	
1. Rails and Transport				
Atchafalaya	26½	29½	19½	21½
Balt. & Ohio	4½	5¼	64	70¼
B.M.T.	11¼	12	27½	30
Can. Pacific	37½	41½	41½	45
Ches. & Ohio	31¼	34	5½	6½
G.N. Ry. Pf.	19¼	21¼	6½	6¾
Illinois Cent.	10½	12½	3¼	3½
N.Y. Central	13½	15½	22¼	24¼
Norfolk Pac.	8½	9	21½	24
Pennsylv. Ry.	17½	18½	61¼	70¼
Southern Pac.	12¼	13¼	35½	39½
Southern Ry.	13½	15½	46¼	49
Union Pac.	90¾	96¼	160	166
Greyhound	17½	19½	82½	88
2. Utilities and Communications				
Am. W. Works.	91½	10	145¼	151
C.W. & S.	11¼	13½	32½	35½
Con. Edison	30	31½	33½	35½
Col. Gas & El.	6	6½	87½	96½
El. Bond & Sh.	7½	8½	86	90
Nat. Pwr. & Lt.	71½	74	22	23½
N. American	20¼	21½	36¼	38½
Pac. Gas & El.	30	31	97½	100½
Pac. Lighting	46¼	48	56½	60¼
Pub. Serv. N.J.	35¼	37½	67½	71½
Stan. Gas & E.	27½	31½	11½	12½
United Corp.	28	31½	58¼	62½
Un. Gas Imp.	12½	12½	16	16
Amer. Tel.	160½	165¼	17¼	17¼
Inter. Tel. For.	7	7¼	44½	46¼
West. Union	18½	19½	71½	74
Radio	64½	68	17½	18½
" B. Pref.	60¼	63	18½	20
3. Extractive and Metal				
Am. Rol. Mill	12½	14½	61¼	66
Beth. Steel	52½	57½	42	44½
Beth. Steel Pf.	107½	106½	20th Cen. Fox	21½
Republic St.	147½	16¼	43	45
U.S. Steel	44½	48½	72	75
U.S. Steel Pf.	102¼	106	17	18
Alaska Indus.	8½	8½	47	50½
Am. Metal	26¼	28½	82¼	85¼
Am. Smelting	40¼	43	75½	78
Anaconda	22½	25	17½	18
Bohn Alum	20½	21½	43½	45
Cerro de Pas.	37	38½	45½	48
Int. Nickel	47	49¼	43¼	45
Kennecott	30½	32½	26	27
Patino Mines	9½	10¼	147½	151
Tex. Gif. Sul.	27½	29	80	82
U.S. Smelt.	49¼	52	23¼	24
Vanadium	18¼	20¼	37	37½
Atlantic Refig.	19½	21	25½	26
Phillips Petr.	34½	36	12½	13
Shell Union	11	11½	13½	14
Shell Un. Pf.	104¼	105¼	44½	47¼
Socony Vac.	11½	12½	71¼	75
Stan. Oil Cal.	25¼	26½	48½	50
Stan. Oil N.J.	43¼	44½	50½	51
Texas	37½	40½	48½	50
4. Manufacturing				
Briggs	19½	21½	44½	47¼
Chrysler	64	70¼	71¼	75
Elec. Autolite	27½	30	48½	50
Gen. Motors	41½	45	48½	50
Hudson Mtr.	5½	6½	50	51
Johns. Kellyntr.	6½	6¾	61¼	64
Packard Mtr.	3¼	3½	35½	39½
Bender Avtn.	22¼	24¼	46¼	49
Douglas Airplan.	21½	24	46¼	49
Boeing Airplan.	61¼	70¼	46¼	49
United Aircraft.	35½	39½	46¼	49
Air Reduction	46¼	49	160	166
Allied Chem.	160	166	82½	88
Col. Carbon	82½	88	72½	74
Dupont	72½	74	145¼	151
U.S. Carbide	145¼	151	32½	35½
U.S. Ind. Alc.	32½	35½	33½	35½
Allis Chalmers	33½	35½	87½	96½
Gen. Electric	86	90	22	23½
West' hse. Elec.	86	90	43	45
American Can.	86	90	36¼	38½
Adelphiograph	22	23½	97½	100½
Caterpillar	43	45	67½	71½
Cont. Can.	36¼	38½	11½	12½
Ingersoll Rand	97½	100½	58¼	62½
Int. Harvester	67½	71½	16	16
John. Deere	67½	71½	44½	46¼
Gen. M. Radiator	11½	12½	71½	74
Con. Prods.	58¼	62½	17½	18½
J.I. Case & Co.	77	82	18½	20
Glidden	16	17¼	15¼	16
G. M. Trans.	44½	46¼	43	45
Allyed Stores.	71½	74	18½	20
Cleane's of A.	17½	18½	18½	20
Ind. Rayon	18½	20	15¼	16
Colgate Palm.	14½	15¼	15¼	16
Eastm'n Kdk.	15¼	16	61¼	66
Gillette	61¼	66	42	44½
Loews	42	44½	19½	21½
20th Cen. Fox	19½	21½		
5. Retail Trade, etc.				
Mont. Ward.	47	50½	44½	47¼
J.C. Penney.	82¼	85¼	71¼	75
Wears Reebek.	75	78	17½	18
Wenger	17	18	43½	45
Woolworth	43½	45	19¼	21
Borden	19¼	21	43¼	45
Gen. Foods.	43¼	45	26	27
Kroger Gray.	24½	25½	12½	13
Nat. Biscuit.	26	27	80	82
Nat. Dairy	147½	151	23¼	24
Am. Tob. B.	80	82	37	37½
Lorillard	22½	23	25½	26
Ror. Tob. B.	37	37½	12½	13
Nat. Distillers	25½	26	44½	47¼
Schenley Dis.	12½	13	71¼	75
6. Finance				
Comcl. Credit	44½	47¼	48½	50
Atlas Corp.	71¼	75	48½	50
Com. Inv. Tr.	48½	50		

* xd

FIFTEEN MOORGATE UNIT TRUSTS

enable comparatively small sums to be spread over a considerable number of market leaders, arranged in carefully planned groups.

TRUST	SPREAD No. of Stocks and Shares in Portfolio	YIELD Gross Approx. Last Dividends Current Prices
Household Goods and Services PROVIDENT INVESTORS' TRUST Completely Flexible Management Powers INVESTORS' FLEXIBLE TRUST A General Portfolio	30	5½%
HUNDRED SECURITIES TRUST Unique Savings Facilities SAVINGS UNIT TRUST Protection against possible Currency Inflation	124	5½%
INVESTORS' GOLD SHARE TRUST	102	6½%
	28	4½%
	15	8½%

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 & Electric Trust. Security First Trust.



More than £10,750,000 has been invested in '15 Moorgate' Unit Trusts—80% of it through members of the London & Provincial Stock Exchanges

● Gross Dividends already distributed exceed £1,400,000.

Write for free booklet No. E.64 to Fifteen Moorgate Unit Trusts Limited

15 MOORGATE

London, E.C.2

★ Consult your Stockbroker or Bank Manager

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			May 10, 1939	May 17, 1939
	Low Apr. 12	High Jan. 4	May 10, 1939		
347 Ind'ls.	92.8	114.5	97.6	94.5	98.7
32 R.I.s.	23.6	32.5	25.4	24.0	25.6
40 Utilities	77.8	88.3†	82.8	81.2	83.9
419 Stocks ...	79.3	95.6	83.6	81.1	84.6
Av. yield * ...	4.34% High	3.31% Low	3.92%	4.34%	4.12%

* 50 Common Stocks. † March 8th.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)					
May 18	May 19	May 20	May 22	May 23	May 24
105.3	106.3	107.5	108.1	107.5	110.6

1939 High: 130.3 January 4th. Low: 98.8 April 8th.

TOTAL DEALINGS IN NEW YORK			
1939	Stock Exchange		Curb Shares
	Shares 000's	Bonds 000's	
May 18	420	3,700	68
" 19	400	4,810	78
" 20	190	2,540	31
" 22	420	5,140	72
" 23	420	5,740	65
" 24	1010	6,510	112

* Two-Hour Session.

Capital Issues

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Con-versions	New Money
May 27, 1939			
To the Public	5,000,000	...	4,825,000
To Shareholders	1,025,405	...	1,276,384
By S.E. Introduction	1,535,600	...	1,048,810
By Permission to Deal	26,875	...	58,675
Savings Certs. week to May 20, 1939 ...	Dr. 100,000	...	Dr. 100,000
	Including Conversions	Excluding Conversions	
Year to date			
1939 (New Basis)	46,812,624	44,581,559	
1938 (New Basis)	28,651,614	74,848,761	
1939 (Old Basis)	25,824,019	24,612,954	
1938 (Old Basis)	63,644,557	51,091,799	

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1939 (New Basis)	27,923,965	16,337,594	320,000
1938 (New Basis)	53,479,670	18,939,862	2,429,229
1939 (Old Basis)	15,794,113	8,498,841	320,000
1938 (Old Basis)	33,575,930	15,116,745	2,399,124

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1939 (New Basis)	22,025,305	2,870,356	19,685,808
1938 (New Basis)	41,210,019	5,990,012	27,648,730
1939 (Old Basis)	17,327,435	928,447	6,357,072
1938 (Old Basis)	33,287,766	2,478,496	15,325,537

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

Union of South Africa.—Issue of £5,000,000 3½ per cent. inscribed stock, at 96½. Redeemable at par July 1959, or from 1954 on notice. A Trustee Stock. Proceeds for defence and other public works. Net public debt, March 1938, was £225,000,000; total revenue 1937-38, £82,844,380.

BONUS SHARES

Newton Brothers (Derby).—It is proposed to distribute a 100 per cent. share bonus, which would raise the issued capital to £98,992.

ISSUES TO SHAREHOLDERS ONLY

Lancashire Electric Light and Power.—Issue of 300,000 new £1 ordinary shares at 22s. 6d. to Participating Preference and Ordinary shareholders, in proportion of one in twelve.

Sheepbridge Coal and Iron.—Issue of 133,852 £1 ordinary shares at 30s., in proportion of one new ordinary for ten fully-paid ordinary or preference held, or for 25 preference shares 8s. paid. The company has recently acquired the Babbington Coal Company, which owns five collieries in Derbyshire.

United Sua Betong Rubber Estates.—Issue of 91,553 £1 Ordinary Shares at £2, in proportion of one new share for every £10 of ordinary stock held on April 28th, 1939. As a result of this issue and planting extensions, capitalisation will be about £24 per planted acre.

Timothy Whites and Taylors.—Debtenture and shareholders as at May 19th are invited to subscribe at 99 for £500,000 5 per cent. Debtenture Stock, redeemable on or from December 1943 at 101½, from 1950 at 101, or from 1955 at par. Final repayment, December 1964 at par.

SHORTER COMMENTS

Company Results of the Week.—LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES report some decline in total net revenue, from £602,066 to £585,448, arising from additional voids and increased outgoings, but repairs reserve requires less owing to substantial modernisation provisions in the past. The reduction in UNITED SUA BETONG RUBBER net profits from £219,613 to £142,077 is in accordance with the general experience of rubber companies. Details of the new capital issue for planting have been issued this week. SALTS (SALTAIRE) trading profits are £147,075 against £165,126, while PORRITT & SPENCER pay 10 per cent., earnings for dividend being £84,031 against £90,337. TOBACCO SECURITIES TRUST, whose profits for six months to April 30 total £228,533, report that revenues are substantially the same as for the corresponding period in the previous year. Following the declaration of a £100,000 dividend by Rhodesia Railways, RHODESIA RAILWAYS TRUST net profits amount to £137,272, against £59,018. The railway's gross surplus for 1937-38 was little changed at £1,920,273. Trading profits of DENNY, MOTT & DICKSON are £66,151, against £78,436, but after crediting £10,000 from provisions no longer required, the 6 per cent. dividend is repeated. Total profits of THOMAS & EVANS are increased to £132,310, against £110,963. Sales have been maintained and activities extended.

Standard Bank of South Africa.—Final dividend 7 per cent., plus 2 per cent. bonus, making 14 per cent. for the year to March 31st, against 15 per cent. Premises, £75,000 (same). Pensions, £150,000 (same). Carry forward £169,072 (£170,926).

Primitiva Holdings.—Net profits for the year to April 30th, £81,022 (£80,829). Dividend again 3½ per cent. Reserve, £10,000 (£10,000). Carry forward, £123,297 (£123,286).

"Shell" Transport.—Final dividend, 2½ per cent. tax free, making 20 per cent. tax free for year. Net profits, £6,795,000, against £6,754,330.

Royal Dutch.—Final dividend, 3 per cent., making 17 per cent. for year, as before.

Zinc Corporation.—Participating preference dividend for 1938 is 35 against 62½ per cent. Ordinary dividend 30 against 85 per cent.

Chloride Electrical.—Profits for the year to March 31, 1939, are £324,995 (£435,724). Final dividend 5 per cent., plus bonus 5 per cent. Year's distribution 15 per cent. (20 per cent.).

Wm. Cory.—Net profits for the year to March 31, 1939, £764,310 (£777,338). Final dividend 15 per cent., making 20 per cent. for the year (same).

Denny, Mott & Dickson.—Trading profits for the year to March 31, 1939, £66,151 (£78,436). Add £10,000 from provisions no longer required. Dividend maintained at 6 per cent. Carry forward, £37,213 (£37,209).

Rhodesia Railways Trust.—Total income for the year to March 31, £176,880 (£82,547); tax free dividend again 5 per cent.; tax and N.D.C., £34,843 (£18,651). Contingent reserve, £60,090. Carry forward, £236,481 (£259,587).

City of Moose Jaw.—Sinking fund trustees offer to buy the City's bonds at 37 per cent. of principal value.

Kapong (Malay) Rubber Estates.—At this week's meeting, Sir Francis Voules expressed doubt regarding the advisability of the suggested barter agreement between the British and U.S. Governments, since it involved having a large stock of rubber outside the control of the market.

Harland and Wolff.—Mr F. E. Rebbeck addressing shareholders at this week's meeting, disclosed that new orders for cargo ships under the Government scheme will partly employ the yards at Belfast and Glasgow, but regretted the exclusion of refrigerated tonnage from its provisions.

Witwatersrand Nigel.—The board have decided to erect an initial reduction plant capable of treating 6,000 tons per month. Cash resources are more than adequate to meet the cost and to bring the mine to producing stage early in 1940.

Investors Second General Trust.—The managers (Fifteen Moorgate Unit Trusts) announce that it was decided to close the Trust on May 20, 1939. Sub-units will be available for purchase only if sold back to the management by existing holders.

International Certificates Depository Co.—The Bourses of Basle, Zurich and Geneva have admitted to official quotation the deposit receipts issued by the company of General Motors and Union Carbide and Carbon common shares.

Investment-Trust-Units.—Distribution due May 31st will be at rate of 3.1657d. per unit net after tax, making for year 6.1685d. net, or a gross yield of 5½ 11s. 3d. on current price of 12s. 9d. Progress Report No. 4 shows composition of Fund, and states that 48 companies in which Trust holds equity shares maintained, 5 increased and 16 decreased their dividend, while 3 announced special jubilee bonuses. Total revenue available for equity of the 72 companies was £3,811,039, of which £2,936,174 was distributed.

London County Freehold and Leasehold Properties.—Net revenue for year to March 31, 1939, £626,489 (£640,676). To amortisation, £32,866 (£31,435). To maintenance reserve, £20,000 (£40,000). Loan interest, £210,654 (£205,965). Redemption, £6,259 (£5,954). To N.D.C., £14,000 (£14,000). Preference dividend £28,655 (£28,655). Ordinary dividend 10 per cent., plus bonus 1 per cent., as before per cent., £272,690 (£272,690). To reserve, £30,000 (£30,000). Carry forward raised from £130,852 to £134,042.

National Bank of Australasia.—Net profit for year to March 31, 1939, £351,24 (£347,401). Ordinary dividend maintained at 6 per cent.

(Continued on page 530).

Industry and Trade

Coal-mining Profits.—The output of coal in the first quarter of the current year was nearly 2½ million tons higher than in the last quarter of 1938, but 1.6 million tons less than in the first three months of last year. The improvement over the previous three months was due entirely to an expansion in domestic consumption. Cargo and bunker exports in January-March, at 10.7 million tons, were 1.4 million tons less than in the preceding three months and 633,000 tons less than a year ago. There was little movement in average prices. The Board of Trade index of coal prices in the first quarter of this year was within 0.4 per cent. of that for the preceding quarter, but it was 6 per cent. below the figure for the corresponding period last year. The relations between employers and workmen were not disturbed by any serious disputes, and although many working days were lost in the exporting districts through lack of trade, the aggregate duration in working days of all disputes in progress was only 92,000, against 207,000 in the corresponding period last year. Other factors which have influenced the profits of the industry in the first quarter were, on the one hand, the favourable reactions on costs of the abandonment of some of the older and more difficult mines, the suspension of work in unprofitable working places, and an appreciable rise in the pithead prices in some of the inland districts; on the other hand, there was an increase in the wage bill. The first quarter's joint ascertainment for South Wales and for a few of the smaller districts are not yet available, but those for all the principal English and Scottish coalfields have been published. They show a pithead credit balance of £5.1 millions, compared with £4½ millions for the December quarter and just under £4.9 millions for the corresponding period last year. The following are the comparative returns:—

CREDIT BALANCES OF PRINCIPAL BRITISH COALFIELDS

	March Quarter 1938	Dec. Quarter 1938	March Quarter 1939
Scotland	743,734	917,130	693,757
Northumberland	267,951	224,436	248,195
Durham	524,347	371,139	505,775
Yorkshire	1,104,702	1,019,302	1,317,417
Derbyshire, Notts, Leicester, Cannock Chase & Warwick	1,602,556	1,375,110	1,617,771
Lancs, Cheshire and N. Staffs	630,869	626,478	728,749
	4,874,159	4,533,595	5,111,664

The increase in profits is all the more noteworthy in view of the fact that the changes in wage rates due to fluctuations in the proceeds of the industry are estimated by the Ministry of Labour to have yielded an increase of about £54,000 in the weekly wages of over 500,000 miners. On the assumption that the trading results in South Wales and in the smaller English coalfields were no worse than in the December quarter of 1938, the credit balance for the industry as a whole in January-March was about £5½ millions, compared with just under £5½ millions in the corresponding period of last year.

Dearer Cotton Cloth.—The Central Committee of the Cotton Spinners' and Manufacturers' Association has decided to recommend its members—chiefly cloth manufacturers—to raise their weaving prices in order to cover the expenditure required under the provisions of the Civil Defence Bill and the recent concessions of a minimum wage for weavers and holidays with pay next year. It is stated that these extra charges mean an increase in weaving prices of over 8 per cent. It is estimated that this is equal to an advance in cloth prices of rather more than 2 per cent. The value of the cloth produced in Lancashire last year was about £70 millions; the increase in prices now recommended will result in consumers being asked to pay an additional £1,500,000 per annum on the basis of last year's output.

Wholesale Trade in Textiles.—The Wholesale Textile Association, in collaboration with the Bank of England, has now decided to publish indices of the value of wholesale trade in textiles. Although not all wholesale houses contribute to the returns, the sample is stated to provide a satisfactory indication of the course of sales. In addition to the index relating to total sales, the Wholesale Textile Association is publishing separate figures for domestic and overseas trade. The indices are based on the average monthly sales in 1937, and they are available from June, 1934, onwards. They should prove a useful addition to the list of statistical series available for this country. The index of total sales is given below:—

Index of Wholesale Trade in Textiles (1937 = 100)

	1934	1935	1936	1937	1938	1939
January	56	58	55	52	54	54
February	75	79	85	73	75	75
March	108	116	120	114	116	116
April	106	99	110	99	94	94
May	104	112	97	97	...	...
June	92	87	85	96	83	...
July	67	70	65	67	63	...
August	73	66	70	74	69	...
September	126	127	133	147	125	...
October	131	136	143	130	122	...
November	117	114	118	118	118	...
December	92	101	106	101	105	...
Year	94	96	99	100	93	...

Wholesale trade in textiles shows marked seasonal variations, centring round the spring sales (which reach a peak in March) and the winter sales (which reach their highest level in September and October). Winter sales, however, are usually much heavier than spring business. Between 1934 and 1937, sales rose by 5.3 per cent.; in 1938, however, they fell below the level of the preceding three years. But actual consumption in 1938 is unlikely to have shown as rapid a decline as sales; indeed, the retail trade returns published by the Bank of England show that retailers reduced their stocks last year. From December, 1938, to March, 1939, the indices of wholesale trade were again above the corresponding figures for the preceding year. Last month, however, sales fell below those of April, 1938, a reflection, presumably, of the deterioration in international relations after Germany's annexation of Bohemia and Moravia.

Increased Subsidy for Cereals.—At the end of February the Government announced that additional assistance would be provided to growers of cereals. Under the Agriculture Act of 1937 growers of oats and barley not in receipt of payments under the Wheat Quota Act were, in years when the average price of oats fell beneath 7s. 7d. per cwt., to receive a subsidy at a rate per acre equal to six times the difference between the average price per cwt. received and a standard price of 8s. per cwt., up to a maximum grant of £1 per acre. In the statement made last week the Minister of Agriculture revealed that the Government had decided to increase the subsidy per acre on oats from six to fourteen times the calculated deficiency beneath the standard price of 8s. per cwt., up to a maximum grant of £2 6s. 8d. per acre, and this increase will be applied retrospectively to the 1938 crop. The

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Minister announced that discussions were in progress with the brewers and distillers in order to obtain their co-operation in maintaining a satisfactory level of prices for malting barley; it is possible that the example of the hops scheme, under which the brewers have agreed to pay for five years an average price of £9 per cwt. for their requirements, may be followed. For feeding barley, the Government propose to introduce a price insurance scheme related to a maximum amount of 18 million cwt., but in respect of the 1938 crop, growers of barley, whether for malting or feeding, will receive a grant on the same basis as growers of oats. Growers who receive payments from the Wheat Quota are also to be entitled to subsidies in respect of their acreage under oats and barley, but at the reduced rates of the original scheme. The additional cost to the taxpayer of these provisions is estimated at £2,920,000 in respect of the 1938 crop; the maximum liability of the Treasury in respect of the oats subsidy will be limited to £4½ millions per annum. It must be admitted that subsidies of this magnitude are a heavy and not altogether necessary burden on the taxpayer, but as a stimulation to the output of cereals they may partly be justified as war precautions.

Danzig and Gdynia.—The latest statistics suggest that the progress of Gdynia has largely liberated Poland from dependence on Danzig. Of the total value of Polish foreign trade last year 27 per cent. was consigned to, and 11 per cent. was carried by rail through, Greater Germany (including Austria and Czecho-Slovakia). Of the remaining 62 per cent., 47 per cent. passed through Gdynia and 14 per cent. through Danzig, while a mere 1 per cent. was sent by rail to Roumania, Russia and the Baltic States. The rapid growth in the importance of Gdynia is revealed by the following table:—

	POLAND'S FOREIGN TRADE					
	IMPORTS			EXPORTS		
	Percentages via			Percentages via		
	Danzig	Gdynia	Land Frontiers	Danzig	Gdynia	Land Frontiers
	By Weight					
1929	30.6	4.3	65.1	32.6	11.4	56.0
1937	21.7	40.0	38.3	34.1	47.7	18.2
1938	25.2	39.2	35.6	33.0	47.6	19.4
	By Value					
1929	25.5	2.0	72.5	24.9	2.5	72.6
1937	8.0	57.5	34.5	26.4	39.8	33.8
1938	7.5	53.8	38.7	23.5	40.9	35.6

What Danzig has primarily lost is that part of Poland's trade whose value is large in proportion to its weight. In tonnage Danzig has lost less than the construction of a rival port would have led one to expect. The importance of the Free City to Poland to-day is largely due to its position near the mouth of the Vistula. Thus, much of the grain, timber and coal exported through Danzig is brought there by water. These three commodities account for more than 80 per cent. of Polish exports through Danzig. In respect of grain and timber Danzig is still Poland's principal outlet, whilst coal exports amounted to nearly four million tons in 1938, even though those of Gdynia were then six and a half million tons. Poland has an indubitable economic interest in Danzig. Despite the growth of

Gdynia, that port could not conceivably deal with the 5,982,000 tons of goods transported via Danzig in addition to the 8,713,000 tons with which it deals at present.

Firmer Oil Markets.—With the season of maximum consumption now well under way, the American gasoline markets—upon the course of which British petrol prices are largely dependent—have lately shown a firmer tendency. Since the beginning of March, for example, the cheapest grade of U.S. motor gasoline has been advanced in price from 3.625-4.25 to 4.125-4.375 cents per gallon. Despite this improvement, however, gasoline prices, as well as those of other finished products, remain appreciably below the level of a year ago, when the corresponding quotation for motor spirit was 4.25-4.50 cents per gallon. This seems at first sight somewhat surprising, for whereas during the early months of 1938 the American economic machine was still running downhill, it has now climbed an appreciable distance out of the trough of the depression. Unmistakable evidence of the recovery of consumption is provided by the Bureau of Mines' statistics. In January-March, 1939—the latest period for which data are available—domestic gasoline sales advanced by 6.1 per cent. compared with the previous year, to 115 million barrels; exports by 2.8 per cent. to 11 million barrels; and total demand by 5.9 per cent. to 126 millions.

Since these are record figures, prices might have been expected to make a better showing. But the refiners have displayed a tendency to expand their operations in advance of the growth of demand, with the result that stocks have been allowed to accumulate. Although slightly below last year's level, gasoline stocks, at 84,294,000 barrels, are, nevertheless, well in excess of real requirements. To some extent this undesirable development may be traced to local over-production of crude oil—especially in the old producing area of Illinois—which has made it difficult for the refiners to avoid an unnecessary expansion of their runs-to-refiners to avoid an unnecessary expansion of their runs-to-refiners to avoid an unnecessary expansion of their runs-to-refiners. So far as the outlook is concerned, prospects on the stills. So far as the outlook is concerned, prospects on the stills. So far as the outlook is concerned, prospects on the stills. The effects of the general improvement in business activity, the consumption of motor fuel is expected to receive an additional stimulus this year from the international exhibitions at New York and San Francisco. If crude oil production and refinery operations are kept within reasonable bounds, the improvement in American gasoline prices may be expected to continue in coming months; and such an improvement would certainly raise prices on the world market. But the decisive factors for the near future must be sought on the supply side.

Delay in Sugar Negotiations.—According to the statement issued last week by the Executive Committee of the International Sugar Council, the delegations to the Council have agreed to the Committee's proposal that additional quotas amounting to 239,000 metric tons should be allotted to those countries which voluntarily reduced their quotas in July, 1938. The distribution of this amount is as follows:—

	Metric tons
Cuba	72,561
Dominican Republic	20,707
Haiti	2,170
Netherlands	62,606
U.S.S.R.	65,956
Australia	7,500
South Africa	7,500
	239,000

But the fact that these countries are now allowed to export these additional quantities does not necessarily

mean that they are able and willing to do so, and there is some doubt if, for instance, the extra supplies from Russia will become available before the end of the present quota year in September. The Executive Committee has also recommended that the increase in export quotas of 153,265 metric tons, to which the British Dominions and Colonies are entitled next year, should become effective for the current year, but since two delegations have objected to this procedure, the matter has been deferred until a meeting of the Council can be convened, which will not occur before June. One lesson which the events of the last few weeks have made clear is that the present constitution of the Sugar Agreement is far too inflexible and the procedure far too cumbersome to deal efficiently with the fluctuations of the sugar market. If raw material producers are to exercise joint control over the market for their products, that control must be capable of taking important decisions quickly in order to forestall rather than to remedy abrupt changes in market conditions. The fact, however, that some additional supplies will be released before the end of the present season sufficed to bring about a reduction this week in the spot prices for raw sugar on the London market, but the uncertainties about the size of the additional supplies and the probable time of their arrival has confused the market and some of the new quotations are purely nominal.

Dearer Antimony.—The Sino-Japanese war is seriously interfering with the trade in antimony. In past years China has supplied seven-tenths of the world's consumption, but in 1938 Chinese exports amounted to only 77,266 quintals, just over half the weight of antimony exported in 1937. In the first two months of the current year, Chinese exports totalled only 449 quintals, compared with 3,776 quintals in the same period of 1937, and, in addition, the exports consisted entirely of crude antimony. Apart from China, only Mexico, Bolivia, Yugoslavia and Czecho-Slovakia export appreciable quantities of antimony, and although output in the two first countries has increased sharply in recent years, the international market, supported by the armament demand for alloy metals, is still dependent on Chinese supplies. Prices have risen in the last few days, and Chinese regulus is now quoted at £52 10s. per ton against £51 per ton earlier in the month and £50 10s. at the beginning of the year. The rise is likely to continue if Chinese exports remain at their present low level.

THERE is some evidence of a seasonal decline in the activity of a number of industries, though output is generally above last year's level. The latest reports from coal-mining centres point to a seasonal decline in the demand for coal for heating purposes. But output is now appreciably higher than a year ago; the quantity of coal raised during the week ended May 13th was 4,879,300 tons, against 4,594,000 during the corresponding week last year. The iron and steel industry also remains very active and production in the engineering, shipbuilding and other consuming industries remains on the up-grade. Buying of textiles has recently been less heavy, but activity in the cotton and wool textile trades has been well maintained. A survey of the trend of general business activity, as well as details concerning the position of individual industries, will be found in the *Trade Supplement* published with this week's issue of *The Economist*.

Coal

Sheffield.—There is a strong demand for industrial steams, steelworks and engineering establishments taking

Lower Wool Consumption.—The Report of the Imperial Economic Committee on world consumption of wool in the year 1938 provides a wealth of statistical material illustrating the fact that this was a year of abundant supplies but of falling consumption. Estimated available supplies of raw wool in the ten principal consuming countries amounted to 1,610 million lbs. (clean basis)—a fall of 87 million lbs. from the record figure of 1937. The decline was more than accounted for by the reduced purchases of the United States and Japan, and there were actually considerable increases in the United Kingdom, France and Germany. The figures are given in the following table, which is reproduced from the Report:—

ESTIMATED AVAILABLE SUPPLIES OF RAW WOOL IN PRINCIPAL CONSUMING COUNTRIES

(In millions of lbs.—clean basis)

	1928	1934	1935	1936	1937	1938
United Kingdom ..	327	380	388	442	404	442
France	301	216	243	217	209	255
United States	307	246	312	317	393	248
Germany	216	213	189	169	169	209
Soviet Union	280	113	141	159	196	222
Belgium	47	27	52	63	64	62
Japan	59	95	126	116	138	63
Italy	81	98	82	39	67	53
Poland	36	27	32	39	34	40
Czecho-Slovakia ..	24	20	25	30	23	16
Total	1,678	1,435	1,590	1,612	1,697	1,610

The expansion of production which began in 1934-35 was continued, the total for 1937-38 being 78.6 million lbs. higher than in 1936-37 at 3,877.2 million lbs. (greasy basis). The effect of these changes in production and consumption on the price level had spent most of its force at the end of 1937 and there were few fluctuations in the course of 1938. Germany in particular took advantage of the relative cheapness of wool and increased her imports at a more rapid rate than any other country. An increase in the use of substitute fibres in Japan partly accounts for a heavy fall in her wool imports. Manufacturing activity continued to decline, the trade being hampered by stocks of dear goods ordered before the break in wool prices in September, 1937. International trade in wool manufactures fell sharply, affecting severely the United Kingdom, whose exports fell by about 25 per cent. This was by far the heaviest decline for any of the principal exporting countries and represents the least satisfactory feature of the British wool industry at the present time.

INDUSTRIAL REPORTS

heavy deliveries. Demand by public utility concerns and for household fuels shows some diminution. The market in blastfurnace coke is becoming more active, but central heating sorts are rather easier. Export demand is on a broader scale; both Yorkshire and Derbyshire steams are in good demand for South America. Best hards, cobbles and washed trebles are good features. All prices are firm and unchanged.

Newcastle-on-Tyne.—Whilst the coal market in this area remains firm, it is noticeable that certain classes of Durham unscreened coals which were unobtainable at the beginning of the month are now being offered more freely. Production of coal in this area is now approaching the autumn figures of 1937, but colliery holidays with pay which in this area are being spread over the summer months will lead to some reduction, and there is little doubt that in consequence the market will rule firm. Patent oven coke remains a firm market on a good demand from the Scandinavian countries.

Glasgow.—Chiefly as a result of the seasonal slackening of household trade, the market has become quieter this week and for the first time for some months past it has been necessary in one or two cases to curtail production. Industrial demands are keeping up well, and the tonnages moving off on shipping account are well maintained, although it is noticeable that foreign buyers are now displaying some reserve in fixing up new business. The Danish trade has been particularly good. The best market feature is screened steam coal in Fife, which is now about fully booked up until the end of June. Nuts are more plentiful. Prices generally show only minor changes.

Cardiff.—Conditions in the South Wales coal trade remain favourable. Shipments are being maintained at their recently improved level and the forward position of the collieries has been further strengthened by some new long-period contracts. It is reported from France that the replenishment of stocks to meet an emergency has led to the accumulation of large reserves by the

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principal industries, but that it is probable that the patent fuel makers will place further business in South Wales for duff coals. For spot positions there is a scarcity of most classes, and exports of anthracite to Canada are reaching their normal seasonal level. There is an active inland demand for industrial coals.

Prices are firm, but on the average they have not been appreciably increased. There is a good market for coke and the patent fuel trade is also active.

★

Workington.—The coal trade is strong, chiefly because of the increase in Irish needs. Shipments from the West Cumberland ports to Ulster and Eire last week reached a total of 12,488 tons, the heaviest recorded for several years. The slackening in the local trade is offset by the better demand for coking coal. The Workington coking plant is operating at capacity for hematite pig iron smelters. Prices are firm.

Iron and Steel

Sheffield.—The market is satisfied with the stabilisation of prices over the four months from June 30th. Although there has been a slight easing of activity this is merely temporary, due chiefly to the impending holiday. Forge and foundry iron are being taken up in limited parcels, and it is thought probable that some announcement concerning their future prices will be made shortly.

Little surprise was caused by the reduction of five shillings per ton in hematite prices, for there are heavy stocks of this material yet to be cleared, and the new figures will doubtless stimulate business. Basic pig continues in heavy demand, but there is little change in the position regarding finished iron.

In the steel market the advance of five shillings per ton in the price of acid billets has had no hampering effect on business, while the call for basic billets is becoming heavier, and deliveries are subject to some delay. There is active business in small bars and wire rods.

Production of steel in Sheffield in April showed a further advance, and output is rapidly reaching capacity. The heavy engineering branches are fully employed, and the rolling mills working for hire are very busy.

★

Middlesbrough.—The demand for supplies of iron and steel by commercial users and by the Government is steadily expanding; the steel makers are doing their utmost to increase production in order to meet requirements. Specifications for shipbuilding steel are increasing, and other departments producing sheets and light sections continue to operate at capacity.

The demand for Cleveland foundry pig iron has not yet improved very much, and requirements are met from stock. East Coast hematite production continues to be equal to the demand; consequently the heavy stocks are not being reduced to any extent. Basic pig iron output is higher but this is all

required for use at the local steelworks.

The demand for heavy steel melting scrap continues and works are prepared to take delivery of any prompt parcels which merchants can offer. Small cargoes continue to arrive from coastal ports and a large cargo of scrap has come into the Tees during this week from New York.

There is no change in the position regarding blast-furnace coke, but imports of foreign ore are higher; the quantity imported up to May 22nd was 124,000 tons, compared with 98,000 tons during the same period in April.

★

Glasgow.—All plants are working to capacity and no effort is being spared in the endeavour to increase output. Specifications for plates and sections have been received for very heavy tonnages while for lighter material demand is also expanding. There is practically no class of material for which demand is not good at the moment, and steel-makers, re-rollers and manufacturers are all overwhelmed with work. The question of future supplies of raw materials is causing anxiety in all branches; users find it impossible to maintain stocks sufficient to meet even normal requirements comfortably.

★

Cardiff.—Active conditions continue in practically all branches of the iron and steel industry in South Wales. All the available pig iron furnaces are in blast, and in the tinplate and sheet re-rolling sections more mills have been brought into operation. In the March quarter the output of tin, terne and blackplates was 184,800 tons, compared with 178,600 tons in the March quarter of 1938, but the expansion in sheet production has been relatively far greater under the pressure of A.R.P. orders, and for the country as a whole the sheet production in the first three months of the year was 117,500 tons, compared with only 41,000 tons a year ago. Current statistics give the still much higher rate of between 225,000 and 250,000 tons per quarter. The question of the revision of tinplate prices is being considered this week by the International Cartel, but it is not expected that there will be any change for the September quarter.

★

Workington.—A marked improvement has taken place in the North-West coast hematite pig iron trade. Users on A.R.P. and re-armament work are not waiting for the price cut to take effect in July and are placing orders freely. Demand is in excess of the make, and substantial reductions of stocks are being effected, the expectation being that by August all the iron accumulated during last year will be cleared. Local absorption is above normal and deliveries to the Midlands, South Wales and Scotland are heavy. Prices are firm.

The outlook in the steel trade is much brighter. Orders on books will keep the rolling mills at Workington and Barrow in engagement for another two months, and in all probability to the end of the summer. Native ore, at 24s. f.o.t., is in better local request.

★

News from Abroad.—Demand on international steel markets has been

very brisk. Owing to very long delivery times for a number of products there is in many cases a scramble for supplies, and higher prices are paid for quick delivery. The price level, although much firmer than several weeks ago, is still subject to pressure from American outsiders, who are as keen as ever to book orders. This is particularly the case for shipbuilding steel. Stocks at producers' and consumers' yards are inadequate, and in some cases steel consumers are encountering difficulties in carrying on with their output programme.

Textiles

Cotton (Manchester).—Raw cotton prices do not show much change on the week, as after a further upward movement there has been an easier tendency. Buyers of yarn and cloth, however, have found prices very firm, chiefly owing to the increase in production costs. The rumour that arrangements have been made between the United States and British Governments for the exchange of 1,000,000 bales of cotton for an equivalent amount of rubber, has caused a good deal of discussion, but the report appears to be premature. It is understood that before the end of this week some official announcement may be made in Washington with regard to the export subsidy. Lancashire spinners continue to be seriously handicapped by the shortage of certain types of American cotton. Generally favourable advices have been received relating to the prospects for the new crop.

Inquiry in the yarn market has shown some improvement. There has been a persistent inquiry in piece goods. The demand for India, after showing signs of falling off, has revived again, and numerous orders have been obtained, especially in light bleachers for Karachi and Calcutta. Two weaving sheds in the Blackburn district have been restarted as a result of the recent substantial buying for India.

★

Wool (Bradford).—The outstanding feature is the remarkable steadiness of wool prices. For months prices have varied little, and it is doubtful if any member of the trade remembers such a long period of comparative stability. Present indications do not point to any important changes yet awhile. It is very doubtful if any profit can be made at current prices for either tops or yarns.

The trade is now dominated by military requirements, and crossbreds naturally figure most prominently. Yet prices are remarkably steady, with little evidence of any immediate change in an upward direction. Practically speaking, the War Office has fixed prices for its requirements. It refuses to pay higher prices, which means that buyers of the requisite wool and its products also cannot pay more.

Woollen and worsted mills throughout the country continue to enjoy a fair measure of activity, and more machinery is being run than at any time this year. It is estimated that machinery is now running at 80 to 85 per cent. of capacity, and there is more confidence among wholesale fabric buyers that the domestic trade in both woollen and worsted fabrics is going to be larger this summer than was previously expected.

(Continued on page 521)

ARGENTINE REPUBLIC

Extracts from the Message to Congress read by the President of the Republic, His Excellency Dr Roberto M. Ortiz, on 11th May, 1939

State finances have naturally felt the consequences of the economic recession due to the drop in income derived from taxes and the smaller amount of savings available for subscription to public funds. Faced with this situation, the executive power had advised Congress that no efforts would be spared in order to reduce the deficit to figures which would prevent any further detrimental consequences. These efforts have been successful. The expenditure to be met by cash payments in 1938, i.e. 995,6 million Argentine paper pesos, barely exceeded income collected by 15 million paper pesos, representing a proportion of only 1.5 per cent. For this it was necessary to make economies amounting to 48,1 million pesos in budget credits approved by the Legislature.

EXPENDITURE TO BE MET BY CASH PAYMENTS (In millions of Argentine paper pesos)

	Expenditure	Income	Deficit
From revenue	949,7	934,7	15,0
From special accounts	45,9	45,9	...
Total	995,6	980,6	15,0

We are aware that in questions of economy it is possible in theory to go much further. In this respect the problem seems relatively simple. But the serious consequences of dealing with this question from one point of view only must not be overlooked. After several years of drastic cuts in expenditure the increase in income as a consequence of new taxes and of economic prosperity enabled the country to satisfy certain necessary requirements with regard to public education, to provide the armed forces of the nation with the means of ensuring that efficiency which must be constantly maintained and to meet many other unavoidable requirements of the public administration. It is sufficient to mention such facts to understand the considerable difficulties which the application of a strict criterion in these fundamental services of the State would entail. It would be possible, of course, to economise in salaries and public service, but this would be at the cost of creating social problems which, as experience has shown, often have much more serious after-effects than a slight adverse balance such as that of the last financial year.

CREDITS AND EXPENSES OF THE 1938 BUDGET TO BE MET BY GENERAL REVENUE (In '000,000 of Argentine paper pesos)

	Credit granted by Law	Expenditure	Economies
General administration.....	12,574	710,4	27,7
Special annuities, pensions and military superannuation payments	738,1	49,1	3,9
State contributions to civil superannuation and maternity funds	53,0	17,3	2,5
Public debt service.....	19,8	170,8	14,0
Total	184,8	947,6	48,1

In order that the results of a judicious policy may not be imperilled, it is essential to observe the strictest moderation in regard to any fresh expenditure, which would perforce entail new or increased taxation. It is therefore advisable to wait for the situation to improve and for the yield from taxes

to increase before satisfying those requirements which, essential though they may seem, admit some reasonable postponement.

Loan Expenditure

Considerations of an economic and social order have also weighed in budgeting the expenditure to be met with the proceeds from loan transactions. The 171,5 million pesos expenditure on public works in 1938 demands the circulation of a considerable volume of purchasing capacity, a sharp drop in which would not only directly affect employees and workmen, but would also have repercussions on home manufacturing activities and the working population. It has, therefore, been essential to act with well-considered judgment. In most cases it has been a question of schedules of work that were being carried out, the suspension of which would have brought about well-known troublesome consequences. In the same way the 65,0 million pesos spent on armaments were due to previous undertakings payable during this financial year.

Total expenses to be covered by bonds amount to 270,4 million paper pesos, including other items which appear in the corresponding table with the two which we have already mentioned.

EXPENSES TO BE MET BY SALE OF BONDS

	'000,000 of paper pesos
Public works	171,5
Armaments	65,0
State contribution to funds	14,9
Grant to national roads department	10,0
Special laws	9,0
Total	270,4

It has been difficult to reduce this total in the financial year 1938, but the reductions which have gradually been made will enable the figure to be kept within the limit of 200 millions for 1939.

The proceeds from bond transactions at home, for the purposes of attending to this expenditure, amounted to 61,6 millions. No doubt considerable quantities of national securities could have been placed when one considers that the absorption of public funds on the market in 1938 amounted to 250 millions. But the Government deliberately abstained from doing this, so as to enable the Stock Exchange to recover from the over-saturation previously experienced, as well as to allow the provinces and municipalities to place on the market the securities required to cover their most urgent requirements.

Foreign Loans

For the purpose of covering the balance of expenditure it has been necessary, therefore, to resort to a two years' transaction with Swiss and Dutch bankers for the sum of 48 million paper pesos; to placing a medium term loan of ten years in New York for a total amount of 73,4 million pesos, of which 23,4 millions were taken for the National Treasury, the rest being for the Municipality of the City of Buenos Ayres. Even so, the Government has had to make temporary use of the resources of the Exchange Profits Fund and the available balance of other Exchequer accounts, enabling the country in this way to keep the floating debt within reasonable limits.

Presidential Message to Argentine Congress—continued

As regards the Exchange Profits Account, its total holdings and investments at December 31st last amounted to 160,4 million pesos, a sum which amply supports the operations of the Grain Regulating Board. By such means the need for negotiating the corresponding bonds has not been avoided, but postponed for better market conditions, and this is but another reason for circumspection when authorising further expenditure to be financed in this way.

The Year's Revenue

The Honourable Congress will observe from the table below that general revenue amounted to 934,7 million paper pesos, which exceeds by 16,1 million pesos the estimated income, but is lower than the previous year by 11,7 million paper pesos. The biggest shrinkage came, as is well known, from Customs dues, which dropped by 29,1 million pesos. On the other hand, income tax increased by 8,4 millions and inland revenue by 3,8 millions; this is without making reference to other changes of less importance, which are to be seen in the table.

GENERAL INCOME COLLECTED DURING THE
FINANCIAL YEARS 1937 AND 1938 AND ESTIMATE
FOR 1938

Item	1937 Collected	1938 difference between			
		Est. revenue	Collected	Collected in 1938 and 1937	Collected and est. for 1938
Customs and port dues	405,8	365,0	376,7	- 29,1	11,7
Unified inland taxes	162,8	162,5	166,6	3,8	4,1
Land tax	30,8	28,1	30,3	- 0,5	2,2
Income tax	99,5	107,5	107,9	8,4	0,4
Sales tax	34,9	33,8	33,6	- 1,3	- 0,2
Stamps	63,1	62,2	62,9	- 0,2	0,7
Patents	3,0	2,4	2,1	- 0,9	- 0,3
Oil and mining royalties and rights	2,4	6,0	7,0	4,6	1,0
Inheritance tax	15,9	16,0	17,2	1,3	1,2
Sundry grants	6,5	6,5	7,3	0,8	0,8
Posts and telegraphs	35,8	40,6	41,3	5,5	0,7
National charity lottery	15,2	16,5	15,4	- 0,2	- 1,1
Miscellaneous income	70,7	71,5	66,4	- 4,3	- 5,1
Total	946,4	918,6	934,7	- 11,7	16,1

It is worthy of mention that expenses not budgeted for scarcely amounted to 2,1 million pesos, of which 1,4 millions were authorised by Cabinet decisions and the rest by special laws.

The movement recorded of the National Consolidated Debt is shown in the following table:—

	Dec. 31, 1937	Dec. 31, 1938
('000,000 of paper pesos)		
External debt	932,5	993,7
Internal debt	2,816,7	2,990,2
	3,749,2	3,983,9
To be deducted:—		
Bonds in Treasury	6,2	132,9
	3,743,0	3,851,0
Provincial debt transferred to the Nation	27,1	45,6
General Total	3,770,1	3,896,6

Of the net increase of 126,5 million pesos, 18,5 millions correspond to debts transferred by Provinces and 54 millions to obligations of the Municipality of the City of Buenos Ayres, for which the country mobilised its own credit, so that of this increase only 54 million pesos remain for national requirements.

Briefly, it has been possible to overcome the difficulties of the Budget year without any undue complications. Judicious economies and the moderate use of credit and of the available resources in different accounts of the nation have made these results possible. The Executive do not anticipate that recourse will have to be made to increased taxation in the event of any possible financial difficulty. Everything leads us to presume that a drop in revenue collections is of a

cyclic character. Should this not be so, there will be time to propose to Congress any solution to meet the situation.

Stock Market Stability Restored

The strict limitation imposed by the Government on the negotiation of bonds and the working of the Securities Commission enabled the Stock market to regain its stability after an experience which will not be repeated. The Executive is prepared to act energetically so that the market shall function methodically without the influence of excessive issues. The market must not be given more than it can absorb. The Stock Exchange must submit to this fundamental principle, and this principle has been able to be imposed by the moral authority of the Committee, since it has no executive power and acts by means of simple recommendations towards a fair and orderly distribution of the transactions of bonds from the various sources of emission. In practice a collaboration of all the forces of the market has made up for the absence of a law governing the question of securities. The result is significant, and should it be considered necessary, the Executive will not hesitate in submitting appropriate measures to Congress.

All this has contributed to the prestige of public credit and to encouraging the confidence of investors, who must at all times be guaranteed the undisturbed possession of Government securities free of all risk. In this connection we must point out the timely intervention in the days of grave international tension last September in order to counteract a dangerous drop of a psychological nature in the stock market by purchasing large quantities of securities, which were sold when calm had been re-established. This intervention in the market thus constitutes a precedent which must be borne in mind should a similar future situation arise.

In the same way, in the matter of currency it has been possible to moderate the extent of fluctuations, thanks to the use of gold and currency reserves which had been accumulated with foresight, without any undesirable contraction in spite of the magnitude of the displacement of funds.

Grain Purchases

The Bank of the Argentine Nation has had to shoulder the financing of the large grain purchases by the Grain Control Board, avoiding any symptoms of monetary tension, thanks to the reserves which this institution had wisely accumulated in Central Bank consolidated bonds.

It has thus been necessary to make ample use of bank resources. But it would be unwise to make them bear the burden of a credit expansion, which might prove of serious consequences. It is absolutely necessary to proceed with all circumspection in this matter.

It is necessary to underline the need of financing purchases of what in accordance with the authority duly conferred by Congress. The Executive have abundant reasons for considering that their decision has helped the economy of the country to escape a severe blow. Opinions may differ on the prices paid. This is not the case with the purchase of the harvest by the board. This board has purchased a considerable part of it, and the agriculturalists are receiving the proceeds. However, the board must sell with restraint, not because they are carrying out a policy of holding up sales, which would be disastrous, but because the receptive capacity of the international market is limited. Forced sales would bring about a rapid fall in prices, since the chief exporting countries are in a position to grant heavy subsidies. It is easy to imagine the fate of producers and the consequences for the national economy in general had the State not intervened in the grain trade.

Exchange Control

The uncertainty which was already being felt in regard to wheat at the end of last year, and the tendency shown

towards a deficit in the balance of payments, due largely to heavy imports paid for by the free exchange market, induced the Executive to make use of the authority granted by Congress to establish a previous exchange permit in that market. Thanks to measures of this nature—in which the Exchange Control Commission efficiently collaborated—the adverse balance will be reduced to an amount which can be covered with a moderate part of the existing monetary reserves, which have been accumulated expressly for this purpose.

The realisation of the purpose of gradually reducing the mechanism of the exchange control must be postponed. It would be absurd to do this in the present circumstances. In the case of any European conflict the mechanism and experience acquired in this respect would be of the utmost importance. It has been, and continues to be, imposed by circumstances, and the country must bear with it as the lesser evil, until the time comes when it can be done away with. This control has been, and continues to be, of utmost necessity for the defence of the balance of payments, the currency, and the protection of our foreign trade. Argentina should not purchase more than what she can pay for in goods. Monetary reserves exist to face transitory instability, but not a chronic deficit in our international accounts. And it is only natural that by the mere force of gravitation our purchases should be directed towards countries which accept payment in kind. Such a procedure is not by any means of a preferential nature, every country may enjoy the same conditions, and they all know that Argentina can absorb enormous quantities of imported goods, providing that her sales abroad duly increase her international purchasing power.

We are not applying doctrines or systems of foreign economic policy. We are simply adopting an attitude which fully agrees with Argentine interests in these times and which we shall continue to uphold.

Foreign Trade

If the great nations, whose economic policy decisively influences world trade were to reduce their Customs duties and lessen their restrictions, events might then permit the choice of a system, and if such were the case there is no doubt Argentina would choose free trade. We are capable of producing increasing quantities of foodstuffs and raw material, and compete successfully in the world markets by reason of quality and low cost. The multilateral system of trade is the one that suits our interests best. It enables purchases to be made in the cheapest market, and it is not difficult to imagine the impetus which our exports would receive, especially our meat, if this sound economic principle were once begun with moderate reductions in those Customs duties which weigh so heavily on our agricultural products.

The policy in regard to exchange, limiting imports to the country's capacity to pay, has enabled national industry to benefit by the consequent demand for goods. It has been possible in this way to keep employment at a satisfactory level which would otherwise have suffered considerably. The country must seek in its own industry all goods that cannot be easily obtained through its foreign trade. Although this is one of the basic principles of our governmental task, we shall not lose sight of the interests of those countries with which we carry on an active and balanced trade.

Revenue Collection Reorganised

The re-organisation of the tax-collecting departments has continued during the year in order to improve and modernise their services for the benefit not only of the Exchequer but of the taxpayer. As regards Customs and receiving offices, Customs Police have been organised with the special task of suppressing smuggling, special attention to be given to the Southern territories.

The general revaluation of landed property in the capital and in the National Territories was finished at the end of last year. Taxpayers have been able to avail themselves of

the right of redress and the property register in the federal jurisdiction contains the true values of properties.

It has been necessary to intervene on several occasions in order to ensure the fulfilment of the Law of Unification of National Internal Taxation. It is hoped that these matters will be settled by common accord between the nation and the corresponding States in accordance with the spirit of law No. 12,139.

During the present ordinary sessions the new Stamps Bill will be submitted once it has been carefully studied by the chief representative bodies who are at present engaged on the task.

Mortgage Problem

With regard to mortgage moratoria, Congress has already established a clear, simple and easily applied system, which, since the last emergency, has facilitated an evident return to the principle of fulfilment of contracts. There is no doubt that the application of the law enables debtors to make arrangements and permits of the gradual payment of their debts, and there are numerous cases of debtors who have privately modified their mortgages on satisfactory terms. The possibility of access by small debtors to the National Mortgage Bank has proved beneficial and the financing of the cases submitted can be easily attended to. As was to be expected, the fundamental efficacy of the referred to law has given the market the assurance of a gradual and orderly liquidation of the mortgage problem, which has contributed towards re-establishing confidence and has enabled this market to function normally once again.

The National Mortgage Bank has played an important part in the preparation and application of the above law without affecting its ordinary functions, which have had to be carried out on a more restricted scale owing to the limitation of the receptive capacity of the securities market.

The Institute for the Mobilisation of Bank Investments has continued to carry out its task of liquidating the credits and property taken over by the banks. Up to the end of 1938 the total liquidation amounted to 52 million paper pesos. Apart from a few transactions of lesser importance which the Institute is studying at the present time, in order to complete the consolidation of small banks, it may be said that it has ended this work of liquidation with which it had been entrusted.

With the collaboration of the insurance companies the Superintendency of Insurance has continued its work with a view to placing operations on the sound lines which experience and technical knowledge advise. The Executive Power will duly submit to Congress a Bill which covers every aspect of the question.

Important operations have continued during the financial year 1938 in regard to the consolidation and transfer of debts of the provinces to the nation, based on the Law of Unification of Internal Debts. At the present time further operations are being studied in order to continue the programme which has been adopted, apart from solving the serious problems with which certain provinces have been faced, and which have also strengthened public credit in general.

Latin American Co-operation

At the initiative of the Government of the Republic of Uruguay, at the beginning of this year a conference of the Ministers of Finance of Brazil, Uruguay, Paraguay and Argentina was held at Montevideo. The conference, inspired with a practical sense and the spirit of collaboration, came to an agreement regarding important measures for the suppression of smuggling and clandestine passenger traffic. These measures have just been made effective by the Governments of Uruguay and Argentina. In economic and monetary matters they settled the bases for the closest co-operation between the countries mentioned with a view to expanding their mutual trade. Based on the principles approved at this conference, the Argentine Government had the satisfaction a short time ago of making the first exchange arrangements with Brazil, from which beneficial results are expected to accrue for both countries.

COMPANY MEETINGS

ROYAL INSURANCE COMPANY, LIMITED

94TH ANNUAL MEETING

SATISFACTORY RESULTS

FRESH RECORDS IN LIFE DEPARTMENT

STRONG FINANCIAL POSITION

REDUCTION OF UNCALLED LIABILITY ON SHARES

The ninety-fourth annual general meeting of the shareholders of the Royal Insurance Company, Limited, was held, on the 22nd instant, in Liverpool.

Mr A. Kentish Barnes, a deputy-chairman of the company, who presided at the meeting, said: My Lord, ladies and gentlemen, it is with the deepest regret that I have to announce the death only a few days ago of Mr Arthur Edward Pattinson, the chairman of the company. The speech which he was to have delivered to-day has been printed and circulated amongst you, and, as a tribute to his memory, I propose that on this occasion we should depart from our usual practice of reading the speech.

Mr Pattinson was appointed a director in 1917. He became a deputy-chairman in 1927, and for the past five years has been our chairman. Mr. Pattinson always took the deepest interest in all that pertained to the welfare of the company, and he brought to bear upon all our problems a wealth of knowledge and understanding. His great ability was happily combined with a broad humanity and a friendliness which everyone appreciated. He has been taken from us very suddenly. Up to Thursday, May 11th, he attended at this office to the daily business of the company, and after a very brief illness passed to his rest on the morning of Thursday, May 18th. We shall miss him in the councils of the company more than I can tell you. We owe to him a great deal for his services, and for the able way he led us and presided over the board, and I would like to ask you to stand for a moment in silence as a mark of esteem and affection to him and to his memory.

The chairman's address embodied the following:—

FIRE DEPARTMENT

In the fire department, premiums, at £5,429,000, are a shade lower than for 1937, whilst losses showed a slight advance to £2,317,000, representing 42.7 per cent. of the premiums, as compared with 40.4 per cent. in 1937. A profit of approximately £512,000 has been transferred to profit and loss account after providing the usual 40 per cent. reserve. The fire fund amounts to £5,671,000.

Our home business showed a slight increase in premiums, but losses were slightly heavier.

In the United States our fire business again showed gratifying results. Premiums were slightly lower, largely owing to trade conditions in the early part of the year. Towards the close of the year, however, there were welcome signs of increased activity, which will no doubt be stimulated by the important trade agreement recently concluded with Great Britain, and we look forward with every confidence to further progress. Meanwhile, various desirable lines of supplementary cover have been energetically developed and have afforded some offset to the reduced volume of ordinary fire business.

There were no serious conflagrations during the year, but the incidence of losses, although not excessive, was somewhat higher than in 1937. This upturn in the loss figures follows a five-year period of unusually low fire loss ratios, which have been responsible for a progressive reduction in rates, and the average rate is now lower than at any previous time in the history of fire insurance in the United States. Any increase in losses, therefore, has to be carried on a more slender premium basis, and proves a stringent test of underwriting. It is all the more creditable that our own business has yielded results well above the average—a tribute to the foresight and skill with which our affairs are handled by our United States manager, Mr Harold Warner, and his colleagues.

In Canada, premiums show some contraction, while losses were slightly higher. Nevertheless, we realised a profit which, if not up to the previous year's standard, is satisfactory.

Our business in Australia and New Zealand continues to show good results, and we are indebted to our management there for the care and zeal displayed in furthering our interests.

In the general foreign field, despite restrictive influences which continue unabated, we have maintained our business and shown a satisfactory profit.

LIFE DEPARTMENT

During the past year our new life business has been well maintained both at home and abroad, the net new sums assured having amounted to £5,176,000, which represents a small advance on the previous year.

The life premium income for the year amounted to £2,106,000, and shows an expansion of £69,000 as compared with the previous year.

Claims by death were greater by £83,000 and amounted to £790,000. Surrenders for the year at £237,000 were also higher than in 1937. The combined total of the life assurance and annuity funds amounted to £29,981,000, showing an increase of £1,153,000 over 1937.

Interim bonuses at the rate of 45s. per cent. per annum on the sum assured are being paid on participating life policies becoming claims by death or maturity during the current year.

Those who have preferred Stock Exchange securities for the investment of their savings would do well at the present time to consider the counter attractions of life policies as an alternative form of investment. Stock Exchange securities cannot avoid the ever-present risk of capital depreciation, whilst the interest yield obtained is subject to substantial reduction on account of the present high rate of income tax. On the other hand, our life policies give a capital sum at death or maturity, which is entirely free from risk of depreciation. As the premiums carry a substantial income tax relief for the policyholder, a high rate of income tax makes a life policy especially attractive as a means of saving. In addition to all this there is the invaluable benefit of life assurance.

ACCIDENT AND GENERAL DEPARTMENTS

The premium income in the accident and general departments shows a further advance and, at £6,030,000, creates a fresh record. The underwriting profit of £566,000 also constitutes a record, and the ratio to premiums of 9.4 per cent. must be regarded as satisfactory.

The results of our American casualty business were specially gratifying.

Our general foreign business has continued to make steady progress.

Of our home business, motor insurance constitutes the largest section, and a moderate increase in premiums is reported. There has been no relaxation in our strict standard of underwriting, but, despite this, the ratio of profit has been somewhat lower.

The fears I expressed last year in regard to the rising average cost of motor claims have unfortunately proved to be well founded. This figure has increased very considerably during the last few years and still tends to rise. Amounts which would previously have been regarded as fantastic are now not infrequently awarded. Although third party insurance is compulsory for motorists, and it is the fact therefore that an insurance company will be expected to discharge the motorist's liability, it should be realised that the motorist ultimately pays, and, if the present experience persists, there would seem to be little hope of avoiding an increase in the premiums for this class of business.

Workmen's compensation business continues to show steady expansion, but it is only with considerable difficulty that we are able to

secure any margin of profit, the ratio being slightly less than that of last year. As you are probably aware, the whole subject of the system of compensation for accidents due to employment is under consideration by a Royal Commission, and it is gratifying to us that one of our general managers, Mr F. J. Williams, has been appointed to serve as a member of the Commission.

MARINE DEPARTMENT

Our marine account for the year 1937 has closed with a loss of £46,400, against a profit on the 1936 account of £40,900. This result will not, I think, come as a surprise to you, as in referring to this department of our operations last year I indicated that the situation as regards the 1937 account was not a favourable one; 1937 has been an unsatisfactory year for marine insurance generally, and has resulted in heavy losses to marine underwriters both at home and abroad.

The question naturally arises as to what is being done to improve the position, and I would refer again with satisfaction to the efforts which have been, and are being, made by the Joint Hull Committee to improve the Hull insurance business. The re-armament programme, as we all know, brought about a large increase in the cost of hull repairs, and we were consequently faced with much heavier liabilities on a business which was already underrated. The upward adjustment of hull rates, which had become urgently necessary, was undertaken by the Joint Hull Committee, and the movement is being well supported. The effect of rate adjustments in connection with hull insurance is not immediately apparent, but there is every reason to believe that what has been done will reflect favourably on later accounts.

The cargo position has been largely obscured by the inclusion of war risk in the cargo premiums. The special arrangements which are now being made for the treatment of war risks will involve the separation, to a large extent, of war and cargo premiums. This will necessarily bring into evidence the meagre rates which, under the stress of competition, are now current for much of the cargo business, and I hope this will lead to efforts being made to improve the position.

Our 1938 account shows an increased premium, and the amount carried forward represents a better percentage than we had on the 1937 account. I hope that we shall be able to show a favourable result on the 1938 account.

PROFIT AND LOSS ACCOUNT

Turning to the profit and loss account, you will observe that the total underwriting profit from all departments amounts to £1,082,000. There was a fall of £46,000 in the amount of interest, this reduction being partly due to the increase in the standard rate of income tax.

The amount transferred in respect of the staff superannuation funds is £204,000, as compared with £153,000 last year, whilst income tax and N.D.C. require £250,000, against £285,000. The only other item to which I would draw attention is the transfer to uncalled capital reduction fund of £699,991 5s., and a formal resolution with regard to its disposal will be submitted to you at the extraordinary general meeting to be held immediately after the conclusion of this meeting. Your directors have constantly had before them the possibility of further reducing the uncalled liability on the shares as the growth of the company's funds renders such a course both feasible and justifiable having regard to the requirements for the provision of substantial reserves in the various departments of our business. After careful consideration the directors feel that they are free to recommend you to use for that purpose £699,991 5s. of the undivided net profits of the company to be devoted to payment of 2s. 6d. per share of the uncalled capital.

The balance carried forward amounts to £2,106,000. You will already have been made aware of our intention to propose to you a final dividend of 3s. 3d. per share, which with the interim dividend of a like amount paid in November last makes a total of 6s. 6d. for the year 1938, the same figure as for the previous year.

DOUBLE TAXATION

The burden of double taxation is a serious question for companies like ourselves with world-wide connections, and I am pleased to observe that the need for action in the matter has again been brought to the attention of the responsible authorities. Even in the case of our activities in the British Empire, the existing provisions do not, by any means, relieve us of double taxation, and the burden is, of course, more severe in our operations in the foreign field. The main difficulty in the way of reciprocal agreements with foreign countries is no doubt the question of cost, which naturally weighs heavily at a time like the present. I believe, however, that the general recognition of the principles, already admitted by the Government in the

case of income from the Empire, as well as from shipping, air transport and agency activities, would be a factor in the expansion of international trade, which would go a long way to pay for the greater part, if not all, of the cost of the additional relief. This is apart from the major benefits which development of international trade would bring, not only in the economic but also in the political sphere.

REDEMPTION OF DEBENTURE STOCK

The company's 4 per cent. debenture stock, which stands in the present balance sheet at £576,000, was redeemable on January 1st this year, and, with the exception of a few small items amounting to less than £1,500, the holders of which have not yet completed the necessary formalities, the whole of this sum has now been repaid.

SUPERANNUATION FUNDS

During the past year we have had under review the arrangements relating to the superannuation funds of the company, and it was decided to set up a trust and to transfer the funds under this trust to the chairman and deputy-chairman of the board of directors as trustees. The trust was duly approved by the Commissioners of Inland Revenue towards the close of last year, and you will observe that the superannuation funds no longer appear in the balance sheets of the company.

The results of this change are twofold. The establishment of the pension fund under a trust is of obvious advantage to the staff, whilst the tax relief obtainable under the Finance Acts is substantially increased under the revised arrangement.

INVESTMENTS

The events of the past year have had their inevitable effect on the value of our investments, and we have been unable to escape a depreciation in the market value. Notwithstanding this, I am pleased to say that at the end of 1938 the market values in the aggregate were substantially above the book values.

The report and accounts were adopted, and a final dividend of 3s. 3d. per share was declared, making 6s. 6d. per share, less income tax, for 1938.

An extraordinary general meeting of the shareholders of the Royal Insurance Company, Limited, was held immediately following the annual general meeting.

At this, the proposal to apply the sum of £699,991 5s. to reduce the uncalled liability on the shares, so that the amount paid-up on each share would be increased to 12s. 6d., leaving the sum of 7s. 6d. per share uncalled, was unanimously approved.

It was mentioned that it would not be necessary for the change in the amount paid-up to be endorsed on the share certificates. If, however, any shareholder particularly wished to have the alteration recorded, the certificates could be sent to the company, when the appropriate endorsement would be made thereon.

UNITED SUMATRA RUBBER ESTATES, LIMITED

IMPROVED ESTATE CONDITIONS

The thirtieth annual ordinary general meeting was held, on the 19th instant, of the United Sumatra Rubber Estates, Limited, at the offices of the company, 17 Mincing Lane, London, Mr A. P. Hadow presiding.

In moving the adoption of the report and the dividend of 1½ per cent., the chairman said the trading profit on rubber showed a very considerable decline compared with the previous season. The trading profit from rubber was £3,310, and there was a trading loss of £1,055 on copra, the net average price of which fell from £11 0s. 8d. per ton in 1937 to £6 7s. 6d. for 1938. Referring to the financial position, he said it was strong. There was no heavy expenditure to face, and it was on that account that the small dividend was recommended. He had visited the estates in December of last year and again in February this year. He found there a real improvement in the cultivation. On Seraph, their largest estate, the drainage was probably better than it had been in the history of the company. The appearance of the rubber and coconuts was quite satisfactory.

For the current year they had been given a standard production of 754,646 lb., which was slightly higher than for 1938, and, assuming that the increased quota of 55 per cent. recently announced for the July-September quarter was maintained for the remainder of the year, the exportable crop for 1939 should be about 400,000 lb. No forward sales had been made. The course of the market for rubber was very difficult to predict. Ordinary conditions did not prevail, and until the international political situation improved one could only go on hoping for the best.

The resolution was carried unanimously

UNION CORPORATION, LIMITED

THE GOLD MINING INDUSTRY

BURDEN OF HEAVY TAXATION

MR P. M. ANDERSON'S REVIEW

The ordinary general meeting of shareholders of the Union Corporation, Limited, was held in Johannesburg on the 10th instant. Mr P. M. Anderson presided.

The Chairman, in the course of his remarks, said:—The net profit for the past year amounted to £611,535, which compares with £682,855 for 1937. Having regard to the international uncertainties of the year and the consequent dislocation of business, I think you will agree that the profit was satisfactory.

A final dividend of 5s. 6d. per share has been declared, making, with the interim of 2s. 6d., a total of 8s., or £616,000. The amount carried forward to 1939—namely, £124,340—shows a slight reduction of £4,465. Although the dividend was 6d. per share less than last year, it was paid on an increased capital, and hence absorbed £21,000 more than the 1937 payment.

Before payment of the dividend we were able to settle finally with the British Inland Revenue authorities the amount of Dominion income tax relief to be allowed for the years 1928-33. As a consequence there is available accrued arrears of Dominion relief amounting to 2s. 5½d. in the £. Following the usual procedure, this additional relief will be passed on to shareholders with the payment of our final dividend for last year—and will save shareholders about 8d. a share in British income tax.

GENERAL RESERVE £2,000,000

The general reserve of the Corporation remains at £2,000,000. Exploration expenses for the year, amounting to £51,246, were charged directly to exploration reserve account—as foreshadowed in the directors' report last year and in my remarks at our last annual meeting. A handsome balance of £203,837 remains to be carried forward on exploration reserve account.

As shareholders in Grootvlei Proprietary Mines and Van Dyk Consolidated Mines, we exercised our right to subscribe for our proportion of the new issues of those two companies last year, and we have thus substantially augmented our important interest in them. Early in this year the directors of Marievale Consolidated Mines decided to increase the issued capital of that company to the full amount authorised, and the new shares were disposed of in accordance with the flotation agreement, which accorded the corporation and its associates certain preferential rights of subscription concurrently with any offer to shareholders. As a consequence of exercising our rights as preferential subscribers and as shareholders, our interest in this company also has been materially increased during the current year.

The response by the shareholders of these three companies to the new issues was highly satisfactory, and I feel sure you will agree that, under present circumstances, the companies were well advised to raise, before the present difficult times, the further funds required for their respective programmes.

INCREASED SHARE AND DEBENTURE HOLDINGS

In my address last year I anticipated that our share and debenture holdings would be materially increased. At the end of the year they had reached a total of £3,390,447 in our books. The increase amounted, therefore, to £617,241, largely as a consequence of our subscribing for additional shares in the Grootvlei and Van Dyk companies. In spite of this heavy new investment, the financial position of the Corporation remains a strong one.

After reviewing the Witwatersrand gold-mining industry as a whole, the Chairman then proceeded:—It is noteworthy that the aggregate profit for the Rand industry as a whole is substantially less than the amount which accrues to it in respect of the increased price of gold above the old standard of 85s. per ounce; and, further, that the profit per ton milled in 1938 is higher than the profit per ton in 1932 by 3s. 5d. The allocation of this surplus is interesting in that one-third of it went to shareholders as additional dividend while about two-thirds was absorbed in extra taxation.

TAXATION

Taken as a whole, the conglomerate beds of the Rand which constitute its ore are, and always have been, classed as relatively low

grade. The prosperity of the industry and its usefulness to the country are greatly enhanced by the ability to mine the resources of low-grade ore on a large scale and over a long period, the former in order to achieve economy in working and the latter to make bearable the amortisation of heavy capital expenditure. In these circumstances it seems a short-sighted policy to impose taxation on a scale as severe as that in force at present. It is on a scale that might be justified in the case of industries where the capitalisation is small and the return thereon relatively high; but the gold-mining industry is not in this category as it requires £3,000,000 or more of capital funds to bring one deep-level mine to full production, yet a higher scale of taxation is imposed on it than on any other industry in the country.

POSITION OF NEW MINES

The establishment of new mines is in any event a speculative business, one cannot expect 100 per cent. successes, and directly or indirectly the industry as a whole must bear the burden of failures. The levying of severe taxation further reduces the prospective return on outlay and may even reach a point where capital ceases to be attracted. Quite apart from the interests of shareholders in existing mines, if this industry is to continue over a long period new mines must take the place of those that become worked out.

There are to-day a number of ventures in the developing stage that require further funds, but their shares are quoted on the Stock Exchange below par and it will therefore be difficult, if indeed possible, to procure additional capital for them. No doubt many causes contribute to this prospect, but the general depressing effect of taxation is not the least of them. Even if the investor's aversion to placing his money where taxation is heavy were purely psychological, it would be unwise to ignore the warnings and protests that have been made from responsible quarters.

LARGER NUMBER OF EUROPEANS EMPLOYED

The number of Europeans employed by the mines at the end of the year was about 41,000, or nearly 3,000 more than at the end of 1937. The relations between employers and employees during the year remained satisfactory. Additional benefits were granted to European employees by the inauguration of a savings fund at a total cost to the industry of approximately £500,000 per annum, thus bringing the total benefits other than normal increases in wages to about £2,500,000 per annum.

The Chairman then reviewed the main features of the operating results of the gold-mining companies on the Witwatersrand under the administration of the corporation—namely, the Modderfontein Deep Levels, Limited (in liquidation), Geduld Proprietary Mines, Limited, East Geduld Mines, Limited, the Grootvlei Proprietary Mines, Limited, Marievale Consolidated Mines, Limited, and Van Dyk Consolidated Mines, Limited—and also dealt with the affairs of the Witthok Proprietary Company, Limited, and later those of South African Pulp and Paper Industries, Limited, all of which were fully reviewed in the addresses from the chair at the respective annual meetings held recently. He then proceeded:—

ORANGE FREE STATE AND SOUTH-WESTERN TRANSVAAL

Of the ground taken up under option some years ago, only the area in which encouraging gold values were disclosed by borholes in 1936 and 1937 is being retained for further investigation. This area is situated in the northern portion of the Orange Free State and adjoins the property of the Western Reefs Exploration and Development Company. During last year an extensive area in the Orange Free State, situated south of the Sand River, was acquired under option, and geological and geophysical investigations as well as drilling operations are being carried out with the object of locating gold-bearing horizons. The Western Holdings, Limited, with whom the corporation is collaborating, is carrying out similar work in an area north of the Sand River, and drilling operations have disclosed some excellent gold values beneath the Ventersdorp System. The

indications are that the geological structures north and south of the Sand River are similar.

OTHER INTERESTS

San Francisco Mines of Mexico passed through a difficult year. The political and economic atmosphere of Mexico was adverse to foreign-owned enterprise, although I am glad to say that recently there have been some signs of improvement in this regard. On the other hand, developments in depth at the mine continue to disclose ore of excellent grade and width, and if metal prices and operating conditions improve the company may well again give a good account of itself.

As you are aware, our copper interests are mainly represented by our shareholdings in Roan Antelope Copper Mines and Rhodesian Selection Trust. Although copper prices were at a low level during 1938, the earnings of these two companies were substantial, and the revenue derived during the year by the corporation from its shareholdings was accordingly satisfactory. The long-term outlook for these Rhodesian copper mines continues favourable.

The results of Bay Hill Trust must be considered satisfactory, having regard to the adverse reaction of the international tension on business and security prices.

The Chairman then moved the adoption of the report and accounts, which was duly seconded by Mr C. T. Pott, assistant managing director of the corporation, who is at present on a visit to South Africa from England, and carried unanimously.

TELEPHONE MANUFACTURING COMPANY, LIMITED

RECORD ORDER BOOK

The ninth annual general meeting of Telephone Manufacturing Company, Limited, was held, on the 22nd instant, in London.

Mr Fred T. Jackson (chairman and managing director) said that the net profit amounted to £40,542, as compared with £40,016 for the previous year. An interim dividend of 2½ per cent. had already been paid, and the directors now recommended a final dividend of 6½ per cent., less income tax.

The past year had been one of great development, and particularly during the last few months of the year, which would have a very important bearing on the future profit-earning capacity of the company. It had been necessary to change over the output of the factory from the mass production of telephone apparatus to armament work.

Intensive research and development work had been carried on with a view to placing the company in the front rank of their particular industry. The importance of this work had been recognised by a very large company in their own line of business, as a result of which they had been able to enter into an agreement with this firm for a period of years to distribute throughout the world the whole of the special apparatus manufactured by the company. The directors felt so confident of future demand for the company's apparatus that they had purchased a factory site out of London to cope with the contracts which they anticipated would mature when re-armament was finished.

At the end of the year the company had a record order book, and during the first three months of this year the contracts secured for future delivery were 108 per cent. in advance of the contracts secured in the first three months of 1938. It would, therefore, be appreciated that they could certainly look forward to a prosperous 1939 and 1940, which would not be affected to any extent by intensification of international complications.

It was proposed to increase the authorised capital of the company to £500,000, but no immediate issue of further shares would be made. Every one of the manufacturing departments had made progress during the year. The marine department had orders in hand showing an increase of no less than 105 per cent. compared with the same period in 1938. The condenser department was making considerable progress and was contributing its quota of profit. The clock department had increased its sales by 130 per cent. The plastic moulding department had also increased its output very considerably.

The report was unanimously adopted and the proposed increase of capital was approved.

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

SUN INSURANCE OFFICE, LIMITED

EXCELLENT RESULTS OF 229TH YEAR OF OPERATIONS

The Annual General Meeting of the Sun Insurance Office, Limited, was held, on the 23rd instant, at its Head Office in London.

Sir William H. Goschen, K.B.E., in referring to the complexity of the problems which confronted insurance companies such as the Sun transacting a world-wide business, said that the year 1938 was marked by growing world unrest coupled with intensive re-armament. Such indeed had been the continued tension that the international situation had become a dominating influence in finance and industry. He felt that in view of the troubled times through which they had been passing the results of the past year as shown in the accounts were extremely gratifying. He was able to report a further expansion of premium in fire, accident and marine branches with the record aggregate net premium income of £4,730,456.

An amendment had been made in 1938 in the provisions of the Finance Act relating to National Defence Contribution by which a portion of the interest from the investment of funds of insurance companies transacting a general business had been excluded from the operation of this tax.

By the provisions of the Fire Brigades Act, 1938, the principle had been established that fire protection was a duty which the community owed to itself and that, as a public service, it should be paid for by all and be available to all without charge.

The statement by the Chancellor of the Exchequer in January confirmed the view of the companies that the risk of war to property on land was not in modern conditions an insurable proposition. The companies were, however, prepared to lend to His Majesty's Government any assistance in their power in the operation of any plans which they might see fit to inaugurate.

FIRE AND ACCIDENT ACCOUNTS

In the Fire account the net premiums increased by £24,884 to £2,258,755. Whilst the loss experienced at home was not so favourable as in 1937 the aggregate underwriting profit from the whole account amounted to £255,303, showing a ratio of 11.27 per cent. to earned premiums.

Premium income in the Accident account rose by £25,226 to £1,885,269, a substantial increase in business at home being offset by a decline in the premium income from the United States of America where the Sun Indemnity Co. of New York had had the best year, so far as underwriting profit was concerned, in the history of that company. Excepting one small section all branches had contributed to the highest figure ever transferred in the Accident account, namely, £159,343. The ratio of underwriting profit to earned premium was 8.54 per cent.

The publicity given to the heavy damages awarded to third parties had shown the importance of insurance protection and had resulted in an increased demand for General Third Party Liability insurance. The full effect had been felt in 1938 of the House of Lords decision in the case of *Rose v. Ford* and as a result of this and certain other factors the already narrow margin of profit on Motor insurance had been almost eliminated.

MARINE MARKET

Marine premiums showed a small increase for the year at £586,431. The Marine market passed from time to time through a period when unsatisfactory results were obtained. The year 1937 was one such period and the figures largely reflected the running off of the 1937 account. It had been felt prudent to make no transfer to Profit and Loss other than the interest on the fund which now stood at £1,017,706.

Of the total transfer to the Profit and Loss Account of £678,027, the sum of £576,353 came from the three revenue accounts; £100,000 had been transferred to the Pension Fund which in the interests of the staff had now been vested in Trustees under an irrevocable Trust Deed. Notwithstanding a satisfactory margin between the book values and market values of the securities held by the office it had been decided in view of the uncertainty of present conditions to write down the book value of investments by £150,000 and at the same time to write down House Property values by £50,000.

The Board recommended a final dividend of 1s. 6d. per share less income tax, the same as in 1938. Despite a fall of some £11,000 due mainly to reduced income from United States investments, the net income from investments at £260,007 well exceeded the total dividend cost for the year.

The report was adopted.

BRITISH AND CHINESE
CORPORATION, LIMITED

MR D. G. M. BERNARD'S SURVEY

The forty-first ordinary general meeting of The British and Chinese Corporation, Limited, was held, on the 24th instant, at 3 Lombard Street, E.C.

Mr D. G. M. Bernard (the chairman of the company), who presided, said: When I addressed you a year ago I spoke of the deplorable effect of the Sino-Japanese war which had been in progress about nine months. Since then hostilities have spread over a much wider area, and extensive damage has been done by air raids to cities far removed from the actual scene of hostilities.

The Chinese Government is pressing forward new construction in areas under its control. With French interests it is building a railway from Lungchow, on the Indo-China border, to Nanning as a section of a railway from Hanoi, in Indo-China, to the Canton-Hankow Railway via Kweilin. This railway will be of great value in maintaining the Government's communication with the outside world now that Japan holds all the principal ports.

Another railway which the Chinese are anxious to build is from Szechuan to Burma via Yunnanfu. This line, about 1,100 miles long, is intended to connect the provinces of Yunnan and Szechuan with the railway from Yunnanfu to Haiphong in French Indo-China and the Burma railway at Lashio. This corporation, together with a French financial group and the China Development Finance Corporation, have been interested in the project, and early this year despatched representatives to Chungking to discuss the matter with the Chinese Government and endeavour to evolve a scheme by which the finance could be provided to construct the railway.

SHANGHAI-NANKING AND SHANGHAI-HANGCHOW-NINGPO
RAILWAYS

Although the Shanghai-Nanking Railway has now been operating normally for a considerable time under Japanese control, the Japanese officials have persistently refused to allow the representatives of the bondholders to exercise any of their lawful rights in the management of the line or even to inspect it. They have continued to operate the railway in contravention of the terms of the loan agreement, and have appropriated the revenue which rightly belongs to the bondholders. It is the same with the Shanghai Hangchow section of the Shanghai-Hangchow-Ningpo Railway. The Japanese army's cynical disregard of the bondholders' rights is indicated by the recent report that a Sino-Japanese company, called the Central China Railway Company, with capital said to be subscribed by Japanese interests and the Nanking "Re-formed Government" in equal shares, has been formed to operate these lines.

The Chinese Government has expressed its inability to accept responsibility for the financial obligations of the railways which have fallen entirely into Japanese hands and, as no revenues of the railways are available, the loan services are in default.

On the Shanghai-Nanking Railway five half-yearly coupons amounting to £348,000, and nine instalments of amortisation amounting to £1,044,000 are at present in arrear, a total of £1,392,000. Of the Shanghai-Hangchow-Ningpo Railway Completion Loan two interest coupons amounting to £66,000 are in arrear.

The annual reports of these two railways for the year ended June 30, 1937, have been compiled in abridged form, and show that these lines were in a very prosperous condition at the time of the outbreak of hostilities.

CANTON-KOWLOON RAILWAY

When Canton was occupied on October 21st the whole of the Chinese section of the Canton-Kowloon Railway fell into the hands of the Japanese forces. They adopted the same policy as in Shanghai and refused access to the line to the railway officials for inspection or for resumption of working.

Before the Chinese evacuated the railway they removed as much as possible of the rolling stock. Four of the major bridges were destroyed, three of the large spans of the bridges over the East River were dynamited and dropped into the river. The terminal station at Canton was damaged and looted. It is estimated that the damage thus caused but excluding the damage to the major bridges would cost \$1,300,000 to make good.

Previous to the Japanese occupation of Canton the railway had been prospering and the monthly payments for the loan service reserve account had been resumed. Simultaneously with the fall of Canton, a special emergency committee, which was prepared beforehand, was formed. This committee consists of representatives

of the joint agents of the corporation together with the engineer-in-chief and the chief accountant. It is in control of the nucleus staff which has been retained as on the Shanghai-Nanking Railway. It also holds the funds of the railway and safeguards as far as possible in the circumstances the interests of the railway and the bondholders.

PEKING-MUKDEN RAILWAY

This line continues to be under Japanese control and the British officials are not permitted to exercise any authority. Even the name of the railway has been changed, and the Japanese now call it the "Tientsin Railway." The conditions of the loan agreement are ignored: a Chinese accountant has taken over the work of the British chief accountant and the earnings are paid into a Japanese bank. The service of the 1898 loan has been met as usual, but no payments have been made since August, 1937, towards the area of the Shanghai-Fengching Railway Mortgage Redemption loan.

In surveying the appalling situation in the country to-day, it is sad to reflect that before the hostilities broke out in August, 1937, China had entered upon a period of prosperity not experienced for a generation, and the outlook for railway enterprise was most promising. However, let us take comfort in the fact that China has marvellous recuperative powers, and when hostilities are over it will only need one or two good harvests to put the nation once more on the road to prosperity. To hasten that recovery it will be essential for China to receive assistance from abroad in both money and materials to restore her railway communications, and trust this country will be found ready to play its part in the reconstruction.

THE CAPITAL POSITION

At our meeting last year I referred to the question of increasing the amount paid up on the corporation's shares by capitalising a portion of the reserves, and I mentioned that power to do this would be taken in the new articles of association then being prepared. These articles were duly adopted at an extraordinary general meeting of the company last summer. However, I feel sure you will agree that the time has not yet arrived when we can draw upon our reserves for this purpose.

The report and accounts were unanimously adopted.

HAMBROS BANK, LIMITED

EARNING POWER MAINTAINED

The twenty-seventh annual meeting of Hambros Bank, Limited, was held, on the 25th instant, in London.

Mr R. Olaf Hambro, the chairman, who presided, first expressed deep regret at the death of Mr K. A. Wallenberg, an outstanding character in the political and economic life of Sweden, and a good and loyal friend to this country. To fill the vacancy on board they had appointed Mr Axel Wallenberg, who brought considerable knowledge of industry and international commerce, and preserved the valued connection with the Wallenberg family.

Thanking all those friends all over the world who had sent kind messages on the centenary year of the bank, he said it was quite clear that the expansion of their activities depended largely on peaceful international conditions, and in such times as the present they had to confine themselves to meeting the financial requirements of old-established customers. A glance at the acceptance account would show that that was being done, the percentage of that account being 72 per cent. on Scandinavian and British account.

The balance sheet showed an exceptionally liquid position, which had been brought about by the decision during the late summer of 1938 to increase the cash position by the reduction of the gilt-edged investments, and to the corresponding increase in their holding of Treasury bills.

Regarding the profit and loss account, in view of the prevailing crisis and the state of the Stock Exchange at the time when quotations for various stocks certainly did not represent, in either direction, whether for buying or selling, the marketability of those stocks, the board had decided not to disturb the profit and loss account by writing those down out of the profits earned, but to earmark against what they believed to be a purely temporary valuation, sufficient to meet them from the contingency fund.

The earning power of the business had been satisfactorily maintained in a difficult year, and at the same time a strong liquid position was disclosed, which shareholders would agree was no mean achievement.

The report and accounts were unanimously adopted, and a final dividend of 10 per cent., making 18 per cent. for the year, was approved.

HARLAND AND WOLFF, LIMITED

IMPROVED RESULTS

MR F. E. REBBECK'S ADDRESS

The annual general meeting of Harland and Wolff, Limited, was held, on the 24th instant, in the Council Chamber of the Federation of British Industries, 21 Tothill Street, Westminster, London.

Mr F. E. Rebeck, D.L., J.P. (chairman and managing director), in the course of his speech, said:—Last year it was possible to present the balance sheet in very simple form. This year we are able to show for the first time a comparison with the preceding year, omitting shillings and pence. It is now so clear that no detailed explanation is required.

You will remember we were unable to provide for depreciation for 1937; but the results for 1938 are such that we have been able to make the necessary provision for depreciation for both years. Your directors also propose to inaugurate a reserve fund with an appropriation of the sum of £100,000. It is, I admit, a small amount for a company with an issued capital of almost £7,000,000, but it is at least a beginning, and I feel sure that this policy of strengthening the company's financial position will have your approval. This leaves a balance of £45,227 at the credit of profit and loss account to be carried forward.

You understand, of course, that the preferential but non-cumulative dividend of 4 per cent. to the "A" shareholders would have required over £200,000 gross. As, however, no dividends are being paid, the position of the company is improved accordingly.

It must be borne in mind that the improved results for 1938 were realised notwithstanding that our shipbuilding activities were considerably restricted during the year owing to the general lack of orders for new tonnage.

RECORD OUTPUT AT GOVAN

At our Govan shipyard we had a record output for that establishment, but this work fell off rapidly towards the end of the year, and resulted in Finnieston Diesel Engine Works being without orders for propelling machinery. We were fortunate, however, in having a large proportion of our engineering capacity, both at Belfast and Glasgow, employed in other directions, including a considerable amount of national defence work for the Admiralty, War Office and Air Ministry.

The repair works generally had a better year in 1938 than in 1937. This applies also to our Scotstoun works and Clyde foundry, and to our structural steel departments.

The work in hand includes some notable ships, such as an aircraft carrier and a cruiser for the Admiralty, the R.M.S. "Andes," a high-class passenger liner which is the largest passenger ship to be launched during the current year, and three refrigerated cargo liners. We have recently been entrusted with two additional important contracts for the Admiralty—a submarine depot ship and a Fleet Air Arm supply and repair ship.

The complete suspension in the placing of orders for merchant ships would probably have continued for a long time had it not been for the action of the Government in developing their scheme for the assistance of shipping and shipbuilding; but the building scheme only applies to cargo vessels—passenger liners and refrigerated tonnage being excluded. Therefore it does not help in the provision of work for our large passenger shipbuilding yards, which are specially equipped for this class of work.

We have received orders for a number of cargo ships under the new scheme, which will partly employ our cargo shipbuilding yards at Belfast and Glasgow. It is not easily understood why refrigerated vessels should be excluded from the Government scheme, especially when one realises how essential they are to the well-being of the country, and particularly in times of emergency.

THE OUTLOOK

You will not expect me to say much about 1939. For the first quarter of the year the results are satisfactory; but for the next few months we are bound to feel the effect of the shortage of tonnage to which I have already referred. Furthermore, as regards the current year I would observe that the present disturbed state of world affairs has necessitated the introduction of the Civil Defence Bill, and you will readily understand that the provision of adequate protection for the personnel employed in our establishments will call for considerable expenditure during the year, only part of which will be recoverable.

The company's technical departments have been maintained at their usual high standard, and the works and plant have been kept in good repair, and improved by the addition of modern plant where necessary.

The report and accounts were adopted.

ASSOCIATED GAS AND WATER
UNDERTAKINGS, LIMITED

SUCCESSFUL YEAR

The sixth ordinary general meeting of this company was held, on the 25th instant, in London.

Mr W. H. Bennett, M.Inst.Gas E., chairman of the company, said:—As a result of the year's working the accounts show a net profit of £75,150, an increase of nearly £16,000. Although it would permit of the payment of a dividend at a higher rate, your directors think it advisable, in view of the present state of world affairs, to recommend adherence to the usual rate of 5 per cent. per annum on the ordinary capital. If this recommendation is approved the sum carried forward will be £22,760, compared with £17,564 brought in.

During the year under review controlling interests were acquired in the gas companies at Bideford, Bridgwater, Taunton, Wellington (Somerset), and Godalming, bringing the total number of Associated undertakings up to 23, including the subsidiary gas undertaking at Langport of the Taunton Gas Company.

All but one of these acquisitions are in Devon and Somerset, thus bringing our gas undertakings in the West Country to seven. In our Southern group of sixteen gas and gas and electricity undertakings, the addition of the Godalming Gas Company is of interest, since the boundary of its area of supply is continuous with those of our associated undertakings at Guildford and Haslemere.

The returns from our associated undertakings continued to show, despite the abnormal conditions brought about by the international situation, satisfactory increases in the sale of gas, electricity, coke, by-products and appliances. Our companies realised record outputs of gas and coke during the sudden spell of extreme cold towards the end of 1938. Virtually without warning their gas-making plants and distribution systems had to cope with gas outputs up to 43 per cent. above those of the days preceding the cold weather.

FAVOURABLE PROSPECTS

A few years ago there was much ill-informed sales resistance to gas, but the continued virility of the industry has made a marked impression upon the public, which, by large-scale co-operative publicity, has been kept acquainted of the merits of gas service. The nature and scope of that service has been substantially extended as a result of the facilities afforded by the gas holding companies.

Our associated undertakings are situated in urban and rural areas throughout Southern England—from Ilfracombe (Devon) in the West to Edenbridge (Kent) in the East—in which the population is largely residential and less affected than in other parts of the country by industrial recession on the one hand or artificial trade expansion on the other. Moreover, the majority of our subsidiaries are situated in districts not as exposed as others to the perils of war, which gives yet further security to your investment.

Expenditure on National Defence places a direct and indirect burden on gas and electricity undertakings. The indirect burden—taxation and increases in the cost of raw materials and labour—cannot be avoided and is common to all. The direct burden—the cost of protecting our property and employees from aerial attack—involves expenditure, varying according to the vulnerability of each undertaking, which is the more uneconomic because it is non-revenue earning.

PRICE OF GAS

Current economic conditions and the considerably enhanced cost of coal, materials and wages have frustrated, for the time being, the application of the company's policy of reducing the price of gas and of introducing further tariffs benefiting consumers and leading to increased business. We have had to be content with avoiding, or postponing as long as possible, increasing the price of gas, in which endeavour we have been successful in that in the majority of our undertakings the price of gas has not been increased. This, despite the fact that favourable coal contracts entered into some time ago have now expired and our raw material now costs, under a State nurtured monopoly, approximately 20 per cent. per ton more. It is still to be hoped that relief will be accorded to the gas industry in its claim for equitable price treatment as the consumer of over 18 million tons of coal per annum and, therefore, the indirect employer of 75,000 miners.

From the consumers' point of view it should be remembered that, whilst the actual price of gas has remained stationary or shown slight increase, the improved efficiency of gas appliances of recent years represents not less than 20 per cent. extra service. To this advance in utilisation must be added substantial progress in carbonisation and distribution which has been of consumer benefit.

The report and accounts were unanimously adopted.

WELWYN GARDEN CITY, LIMITED

DIVIDEND AGAIN INCREASED

The nineteenth ordinary general meeting of Welwyn Garden City, Limited, was held, on the 24th instant, in London.

Mr Theodore G. Chambers, K.B.E. (the chairman) said:—The accounts before you reveal that the financial position of the company is steadily improving, and the directors have much pleasure in recommending that the dividend for the year be increased to 5 per cent.

Our gross revenues have increased from £86,148 to £99,674, in part due to the larger income accruing from freehold house property, but to a more important extent by reason of the excellent progress made by our subsidiary undertakings, the revenues from which have risen from £21,622 to £32,539. The net effect upon our profit and loss account is a rise in the profit carried to the balance sheet from £25,004 to £29,960. This sum, added to our carry-forward from the last financial year, provides a balance of £39,336, from which it is proposed to set aside £500 as a reserve for income tax and national defence contribution. The dividend of 5 per cent. will absorb £26,815, thus leaving £12,021 to be carried forward to the current year.

WELWYN COMMERCIAL BUILDINGS, LIMITED

The profit of this company for the year compares favourably with the estimates given in the prospectus published just over a year ago in connection with an issue of preference share capital at that time. After meeting the fixed dividend on the preference shares and a dividend of 10 per cent. on the ordinary shares, sundry reserves and the balance of profit carried forward have also been increased. There is every indication that the development of this business is likely to be continuous and may legitimately demand an appreciable expansion of the issued capital in the early future.

Welwyn Stores again had a successful year, which augurs well for the future of the business in the extensive new premises which will be opened on June 26th. Those shareholders who have visited the town during the last few months cannot, I think, have failed to have been very greatly impressed with this new and important central building. That part which consists of the stores premises will place our departmental stores in the enviable position of being, I believe, the largest establishment of the kind in Hertfordshire, so that apart from the widespread effect of this building on the general appearance and "atmosphere" of the centre of the town, it will doubtless also become a very attractive shopping centre for a considerable area of the surrounding county.

DECENTRALISATION OF INDUSTRY

In my speech to the shareholders last year I referred to the steady growth of public opinion in favour of some policy of decentralisation of industry and in particular to the effects of this policy upon Welwyn Garden City.

As a result of the crisis last September a further concentration of public thought has been given to decentralisation, as was shown subsequently by the increased number of industrial inquiries, and there can be little doubt that the development of our industrial area will be accelerated during the next year or two. There can be little doubt that the form of development of which we can reasonably claim Welwyn Garden City as one of the outstanding examples, is to-day very widely regarded as one of the important solutions of many of the difficulties arising from unplanned and unrestricted town and city development.

Apart from our industrial expansion, many important London businesses have under serious consideration the merits of Welwyn Garden City for the permanent accommodation of their staffs under ideal conditions in new offices at Welwyn Garden City.

In conclusion, I would again remind shareholders that the further progress of the business, which it has been our pleasure to reveal to you, is in great measure a reflection of the enthusiasm and hard work of our large staff. We now have some 1,300 employees of every kind, and I do not think I exaggerate when I say that there is almost as much reason for pride in our staff and their spirit as there is in the steady improvement of the business.

During the year two important steps have been taken for the benefit of the staff. First, arrangements have been made for the establishment of a general staff association for the whole undertaking which is being provided with a small sports ground. Secondly, the directors have decided in the immediate future to set up a Staff Benefit Fund on a contributory basis.

Coupled with these provisions, the position has now been reached whereby all members of the staff, with the exception of the general employees in our building enterprise where the problem is a national one, receive holidays with full pay every year.

The report and accounts were unanimously adopted.

INDIAN COPPER CORPORATION, LIMITED

EFFECT OF LABOUR TROUBLES

SIR GODFREY B. H. FELL'S ADDRESS

The fifteenth ordinary general meeting of Indian Copper Corporation, Limited, was held, on the 25th instant, at 20 Aldermanbury, London.

Sir Godfrey B. H. Fell, K.C.I.E., C.S.I. (the chairman), said that the balance carried down to the appropriation account was £69,535, as compared with £211,424 in the previous year. They recommended the payment of a dividend at the rate of 4 per cent. per annum actual, which would take a sum of £34,195, leaving £40,619 to be carried forward. They considered it would be unwise to recommend a more liberal distribution on that occasion having regard to the general uncertainties of the present times and in particular to the doubt whether, until labour changed its present attitude, it would be possible for the Corporation to carry on operations successfully.

When they met on May 6th last year he mentioned that a lightning strike had taken place at the mine on April 21st, involving the complete cessation of operations. The strike lasted twelve weeks. In the end the workmen agreed to return to work on the undertaking that the Local Government would appoint a Conciliation Board with the object of arriving at a settlement of the points at issue between the management and a section of the employees. The award confirmed the grant of certain benefits already given to the workers at Moubandar by the directors the previous May. In addition, it included a scheme for payment of bonus, as of right, to all employees, the amount of which would depend upon the rate of dividend declared, and an increase of 1 anna a day to the wages of all labourers drawing less than Rs. 1/8/- a day.

With regard to the bonus, the directors had already spontaneously sanctioned the payment of a bonus to the workmen on the results of the corporation's operations for the years 1936 and 1937, and had offered in point of fact to authorise in future a still more liberal scale of bonus, dependent upon results.

MANY STRIKES

They had yet to see how far the sacrifices they had made would secure industrial peace. There had so far been very little sign of willingness on the part of some of their workmen to accept the award in the spirit in which it was accepted by the corporation. Apart from minor incidents, including two lightning strikes and three slow-down strikes, and constant threats of strikes or "hartals," a slow-down and stay-in strike occurred in the boiler house on April 22nd, involving the shutting down of the mine and concentrating mill. That strike collapsed after four days, the Union leaders admitting that the men were in the wrong, but characteristically urging, nevertheless, that their demands should be conceded. This the general manager refused, as also the later demand of the other workers for pay during the period that the mine and mill were closed down as the direct consequence of an illegal strike by some of their fellows.

That was the position at the end of April, but the situation grew worse every day after that. On May 8th, a gang of rioters tried to rush the pay-table when wages to the mill hands were being paid, yelling out "Loot and strike." That attack was staved off. A day or two later, a European employee was attacked with an iron bar while on his way to his bungalow in the dark and severely injured. Worse, however, was to follow. As a result of a slow-down strike in the drill-sharpening shop, a ringleader was dismissed. Two days later a gang of men fell upon the mine mechanical engineer in the drill shop and inflicted on him injuries which no one but an exceptionally strong man could survive. The men used red-hot drills seized out of the fire as their weapons.

The directors had instructed the general manager to make the most serious protest to the Premier of Bihar, and to inform him that unless the Government were prepared to take immediate action to support them and to insist upon all the workers abiding by the terms of the recent award, they intended to close down the mine and the mill.

CURRENT YEAR'S PROSPECTS

In conclusion, the Chairman said that the shareholders would wish to hear something of the progress of the corporation's operations during the current financial year. Production to the end of April this year totalled 1,950 long tons of copper, 2,711 long tons of Yellow Metal Sheet and 504 long tons of Yellow Metal Circles. Mill-heads had averaged 2.16 per cent. copper, and the sales position was quite satisfactory.

The report was unanimously adopted.

WIGGINS, TEAPE AND COMPANY (1919), LIMITED

LORD PORTAL'S ADDRESS

The twentieth annual general meeting of Wiggins, Teape and Company (1919), Limited, was held, on the 19th instant, at Winchester House, Old Broad Street, London, E.C.

Lord Portal, D.S.O., M.V.O. (chairman of the company), said: Ladies and gentlemen, the report and accounts have been in your hands for the requisite period, and I propose, with your permission, to take them as read. (Agreed.)

On the occasion of our last annual meeting I was able to report an increased volume of trade done by your company and its subsidiary companies for the fifth consecutive year. This year I regret I have to report a small recession. This is not to be wondered at bearing in mind the less satisfactory state of trade enjoyed generally in this country. This recession in trade affected the output of our mills, especially during the last six months of the year, when a certain amount of short time was worked. I am glad to say, however, that this year trade has been much better and our mills have been busy, and in some cases a measure of overtime has been worked.

I have referred to the deterioration in general trading conditions during the year 1938, with the consequent smaller demand for paper. This particularly affected the demand for our cheaper grades of papers. In view of the conditions prevailing, it is, I think, a remarkable fact that the sales of our high-grade papers for the year 1938 showed only a small decline compared with the sales for the year 1937, and I suggest points to the very strong position your company enjoys in the home market due to the excellence of the service we are able to offer to our customers.

SUBSTANTIAL RESERVES

I would draw your attention to the total amount of the various reserves appearing in the summary balance sheets of our group of companies. After providing for the payment of the final dividends, the reserves and profit and loss balances amounted at December 31, 1938, to the substantial sum of £1,046,046, and the depreciation reserves amounted to £954,145.

As I have already indicated, our paper mills this year are exceedingly busy, and I am glad to say that our aggregate sales to date are in excess of those for the corresponding period of 1938, and the outlook is quite promising. However, with world conditions as they are, it would be foolish to play the rôle of a prophet. All I can say is that if trading conditions continue as they have been for the past few months we can look forward to being able to place before you next year a satisfactory balance sheet.

You will see that we recommend a payment of a final dividend on the ordinary stock of 5 per cent., less income tax, which brings the dividend for the year 1938 up to 8 per cent. In addition, we are recommending the payment of a bonus on the ordinary stock of 2 per cent., less income tax. Then we propose that £10,000 be transferred to income tax equalisation reserve. We also propose the transfer of £53,000 to general reserve, bringing that account up to £713,000.

The chairman then moved the adoption of the report and accounts. Mr L. W. Farrow (deputy chairman) seconded the motion, which was unanimously passed.

The dividend and bonus, as proposed, were approved; the retiring directors were re-elected and the auditors were re-appointed.

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ODHAMS PRESS, LIMITED

DIVIDEND OF 10 PER CENT.

The nineteenth annual general meeting of Odhams Press, Limited, was held, on the 24th instant, in London.

The Right Hon. Lord Southwood of Fernhurst (chairman and managing director) said that the net profits for the year amounted to £260,067, as compared with £340,192 for the previous year. Last year he drew attention to the considerable increase in the cost of paper and labour which would take effect in 1938. As paper was their chief raw material, that heavy increase had naturally affected the earning power of the company. In addition, the international tension had also had effect on the company's revenue. By expansion of trading and economies, the directors had been able to reduce the adverse effect of those factors to a considerable extent, and in the circumstances, the result of the year's trading was not unsatisfactory.

Copyrights showed an increase of £66,245, the greater part of which was represented by the acquisition of a group of journals and by special expenditure on the development of the new periodical "Woman." It had become the leading journal in the field of popular women's weeklies. Increased facilities for rapid and high-grade colour printing at their Watford company's works had made it possible for that and other of the company's publications to set a very high standard of production. The important new building being erected at the west side of Endell Street was nearing completion, and would, in due course, enlarge the company's productive capacity and enable them to centralise a number of outlying departments. The particulars given on the back page of the printed accounts showed the very broad basis on which the company's business was constituted. Shareholders would no doubt be interested in learning that the amount the organisation paid out last year in salaries and wages alone was approximately £3,000,000.

The directors were satisfied that the business of the company was on a thoroughly sound basis. With a return to normal international conditions and a reasonable reduction in the price of the company's chief raw material they were certain that the company would return to a period of increasingly progressive profits.

The report was adopted and a final dividend of 5 per cent., making 10 per cent. for the year, was approved.

INDUSTRIAL AND GENERAL TRUST, LIMITED

A SPECIAL JUBILEE BONUS

The fifty-first ordinary general meeting of the Industrial and General Trust, Ltd., was held, on the 25th instant, in London.

Capt. E. C. Eric Smith, M.C., presided in the absence through indisposition of Mr W. Sandford Poole, the Chairman, and read a speech prepared by Mr Poole, which stated that the international events of the past year had seriously affected trade, which always declined when confidence was shaken, and bad trade had naturally been reflected in the revenue of trust companies. Their revenue had also suffered from the continued complete default of Brazil and the partial default of other foreign borrowers. A valuation on 31st March last showed that the £8,014,688 at which investments stood in the balance sheet was still represented by value. Although the surplus was quite small, it was satisfactory that, in spite of depressed markets, not only their capital but also their reserves and carry forward were intact.

Revenue showed a decrease of £25,110, but allowing for taxation and smaller collections of arrears, the actual fall in the year's income was no more than £11,038 and was accounted for, mainly by the Brazilian default.

The trust was incorporated on 6th April, 1889, so that the meeting marked the completion of their record of fifty years. The booming times of the year in which they commenced were followed in the latter part of 1890 by a severe commercial and financial crisis. As a result the Trust suffered substantial losses and in 1894 a reconstruction of capital was carried through. The subsequent history of the trust had been one of steady recovery and development.

The net revenue, after providing for debenture stock interest and management expenses, amounted to £283,828. To mark the Trust's jubilee a special grant was being made to the staff, and in addition to paying a dividend of 12 per cent., their fiftieth birthday was being celebrated with a bonus of 2 per cent. less tax.

With regard to the outlook, they might have some further diminution in their revenue during the coming year, but he was not without hope that, given peace in Europe, any setback might not be very serious.

The report was unanimously adopted.

KEPONG (MALAY) RUBBER ESTATES, LIMITED

RESULTS OF A DIFFICULT YEAR

The thirty-fourth annual general meeting of The Kepong (Malay) Rubber Estates, Limited, was held, on the 23rd instant, in London.

Sir Francis Voules, C.B.E. (chairman and managing director), said that during the year under review they had produced a crop of 9,019,171 lb. Their sales of rubber had totalled 6,592,156 lb. The average gross price realised for their exportable rubber sold was 7.7d. per lb.

When prices dropped to under 5d. per lb. they had refrained from selling, holding unsold at that time about 400 tons of their exportable rubber, of which the portion afterwards sold had fetched as high as 8½d. per lb. They were still holding off the market a portion of their exportable crop in London warehouse amounting to 514,476 lb., which had been valued for account purposes at 7d. net.

As a result of the year's working they had earned a profit of £43,646. They proposed transferring £10,000 to reserve and, after allowing for the dividend of 4½ per cent., less tax, they proposed to carry forward £15,913. The profit was, of course, disappointing, and was accounted for by two adverse factors, the smaller exportable crop and the lower market price. Actually, in 1938 they had exported only 5,500,000 lb., as against over 9,000,000 lb. in 1937. The f.o.b. costs, however, were satisfactory, being 3.92d. against 4.04d. in 1937.

As to the current year, it had recently been announced that for the September quarter the release had been fixed at 55 per cent. of assessment. Provided that the price was maintained at its present level, that increase in export was very welcome, and should permit of better results. With regard to the suggested barter agreement between the British Government and that of the United States, with every desire to fall in with any reasonable proposal from America, he saw great difficulties in carrying through such a proposal. Taking the long view, he doubted the advisability of having a large stock out of the hands of the industry, which would mean, directly or indirectly, that the control of the market would be in the United States of America.

The report was unanimously adopted.

TIMOTHY WHITES AND TAYLORS, LIMITED

A DEBENTURE ISSUE

The tenth ordinary general meeting of Timothy Whites and Taylors, Limited, was held, on the 19th instant, in London.

Mr Philip E. Hill (the chairman) said that, as pointed out in the report, the previous accounts submitted had covered a period of sixty-six weeks, which included two Christmases. As the company's trading was always most active in the last three months of the year, the figures now presented covering only one Christmas period were not comparable. To obtain a true comparison they must go back to the previous year, and that showed that their profits had increased by over £33,000. When they remembered the devastating effect which the crisis of last September had had on all retail trade he thought shareholders would agree that the results shown were satisfactory.

Last year he referred to the fact that the continued expansion and modernisation of their business would in due course necessitate the provision of further capital. After careful consideration the directors had decided to make an issue forthwith of £500,000 of 5 per cent. redeemable debentures. It was not proposed to make a public issue, applications being limited to shareholders and debenture holders of the company in accordance with the promise made at the last meeting. In connection with that proposed issue the company's properties had been revalued, and that revaluation showed an appreciation over book value of over £338,000.

The directors had decided to recommend a final distribution of 22½ per cent. on the ordinary shares, less tax, making with the interim dividend already paid a total of 30 per cent. for the year.

His confidence in the future of the undertaking remained unchanged. The defence programme to which we were by sheer necessity committed entailed vast expenditure. That expenditure would be largely in the form of wages. Unemployment would diminish, the purchasing power of the public would increase, and that increase should undoubtedly be reflected in the turnover of all shops which catered for the requirements of the workers, among which could be numbered all the shops owned by this company and its subsidiaries.

The report was adopted, and a separate meeting of preference shareholders approved the proposed debenture issue.

JAMES W. COOK AND COMPANY, LIMITED

DISTRIBUTION OF 12½ PER CENT.

The forty-second annual general meeting of this company was held, on the 19th instant, in London.

Mr W. J. Clarke (chairman and managing director), in the course of his speech, said:—I am glad to be able to show you improved results, which happily bear out the report of the state of our business that I gave you this time last year.

The gross profit on trading shows a considerable advance, £125,127 9s. 4d., as compared with £98,979 7s. 1d. The amount standing to the credit of profit and loss after payment of the interim dividends amounts to £74,907 13s. 4d., as against £53,179 4s. 5d. All these figures I hope you will agree are eminently satisfactory. The increased profit is due to increased business and to the extra expenditure incurred in providing plant.

We earnestly hope that we will be permitted to pursue our business in peace, for we still maintain that given peaceful conditions we can with pleasant anticipation look forward to the future, as one happy feature about these accounts is that we have not noticeably benefited by the re-armament policy which has been imposed upon us.

We think the time has come when it will be proper to increase the capital of the company in order that the liability of the subsidiaries can be discharged to our bankers and that we can obtain fresh resources in order to secure funds for the general purpose of the business and in order to be able to take advantage of opportunities that present themselves for further development.

As you know we have been able to maintain a 10 per cent. dividend for many years. It might be said that with our obligations the dividends of the ordinary shares should remain at what is a good rate, but having regard to increases in taxation and other considerations, it is felt that if we can afford it a modest increase in return to shareholders in the form of a bonus should be granted on this occasion.

The report and accounts were unanimously adopted and a final dividend of 7½ per cent., less income tax, making with the interim dividend 10 per cent. for the year, together with a bonus of 2½ per cent., less income tax, was approved.

MADRAS ELECTRIC SUPPLY CORPORATION, LIMITED

FURTHER EXPANSION

The ordinary general meeting of the Madras Electric Supply Corporation, Limited, was held, on the 24th instant, in London.

Mr James Gray (the chairman) said that the number of consumers connected and units sold during 1938 had increased by 9.3 per cent. and 8.4 per cent. respectively. Those increases approximated closely to the expansion experienced in recent years and almost every branch had contributed to the improvement. The revenue account had improved by 1 per cent. only, due to the reduction in tariffs granted voluntarily in 1936, but which had not become fully operative until January 1, 1937. After deducting interest, depreciation and renewals (£50,000), income-tax (£22,602), investment reserve (£10,000), etc., the net revenue balance was £74,863, and £41,566 was brought forward. The directors proposed to pay a final dividend of 5½ per cent. actual on the ordinary shares, making 8 per cent. for the year, free of income-tax.

With regard to the paragraph in the directors' report stating that the Madras Government had represented that another reduction in tariffs was necessary, on April 25th last the Government had submitted a revised list of charges which they considered should be adopted, but the reductions were so drastic and the manner of giving effect to them so unusual that the directors could not acquiesce. Alternative proposals had been submitted by the company, and it was hoped that they would receive full and sympathetic consideration as the directors shared a desire that a settlement would be reached without the necessity of an *ad hoc* inquiry. Under those circumstances it would be impolitic for him to say more on the subject then, but he wanted to confirm that if the demands of the Government became obligatory in their entirety they would have a serious effect on the revenue of the Corporation.

The Madras Government had recently passed an Act which imposed a tax of As.½ per unit on all units of electricity sold at a price of over As.2 per unit, and had intimated that the whole of the tax would have to be borne by the Corporation instead of by consumers as in other parts of India. That also was under discussion.

The report was adopted.

SUNGEI BATU (MALAYA) RUBBER ESTATES, LIMITED

MR E. D. HEWAN'S REVIEW OF THE YEAR

The twenty-sixth annual general meeting of Sungei Batu (Malaya) Rubber Estates, Limited, was held, on the 23rd instant, in London.

Mr E. D. Hewan (chairman), in the course of his speech, said:—Our profit and loss account shows a profit for the year of £7,643, against nearly £17,000 in 1937. This severe contraction was, however, only to be expected in view of the very unsatisfactory conditions which existed last year. As I mentioned when addressing you just twelve months ago, we were then working on a much reduced quota, which for the whole of 1938 averaged just 55 per cent., as compared with 83½ per cent. in 1937. This, of course, resulted in higher costs and greatly restricted the possibilities of making profitable use of our mature areas. With so much rubber held off the market, one might have hoped to see a general improvement in prices, but this was not to be. World stocks were too high.

(Continued from page 508)

THE COMMODITY MARKETS

THE movement of the prices of primary products was somewhat irregular this week. The absence of an expansion in business activity across the Atlantic and the seasonal decline in raw material purchases at this time of the year are mainly responsible for the uncertain price trend.

Raw sugar prices have fallen a little as a result of the strenuous, but not altogether successful, efforts made by the International Sugar Council to increase market supplies. Wheat prices, on the other hand, are scarcely changed on the week. The prices of non-ferrous metals moved within narrow limits. Raw cotton prices rose towards the end of last week, but reacted again this week. Rubber prices remained virtually unchanged in a quiet market.

Moody's index of the prices of sensitive commodities in the United States (December 31, 1931 = 100) rose from 143.8 to 144.9 during the week ended last Wednesday.

Metals

Copper.—The London price for copper moved within narrow limits this week, and the price of standard cash closed on Wednesday at £41 2s. 6d. per ton, a net gain of 2s. 6d. on the week. The market remained inactive, especially as reports from the United States were discouraging. Buying on the other side of the Atlantic has again declined to low levels and the outlook for consumption is judged with considerable reserve.

★

Tin.—At times during the past week there was a larger demand for tin, the price of which gained 15s. to close on Wednesday at £226 per ton, but on the whole trading continued to be slow. Supplies are still short and the market is becoming increasingly dependent on the buffer pool. According to the International Tin Research and Development Council world production of tin reached 33,400 tons in the first quarter of this year, a decline of 23 per cent. on 1938. Simultaneously, consumption fell by 13 per cent. to 35,700 tons. Supplies thus remained short of requirements, although the restricting coun-

tries exceeded their quotas in the first quarter of 1939 to the extent of 1,310 tons.

★

Lead and Spelter.—The quotations for near lead lost 1s. 3d. to close on Wednesday at £14 6s. 3d. per ton, while in contrast spelter closed at £13 17s. 6d. per ton, a net gain of 8s. 9d. on the week. The demand for spelter is still supported by the high A.R.P. requirements for galvanised sheets, while the lead market suffers from the low rate of building and the maintenance of high supplies. According to the Metallgesellschaft the world's lead smelter output totalled 383,003 metric tons in the first quarter of this year, against 405,399 tons a year before. The decline was chiefly due to the lower output in Mexico caused by the long strike at the Monterrey smelter. The British import duty on foreign zinc was increased on Friday from 12s. 6d. to 30s. per ton. Empire suppliers will pay to the Imperial Smelting Corporation 10s. per ton on their imports to this country, from which the I.S.C. will refund to British exporters of zinc products the sum of 17s. 6d. per ton.

★

Aluminium.—Although prices for aluminium have been unchanged in recent weeks, demand for the metal is at a high level. The Aluminium Information Bureau announced this week that the British consumption was nearly 34 per cent. higher in the first quarter of this year than in the corresponding period of 1938. Part of this increase was due to higher armament requirements, but there was also an expansion in civilian orders.

Grains

THE reports of rainfall in the United States and Argentine, combined with a quiet demand, led to a dull wheat market during the past week, though prices were not much changed. The American wheat belt is still short of moisture, however, particularly in the hard wheat areas, and it is now thought that the latest official estimates of the forthcoming harvest will have to be considerably reduced. Lack of rain is also reported from Canada, where grasshopper infestation is now mentioned. Plate wheat continues to be shipped at the rate of about 400,000 quarters a week, but the demand from the Far East for Australian flour is reported to have slackened off for the time being. Larger

These factors, together with the general feeling of uncertainty, due to the political situation, which began to make itself felt after the spring of last year, all had their adverse effects on the rubber market. As a result the average price in London of the commodity over the year was only 7½d. per lb. for standard sheet, as against 9½d. in 1937. Such a price, combined with an average export quota of only 55 per cent., could only have one result—namely, a large decrease in profits as compared with 1937.

You will see from the report that we recommend a dividend for the year of 5 per cent., requiring £4,125; a transfer of £350 to income-tax reserve, and £3,000 to development reserve, leaving £9,780 to be carried forward into the 1939 accounts.

I mentioned last year that, under the new International Agreement, estates are permitted to open up new areas to the extent of 5 per cent. of their planted areas. In our case this allows us to open up 102 acres, and it is expected that this work, which is now in progress, will be completed during the current year. We will then have little suitable land uncultivated and must rely on replanting in order to continue our policy of rejuvenating the estates.

The report and accounts were unanimously adopted.

supplies of Plate and South African maize are due to arrive shortly, and the discount on near maize has been considerably reduced. Little business has been done in feeding barley, and large supplies are available from Tunis.

Other Foods

Provisions.—The usual seasonal trend in butter prices was apparent in London last week, when Dominion butters improved 2s. to 3s. per cwt. in price while the price of Danish fell by a rather larger amount. Egg prices were also lower, in the face of a poor demand.

★

Colonial Produce.—The raw sugar market was easier after the week-end, when it became known that some additions to the export quotas had been made but there was considerable uncertainty in the market. Prices for refined were reduced by 3d. per cwt. on Tuesday. Tea prices have been well maintained at recent auctions.

★

Fruit and Vegetables.—Asparagus is now reaching the London market in good quantities and sells readily. New potato prices have fallen steadily in the past week and there is little demand for old crop.

Miscellaneous Commodities

Oils and Oilseeds.—Demand for these products remains dull; sales of oilcakes are falling off and crushers are apparently well supplied. Prices of both linseed and linseed oil have eased, since American interest for Indian shipments has also declined. Black Egyptian cottonseed sells at £5 7s. 6d. per ton for spot and near positions and £5 15s. has been quoted for July delivery.

★

Rubber.—Trade was inactive at the end of last week, but a rather better tone after the week-end brought the spot price of standard sheet up to 8½d. on Wednesday. Stocks of rubber outside the regulated area were reduced by 11,000 tons in April to 411,212 tons, due mainly to a sharp fall in American holdings.

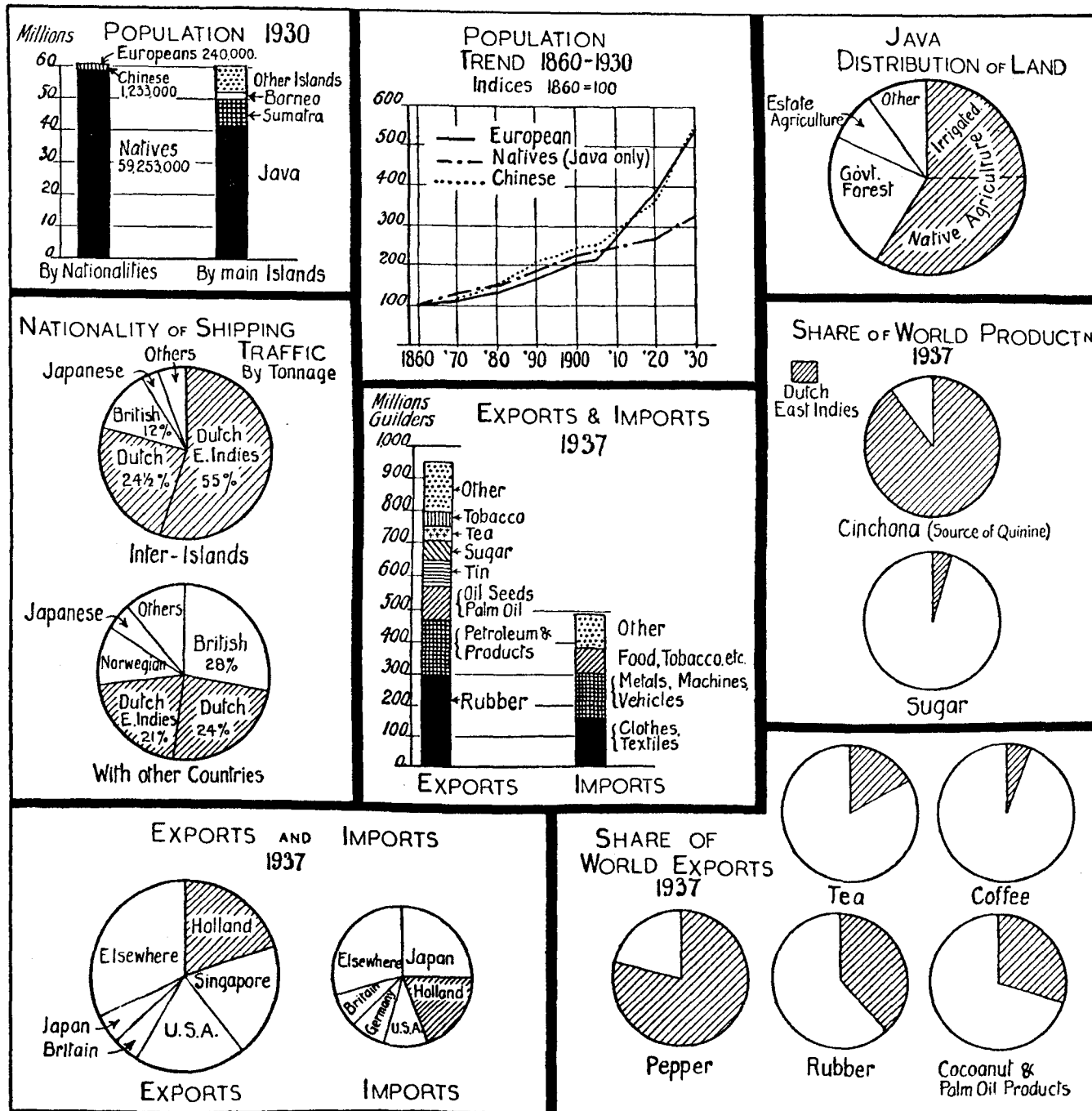
CURRENT STATISTICS

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Netherlands India



Finance

GOVERNMENT RETURNS

For the week ended May 20, 1939, total ordinary revenue was £13,606,000, against ordinary expenditure of £18,016,000 and issues to sinking funds of £245,000. Thus, including sinking fund allocations, the deficit accrued since April 1, 1939, is £64,058,000, against £40,188,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	Apr. 1, 1938	Apr. 1, 1939	Week ended May 21, 1938	Week ended May 20, 1939
ORDINARY REVENUE				
Income Tax	10,369	10,174	5	9
Sur-tax	4,680	4,950	410	530
Estate, etc., Duties	9,440	9,680	1,150	1,460
Stamps	1,850	2,100	260	860
Nat. Defence Cont.	930	2,630	170	440
Other Inland Rev.	70	190	...	10
Total Inland Rev.	27,339	29,724	1,995	3,309
Customs	29,620	33,238	4,062	4,328
Excise	17,100	16,900	6,100	5,530
Total Customs and Excise	46,720	50,138	10,162	9,858
Motor duties	4,139	4,151	...	...
P.O. (Net Receipt)	5,600	5,280	800	400
Crown Lands	150	200	...	...
Receipts from Sundry Loans	274	266	...	...
Misc. receipts	756	729	13	39
Total Ordinary Rev.	84,978	90,488	12,970	13,606
SELF-BAL. REVENUE				
P.O. and Broadcasting	8,000	8,270	900	1,450
Total	92,978	98,758	13,870	15,056

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	Apr. 1, 1938	Apr. 1, 1939	Week ended May 21, 1938	Week ended May 20, 1939
ORDINARY EXPENDITURE				
Interest & Management of National Debt	39,020	39,467	501	376
Payts. to N. Ireland	514	555	...	...
Other Consol. Fund Services	344	363	51	...
Total	39,878	40,385	552	376
Supply Services	84,504	113,350	12,350	17,640
Total Ord. Expend.	124,382	153,741	12,902	18,016
SELF-BALANCING EXPENDITURE				
P.O. and Broadcasting	8,000	8,270	900	1,450
Total	132,382	162,011	13,802	19,466

After raising Exchequer balances by £189,140 to £2,541,227, the other operations for the week (as shown below) raised the gross National Debt by £4,845,000 to about £8,351 millions.

WEEK'S CHANGES IN DEBT

NET INCREASE		NET REPAYMENTS, ETC.	
Treasury Bills	6,022	Pub. Dept. Adv.	750
		Nat. Sav. Certs.	100
		P.O. and Teleg.	300
		N. Ar. Shipping	27
	6,022		1,177

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to May 20, 1939, are shown below:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	153,741	Ordinary Rev.	90,488
Increases in bal.	42	Gross borr.	64,100
		Less—	
		Sinking Funds	805
		Net borrowing	63,295
	153,783		153,783

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1938						
May 21	570.0	276.0	41.8	...	887.8	317.8
Jan. 28	411.0	517.8	39.3	...	968.1	557.1
Feb. 4	395.0	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
" 18	355.0	505.7	41.8	...	903.5	547.5
" 25	366.0	502.2	43.4	...	911.6	545.6
" 31	392.4*	27.9	...	...	920.3	...
Apr. 8	387.0	510.8	34.4	...	932.2	545.2
" 15	394.0	511.7	35.4	...	941.2	547.2
" 22	402.0	498.0	39.1	...	939.1	537.1
" 29	409.0	498.7	50.8	...	958.5	549.5
May 6	413.0	513.0	42.1	4.5	978.6	555.1
" 13	429.0	510.2	44.6	...	983.8	554.8
" 20	439.0	506.2	43.8	...	989.0	550.0

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

TREASURY BILLS

Date of Tender	Amount		Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for		
1938				
May 20	35.0	74.3	35.0	10 1.11 35
1939				
Jan. 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
" 10	40.0	81.3	40.0	10 1.01 34
" 17	40.0	73.8	40.0	10 1.32 42
" 24	45.0	57.9	45.0	14 7.44 73
" 31	45.0	55.8	42.0	25 6.72 71
Apr. 6	35.0	58.0	32.0	26 2.83 44
" 14	30.0	51.3	30.0	31 2.37 50
" 21	30.0	66.0	30.0	26 10.35 26
" 28	30.0	63.5	30.0	24 3.67 31
May 5	30.0	60.7	30.0	15 11.77 37
" 12	30.0	58.3	30.0	13 4.61 40
" 19	30.0	60.8	30.0	13 3.63 28

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 May 19th applications at £99 16s. 7d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted at about 28 per cent. and applications at higher prices in full. Applications at £99 16s. 8d. for bills to be paid for on Saturday were accepted in full. £49.0 millions of Treasury bills are being offered on May 26th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
Eighteen weeks to:—		
May 7, 1938	12,207,007	9,155,254
May 6, 1939	11,347,434	8,510,539
Week to:—		
May 7, 1938	719,334	539,500
May 7, 1939	600,148	450,111
May 6, 1939	673,702	505,276

BANK OF ENGLAND RETURNS

MAY 24, 1939

ISSUE DEPARTMENT

(£ thousands)		(£ thousands)	
Notes Issued:		Govt. Debt	11,015,100
In circula. 494,564,852		Other Govt. Securities	287,074,594
In Bnkg. Department 31,595,153		Other Secs.	1,017,245
		Silver Coin	888,061
		Amt. of Fid. Issue	300,000,000
		Gold Coin & Bullion (at 148s. 5d. per oz. fine)	226,160,005
			526,160,005

BANKING DEPARTMENT

(£ thousands)		(£ thousands)	
Props. Capital 14,553,000		Govt. Secs.	113,966,164
Res. 3,224,512		Other Secs.	25,487,991
Pub. Deps.* 25,486,613		Discs, etc.	7,096,649
Other Deps.		Securities	21,714,981
Bankers ... 95,347,067		Notes	28,811,630
Other Accs. 36,365,716		Gold & Silver Coin	31,595,153
			603,961
			174,976,908

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

THE WEEK'S CHANGES

(£ thousands)		Compa. d with	
Both Departments	Amt. May 24, 1939	Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	494,565	+ 945	+ 14,365
Deposits: Public	25,487	+ 8,684	+ 991
Bankers	95,347	+ 11,968	+ 4,099
Others	36,366	+ 215	+ 262
Total outside liabilities	651,764	+ 2,124	+ 17,735
Capital and res.	17,778	+ 18	+ 13
COMBINED ASSETS			
Govt. debt and securities	412,061	+ 467	+ 116,894
Discounts and advances	7,097	+ 2,980	+ 2,431
Other securities	22,732	+ 435	+ 2,819
Silver coin in issue dept.	888	+ 1	+ 878
Gold coin and bullion†	226,764	+ 27	+ 100,412
RESERVES			
Res. of notes & coin in banking department...	32,199	+ 972	+ 14,776
Proportion of reserve to outside liabilities—			
(a) Bank dept. only ("proportion")	20.4%	+ 0.2%	+ 10.1%
(b) Gold stocks to deposits and notes ("reserve ratio")	35.8%	+ 1.3%	+ 15.8%

† Revalued from Mar. 1, 1939, in accordance with the Currency and Bank Notes Act, 1939.

COMPARATIVE ANALYSIS*

(£ millions)		1938				
		May 25	May 3	May 10	May 17	May 24
Issue Dept.:						
Notes in circ.	480.2	495.5	495.9	493.6	494.6	
Notes in banking dept.	46.2	30.7	30.3	32.5	31.6	
Govt. debt and securities	199.5	298.7	298.6	298.1	298.1	
Other secs.	0.5	0.5	0.5	1.0	1.0	
Silver coin	0.0	0.9	0.9	0.9	0.9	
Gold, valued at s. per l. oz.	326.4	226.2	226.2	226.2	226.2	
Deposits:						
Public	26.5	10.5	19.0	16.8	25.5	
Bankers	91.2	108.2	101.4	107.3	95.4	
Others	36.1	37.0	36.3	36.2	36.3	
Total	153.8	155.7	156.7	160.3	157.2	
Bkg. Dept. Secs.						
Government...	95.7	111.9	114.2	113.5	114.0	
Discounts, etc.	9.5	8.2	8.1	10.1	7.1	
Other	19.4	21.9	21.2	21.3	21.7	
Total	124.6	142.0	143.4	144.9	142.8	
Banking dept. reserve	47.0	31.4	31.0	33.2	32.2	
" Proportion"	30.5	20.1	19.7	20.6	20.4	
Reserve ratio†	51.6	34.9	34.8	34.5	35.8	

* 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—The latest returns of the Banks of Estonia and Greece appeared in The Economist of May 6th; Denmark and International Settlements, of May 13th; Argentina, Bulgaria, Canada, Finland, Japan, Latvia, New Zealand, Norway, Poland, Germany and Switzerland, of May 20th.

U.S. FEDERAL RESERVE BANKS

Million \$'s	May 26, 1938	Apr. 27, 1938	May 18, 1938	May 25, 1938
12 U.S.F.R. BANKS	10,639	13,031	13,223	13,283
Gold coin and bullion	11,060	13,429	13,597	13,674
Gold certificates on hand and due from Treas.	412	382	365	382
Total gold reserves	9	3	4	4
Total bills discounted	1	1	1	1
Bills bt. in open mkt.	1	1	1	1
Total bills on hand	17	13	13	13
Industrial advances	2,564	2,564	2,564	2,564
Total U.S. Govt. secs.	2,590	2,581	2,581	2,581
Total bills and secs.	14,291	16,697	16,976	16,965
Total resources	14,291	16,697	16,976	16,965
LIABILITIES				
F.R. notes in circn.	4,117	4,433	4,463	4,446
Aggregate of excess mkt. bank res. over reqts.	2,630	4,120	4,240	4,300
Deposits—Member-bank reserve account	7,716	9,903	10,005	10,097
Govt. deposits	1,183	913	927	915
Total deposits	9,286	11,332	11,475	11,570
Cap. paid in and surplus	309	311	311	311
Total liabilities	14,291	16,697	16,976	16,965
LIABILITIES				
F.R. notes in circn.	82.5%	85.1%	85.3%	85.4%
U.S.F.R. BANKS AND TREASURY COMBINED				
Monetary gold stock	12,905	15,714	15,892	15,927
Treasury and Nat. Bk. currency	2,701	2,849	2,857	2,859
LIABILITIES				
Money in circulation	6,393	6,860	6,913	6,893
Treasury cash and deposits with F.R. Bks.	3,431	3,606	3,610	3,561

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

Million \$'s	May 26, 1938	Apr. 27, 1938	May 18, 1938	May 25, 1938
Total gold reserves	469.8	635.1	640.9	651.7
Total bills discounted	2.2	0.6	1.0	1.0
Bills bt. in open mkt.	0.2	0.2	0.2	0.2
Total U.S. Govt. secs.	745.8	721.9	721.9	721.9
Total bills and secs.	752.7	726.2	726.3	726.7
Deposits—Member-bank reserve account	364.0	539.0	754.0	655.7
Govt. deposits	1.0	1.0	1.0	1.0
Total deposits	365.0	540.0	755.0	656.7
Reserve to depts. and F.R. notes	87.7%	90.9%	91.0%	91.1%

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

Million \$'s	May 11, 1938	Apr. 12, 1938	May 3, 1938	May 10, 1938
ASSETS				
Loans, total	8,408	8,120	8,071	8,085
Investments	12,271	13,571	13,714	13,634
Reserve with Federal Reserve Bank	6,107	7,866	8,190	8,337
Due from domestic bks.	2,315	2,612	2,575	2,567
LIABILITIES				
Deposits: demand	14,569	16,388	16,660	16,719
Time	5,209	5,212	5,248	5,249
U.S. Government	545	629	616	605
Inter-bank	6,047	6,577	6,627	6,600

BANK OF FRANCE.—Million francs

Million francs	May 19, 1938	Apr. 20, 1938	May 11, 1938	May 18, 1938
ASSETS				
Gold	55,808	92,266	92,266	92,266
Bills: Commercial	9,586	10,583	9,804	9,565
Bought abroad	774	726	726	726
Advances on securities	3,515	3,369	3,355	3,396
Thirty-day advances	173	302	141	118
Loans to State without interest: (a) general	3,200	10,000	10,000	10,000
(b) provisional	40,134	20,577	20,577	20,577
Negotiable bonds	5,575	5,470	5,470	5,470
Sinking Fund Dept.	3,931	4,235	4,463	4,377
Other assets				
LIABILITIES				
Notes in circulation	98,827	123,064	123,744	122,132
Deposits: Public	3,283	3,767	4,000	4,299
Private	16,962	17,849	15,890	17,327
Other liabilities	3,624	2,848	3,176	2,837
Gold to sight liabilities	46.9%	63.7%	64.2%	64.1%

AUSTRALIAN COMMONWEALTH BANK.—Million £'s

Million £'s	May 23, 1938	Apr. 24, 1938	May 15, 1938	May 22, 1938
ASSETS				
Gold and English stg.	16.01	16.03	16.03	16.03
Other coin, bullion, &c.	5.36	5.40	5.73	5.18
Call money, London	27.55	16.80	17.21	17.05
Secs. and Treas. bills	91.41	95.10	94.80	94.85
Discounts and advances	12.83	16.80	17.33	17.14
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.	87.87	83.00	84.64	83.97

SOUTH AFRICAN RESERVE BANK

Million £'s	May 13, 1938	Apr. 14, 1938	May 5, 1938	May 12, 1938
ASSETS				
Gold coin and bullion	22.70	26.43	26.43	26.43
Bills discounted	7.17	6.61	7.15	7.71
Advances to Govt.	3.60			
Inves. & other assets	12.19	14.72	15.04	15.11
LIABILITIES				
Notes in circulation	15.93	16.93	17.96	17.13
Deposits: Government	2.20	4.22	2.69	2.76
Bankers'	20.21	21.12	20.39	22.18
Others	3.96	2.45	4.44	4.10
Cash reserves to liabilities to public	53.3%	59.2%	57.9%	57.2%

NATIONAL BANK OF BELGIUM

Million belgas	May 19, 1938	Apr. 20, 1938	May 11, 1938	May 18, 1938
ASSETS				
Gold	2,734	3,065	3,086	3,088
Silver and other coin	54	54	50	52
Foreign exchange, etc.	718	534	477	509
Bills and securities	872	937	987	959
Advances	137	132	112	100
LIABILITIES				
Notes in circulation	4,128	4,464	4,483	4,445
Deposits: Govt.	15	10	8	36
Other	287	158	133	137

BANK OF DANZIG

Million Danzig gulder	May 14, 1938	Apr. 15, 1938	May 6, 1938	May 13, 1938
ASSETS				
Gold coin and bullion	1938	1939	1939	1939
Danzig subd. coin	28.38	25.26	25.26	25.28
Bills abroad and foreign bills	3.85	3.30	2.83	3.33
Discounts	4.97	3.35	4.46	3.91
LIABILITIES				
Notes in circulation	13.47	26.26	21.93	18.23
Deposits on demand	32.81	37.61	48.32	44.78
	16.62	21.59	19.12	20.78

NATIONAL BANK OF EGYPT

Million £E	Apr. 1938	Feb. 1938	Mar. 1938	Apr. 1938
ASSETS				
Gold	1938	1939	1939	1939
Brit. Govt. Secs.	6.24	6.24	6.24	6.24
Egyptian Govt. Secs.	13.46	12.96	13.66	15.36
Cash	1.50	1.50	1.50	1.50
Investments	2.10	2.89	2.09	2.25
Bills and Advances	23.02	14.32	13.89	13.16
	6.01	8.59	7.80	7.99
LIABILITIES				
Notes issued	21.20	20.70	21.40	23.10
Deposits: Govt.	8.12	4.45	3.45	2.76
Other	18.31	16.12	15.60	17.91

NATIONAL BANK OF HUNGARY

Million pengő	May 15, 1938	Apr. 15, 1938	May 7, 1938	May 15, 1938
ASSETS				
Metal reserve: Gold coin and bullion	84.1	124.1	124.1	124.1
Foreign exchange	69.4	98.5	100.8	98.2
Inl. bills, wts. & secs.	441.6	475.8	463.7	428.8
Long term	120.0	199.6	201.3	203.3
Czech-Kr. exch.	...	98.2	96.0	95.9
LIABILITIES				
Notes in circulation	538.3	840.7	862.7	828.0
Current accounts, and sight liab.	237.0	196.2	187.4	189.5
Cash certificates	69.7	99.0	99.0	99.0

BANQUE MELLÉ IRAN

Million rials	Apr. 20, 1938	Mar. 6, 1938	Apr. 5, 1938	Apr. 20, 1938
ASSETS				
Gold	1938	1939	1939	1939
Silver	308.4	310.7	310.7	310.7
Inl. bills, wts. & secs.	405.6	405.8	406.3	406.7
Public departments	364.3	272.8	295.3	294.2
Other debt balances	665.2	747.6	760.6	758.7
LIABILITIES				
Notes in circulation	809.5	824.4	828.8	828.5
Public departments	538.3	587.7	507.0	477.7
Other credit balances	1001.0	1138.7	1165.9	1253.5
N.B.—Market value is: † 434.7 million rials. ‡ 391.4 million rials.				

BANK OF JAVA.—Million florins

Million florins	May 21, 1938	Apr. 22, 1938	May 13, 1938	May 20, 1938
ASSETS				
Gold and silver	135.89	137.37	135.26	135.06
Discounts, advances & other investments	76.80	75.62	73.97	74.73
Foreign bills	1.83	11.78	12.55	12.36
Other assets	49.05	68.16	64.57	62.48
LIABILITIES				
Notes in circulation	185.14	193.28	197.84	193.20
Deposits and bills	63.92	85.59	74.82	77.69

NATIONAL BANK OF JUGOSLAVIA

Million dinar	May 1938	Apr. 1938	May 1938	May 1938
ASSETS				
Gold	1,826	1,916	1,917	1,918
Other foreign exchange	396	403	508	437
Discounts and advances	1,563	1,716	1,966	1,872
Government advances	2,240	2,229	2,229	2,229
LIABILITIES				
Notes in circulation	5,951	6,931	7,389	7,274
Sight liabilities	2,563	1,749	1,627	1,590

RESERVE BANK OF INDIA

Million rupees	May 13, 1938	Apr. 14, 1938	May 5, 1938	May 12, 1938
ASSETS				
Gold coin and bullion	444	444	444	444
Rupee coin	587	707	657	655
Balances abroad	40	117	119	118
Sterling securities	788	595	595	595
Indian Govt. rupee securities	324	323	373	373
Investments	69	66	69	71
LIABILITIES				
Notes in circn.: India	1,779	1,825	1,808	1,805
Burma	80	110	111	108
Deposits: Govts.	148	140	149	143
Banks	146	115	117	129
Gold and sterling to liabilities	57.5%	50.2%	50.2%	50.3%

BANK OF LITHUANIA.—Million litas

Million litas	May 15, 1938	Apr. 15, 1938	Apr. 30, 1938	May 1938
ASSETS				
Gold	79.14	63.24	63.24	62.16
Silver and other coins	13.67	15.48	15.12	14.67
Discounts	94.54	110.39	113.51	111.11
Advances	16.57	20.88	20.91	20.83
LIABILITIES				
Bank notes in circulatn.	124.39	176.99	181.65	174.65
Current accounts	65.20	27.60	23.61	26.35
Deposits	13.91	6.96	7.52	9.29

NETHERLANDS BANK

Million florins	May 23, 1938	Apr. 24, 1938	May 15, 1938	May 22, 1938
ASSETS				
Gold	1480.8	1226.6	1209.5	1209.5
Silver	20.9	19.8	17.4	17.7
Home bills, etc.	9.2	12.6	11.5	11.5
Foreign bills	5.4	2.7	2.7	2.7
Loans and advances in current account	330.1	212.7	214.7	211.4
LIABILITIES				
Notes in circulation	919.6	1036.8	1036.2	1031.9
Deposits: (a) Govt.	149.2	8.4	51.4	48.6
(b) Other	798.4	448.0	388.4	393.2

BANK OF PORTUGAL

Million escúdos	Feb. 9, 1938	Jan. 25, 1938	Feb. 8, 1938	Feb. 15, 1938
ASSETS				
Gold	917.3	918.7	912.7	918.7
Balances abroad	628.0	686.9	699.3	701.9
Discounts	331.0	478.6	481.9	488.8
Securities	120.6	117.9	117.9	117.9
Government loans	1040.9	1038.3	1038.3	1038.3
LIABILITIES				
Notes in circulation	2041.1	2131.5	2150.1	2102.6
Deposits: Government	494.9	423.5	481.0	538.6
Bankers'	688.6	698.2	652.2	649.7
Other	57.7	39.5	35.5	37.0
Foreign commitments	52.0	198.0	197.2	197.2

EXCHANGE RATES—cont.

NEW YORK

New York on	May 18, 1939	May 19, 1939	May 20, 1939	May 22, 1939	May 23, 1939	May 24, 1939
don —	Cents	Cents	Cents	Cents	Cents	Cents
1 days	467 ¹ / ₂	467 ¹ / ₂	467 ¹ / ₂	467 ¹ / ₂	467 ¹ / ₂	467 ¹ / ₂
ables	468 ¹ / ₂	468 ¹ / ₂	468 ¹ / ₂	468 ¹ / ₂	468 ¹ / ₂	468 ¹ / ₂
emand	468	468	468	468 ¹ / ₂	468 ¹ / ₂	468 ¹ / ₂
Fr	2-64 ¹ / ₂	2-64 ¹ / ₂	2-64 ¹ / ₂	2-64 ¹ / ₂	2-64 ¹ / ₂	2-64 ¹ / ₂
Fr	17-02 ¹ / ₂	17-02 ¹ / ₂	17-02 ¹ / ₂	17-02 ¹ / ₂	17-02 ¹ / ₂	17-02 ¹ / ₂
Fr	22-48	22-48 ¹ / ₂	22-51	22-51	22-51 ¹ / ₂	22-52
Fr	5-26 ¹ / ₂	5-26 ¹ / ₂	5-26 ¹ / ₂	5-26 ¹ / ₂	5-26 ¹ / ₂	5-26 ¹ / ₂
Fr	40-12	40-13	40-12	40-12 ¹ / ₂	40-12	40-12
Fr	53-65	53-80	53-74	53-66 ¹ / ₂	53-75	53-70 ¹ / ₂
Fr	20-90 ¹ / ₂	20-90 ¹ / ₂	20-90 ¹ / ₂	20-90 ¹ / ₂	20-91	20-90 ¹ / ₂
Fr	23-52 ¹ / ₂	23-52 ¹ / ₂	23-52 ¹ / ₂	23-53	23-53	23-53
Fr	24-11 ¹ / ₂	24-11 ¹ / ₂	24-11 ¹ / ₂	24-12	24-12	24-12
Fr	0-85 ¹ / ₂	0-85 ¹ / ₂	0-85 ¹ / ₂	0-85 ¹ / ₂	0-85 ¹ / ₂	0-85 ¹ / ₂
Fr	99-665	99-625	99-635	99-635	99-665	99-680
Fr	27-31	27-31	27-31	27-31	27-32	27-32
Fr	16-15	16-15	16-15	16-15	16-15	16-15
Fr	29-04	29-04	29-04	29-04	29-05	29-05
Fr	5-50	5-50	5-50	5-50	5-50	5-50

Usance: T.T. † Official.

IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended May 25, 1939

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
GOLD					
British W. Africa	477,399	...	Eire	497,789	...
South Africa	2,340,240	...	Canada	6,019,387	...
S. Rhodesia	44,141	...	Netherlands	10,828	...
British E. Africa	21,831	...	France	2,310	...
New Zealand	44,876	...	Switzerland	113,565	9,165
Netherlands	1,406,145	9,991	United States	9,110,982	...
Germany	429,692	...	Cent. & S. America	6,990	...
Total*	4,787,502	19,207	Total*	15,743,889	31,423
SILVER					
Gibraltar	...	3,266	Eire	92	368
British India	...	2,929	Sweden	2,297	...
Hong Kong	15,596	32,108	Netherlands	770	...
Germany	7,575	...	Switzerland	150	...
Belgium	22,818	360	United States	72,057	...
Iraq	...	3,182	...	...	...
New Zealand	2,729	...	...	...	...
Total*	49,624	52,714	Total*	76,430	368

* Including other countries.

Investment

DIVIDEND ANNOUNCEMENTS

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	%	%	%	%	Carreras, Ltd.	15*	June 19	15*	June 19	S. American Stores...	3*	May 31	3*	May 31
do-Palestine "A"	2†	6	...	10	Chloride Storage	10†	15	...	20	Sena Sugar	8	...	...	9
do-Palestine "B"	3†	...	...	3*	Coast Lines	3	June 15	4†	...	Shorts, Ltd.	2†	5	...	5
do-Palestine "C"	9†	14	...	15	Cons. Elec. (Baltimore)	90cta*	July 1	90cta*	...	Spiers and Pond	2	...	...	6
do-Palestine "D"	8†	15	June 29	20	Cory (W.) and Son	15†	14	...	14	Tadcaster Tower Bty.	5†	...	June 1	5*
do-Palestine "E"	15†	20	...	22 ¹ / ₂	Crossfields Oil, etc.	15†	20	...	20	Telephone Rentals	6†	10	June 22	10
do-Palestine "F"	7†	10	July 3	15	Delhi Electric	16†	10	...	11	Texas Lard, etc.	16	...	June 15	16
do-Palestine "G"	3†	5	June 14	8	Denny Mott, etc.	6	...	6	...	Thomas and Evans	7†	10	...	10
do-Palestine "H"	3†	5	June 14	8	Dental Manufacturing	6†	10	June 6	10	United Molasses	7†	10	June 19	7†
do-Palestine "I"	3†	5	June 14	8	Dick (W. B.) Holdings	6†	10	June 6	10	Venez. Oil (Pf. & Ord.)	al 7ps†	a2 3/4 ps	...	3/- ps
do-Palestine "J"	3†	5	June 14	8	Dussex Brothers	4†	...	...	3*	Watkins (Eustace)	10†	15	...	15
do-Palestine "K"	3†	5	June 14	8	First Scot. Amer. Trst.	14†	20	June 12	3*	Wenlock Brewery	15†	...	...	15*
do-Palestine "L"	3†	5	June 14	8	Fisher and Ludlow	13†	...	...	13	White (A. J.)	7†	12 1/2	...	12 1/2
do-Palestine "M"	3†	5	June 14	8	Fisher's Foils	5	...	...	5	Witan Investment	9†	...	...	10
do-Palestine "N"	3†	5	June 14	8	Fison Packard, etc.	2†	...	...	2†	UNIT TRUSTS	Pence	...	...	Pence
do-Palestine "O"	3†	5	June 14	8	Forsters Glass	11	...	...	11	First British	18-40	...	June 15	18-20
do-Palestine "P"	3†	5	June 14	8	Fortnum and Mason	3†	...	June 14	3†	Invest. Trust Units	13-1d	...	May 31	13-5d
do-Palestine "Q"	3†	5	June 14	8	Great Universal Stores	11	...	...	11	Metals and Minerals	13-4	...	May 31	13-6
do-Palestine "R"	3†	5	June 14	8	Griffiths Hughes	2†	...	...	2†					
do-Palestine "S"	3†	5	June 14	8	Hawker Siddeley Acft.	15†	...	June 16	15†					
do-Palestine "T"	3†	5	June 14	8	Hodbarrow Mining	11†	4	...	15*					
do-Palestine "U"	3†	5	June 14	8	Hollis Bros.	7†	...	...	7†					
do-Palestine "V"	3†	5	June 14	8	Ind. Coope & Allsopp	8†	...	June 15	7†					
do-Palestine "W"	3†	5	June 14	8	Invest. Trust Corp.	13	...	June 8	13					
do-Palestine "X"	3†	5	June 14	8	Jury Holloware	2†	...	May 27	2†					
do-Palestine "Y"	3†	5	June 14	8	Lactol	2†	...	June 16	5*					
do-Palestine "Z"	3†	5	June 14	8	Manchester Collieries	5	...	...	5					
do-Palestine "AA"	3†	5	June 14	8	Met. Assoc. (Dwigs)	2†	...	June 30	5*					
do-Palestine "AB"	3†	5	June 14	8	Met. Housing	4†	...	...	7					
do-Palestine "AC"	3†	5	June 14	8	Met. Traders	21†	...	...	25					
do-Palestine "AD"	3†	5	June 14	8	Millar's Timber	7†	...	July 1	10					
do-Palestine "AE"	3†	5	June 14	8	Mitchell Shackleton	4†	...	...	4*					
do-Palestine "AF"	3†	5	June 14	8	Newton Bros. (Derby)	12†	...	...	12 1/2					
do-Palestine "AG"	3†	5	June 14	8	Northampton Brewry	5*	...	July 1	5*					
do-Palestine "AH"	3†	5	June 14	8	Pennsylvania Water	11†	...	July 1	11†					
do-Palestine "AI"	3†	5	June 14	8	Rhodesia Ry. Trst.	7†	...	...	7†					
do-Palestine "AJ"	3†	5	June 14	8	Rhodesia Tobacco	7†	...	...	7†					
do-Palestine "AK"	3†	5	June 14	8	Ruston and Hornsby	12†	...	...	7†					

SHORTER COMMENTS

Sena Sugar Estates.—Net profit for 1938, £94,984 (£128,642). Ordinary dividend reduced from 9 to 8 per cent.

Goldfields Australian Development Company.—Total income for 1938, £6,490. General expenditure, £8,860. Net profit, £67,630. Written off development, estimates, etc., £21,814. N.D.C., £400. st dividend of 7½ per cent. absorbs 7,500. Carry forward £7,916.

Tobacco Securities Trust.—Net revenue for half-year to April 30, 1939, 28,533 (net revenue previous year, 27,152). Ordinary interim dividend intained at 5 per cent. Carry forward, 09,177. It is proposed to hold the annual meeting in January each year in ure. Next accounts will be for full year October 31, 1939.

Cable and Wireless Traffic Index.—Traffic index for April, 1939, is 75.1 against 74.6 for March, and 71.5 for April, 1938.

Attock Oil Company, Ltd.—Net profits for year 1938, £309,345 (£56,885) before £180,000 (£40,000) depreciation of plant. Ordinary dividend 7½ per cent. (dividend passed since 1928); new shares issued September, 1938, do not rank for this dividend.

Rhodesia Railways Trust.—Net profit for year to March 31, 1939, £77,183 after £60,090 to contingencies reserve. Net profit for 1937-38, £59,018. Ordinary dividend 5 per cent. tax free.

Bank of Scotland.—The present capital position of the Bank of Scotland is: Authorised capital, £4,500,000; issued capital, £2,400,000. Up to December, 1937, issued capital stood at £1,500,000 with

capital callable, £750,000. In December, 1937, £150,000 stock, £100,000 paid was issued, and £800,000 was then applied from reserve to cancel uncalled liability on issued stock. The particulars given on page 22 of last week's Banking Supplement should be amended in this sense.

City of London Real Property.—Net revenue from rents for year to April 12, 1939, £343,271 (£367,730). Total income £379,025 (£393,708). Mortgage and debenture interest, £39,791 (£38,403). Sinking fund, £27,166 (£26,418). Profits, £302,901 (£319,997). To reserve for N.D.C., £16,000 (£15,000). Debenture discount written down by £3,000 and issue expenses by £2,111. Ordinary dividend maintained at 4 per cent. Carry forward increased from £217,804 to £230,157.

(Continued on page 530)

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended May 21 (£'000)					Aggregate Gross Receipts, 20 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Total Goods	Total Receipts	Passenger	Merchandise	Coal & Coke	Total Goods	Total Receipts
L.M. & S.—	454	465	233	698	1,152	8,605	9,555	5,506	15,061	23,666
1938	453	514	258	772	1,225	8,421	9,177	5,706	14,883	23,304
1939	289	319	222	547	830	5,620	6,746	5,141	11,887	17,507
L. & N.E. (a)—	291	343	264	607	898	5,529	6,327	5,228	11,555	17,084
1938	189	188	98	286	475	3,604	3,873	2,311	6,184	9,788
1939	191	219	120	339	530	3,569	3,891	2,311	6,202	9,771
Great Western—	287	64	27	91	378	5,596	1,217	657	1,874	7,470
1938	293	67	29	96	389	5,581	1,177	676	1,853	7,434
1939	1219	1036	580	1616	2,835	23,425	21,391	13,615	35,006	58,431
Total—	1228	1143	671	1814	3,042	23,100	20,572	13,921	34,493	57,593
1938										
1939										

(a) Week ended May 20.

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	362	423	17	36
20 weeks to May 21, 1939	362	423	17	36
Weekly Figures				
Av. weekly decrease, 1st half 1939	18.10	21.15	0.85	1.80
Latest week compared with 1938	+ 73	+ 68	+ 55	+ 11
Latest week compared with average 1927-30	281	213	111	110

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended May 19, 1939 (£'000)			Aggregate Gross Receipts, 20 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—	1.9	0.4	2.3	36.6	8.7	45.3
1938	2.0	0.4	2.4	36.9	8.6	45.5
1939	1.9	0.4	2.3	36.6	8.7	45.3
Great Northern—	8.3	8.7	17.0	171.6	172.8	344.4
1938	9.1	10.4	19.5	175.7	199.8	375.5
1939	28.3	37.2	65.5	599.0	801.7	1400.7
Great Southern—	30.1	37.9	68.0	596.1	816.8	1412.9
1938						

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 denominated in pounds at a certain date the yield includes any profit or loss on redemption; where stocks are denominated in foreign currencies the yield 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 May 24, inclusive				Prices, Year 1939 Jan. 1 to May 24, inclusive				Prices, Year 1939 Jan. 1 to May 24, inclusive									
High-Low		Last Dividends		Name of Security		Price, May 24, 1939		Change since May 17, 1939		Yield May 24, 1939		Last Dividends		Name of Security		Price, May 24, 1939		Change since May 17, 1939		Yield May 24, 1939	
High	Low	(a)	(b)	(c)								(a)	(b)	(c)							
British Funds																					
70 1/2	64	71 1/2	64 1/2		Consols 2 1/2% 1957-60	69 1/2	+2 1/2	3 12 1/2	32 1/2	15 1/2	6	Nil		6	Nil	Brit. Overseas A £5	17 1/2	...	6 1/2	Nil	
111 1/2	93	106 1/2	101		Do. 4% (aft. 1957)	105 1/2	+1 1/2	3 12 1/2	60 1/2	7 1/2	5 1/2	5 1/2		5 1/2	5 1/2	Chd. of India £5	11 1/2	...	6 1/2	6 1/2	
100 1/2	90 1/2	95 1/2	85 1/2		Conv. 2 1/2% 1944-49	95 1/2	+1 1/2	3 2 1/2	12 1/2	10 1/2	3 1/2	3 1/2		3 1/2	3 1/2	Com. Bk. of Aus. 10/-	11 1/2	...	4 17 1/2	6 1/2	
104 1/2	90 1/2	95 1/2	85 1/2		Do. 3% 1948-53	97 1/2	+1 1/2	3 2 1/2	5 1/2	27 1/2	5 1/2	5 1/2		5 1/2	5 1/2	Dist. Bk. £1 1/2	5 1/2	...	4 10	4 10	
105 1/2	100 1/2	104 1/2	102		Do. 3 1/2% after 1960	104 1/2	+1 1/2	3 13 1/2	4 1/2	70 1/2	6 1/2	3 1/2		3 1/2	3 1/2	En. S. & Aust. £5 2 1/2	65	...	6 9	6 9	
115 1/2	102	112 1/2	105 1/2		Do. 4 1/2% 1944-44	104 1/2	+1 1/2	2 8 0	10 1/2	8 1/2	10 1/2	8 1/2		10 1/2	8 1/2	Hambros £10, £2 1/2	10 1/2	...	5 4	5 4	
91 1/2	81	87 1/2	81 1/2		Do. 5% 1944-61	108 1/2	+1 1/2	3 2 1/2	60 1/2	70 1/2	12 1/2	12 1/2		12 1/2	12 1/2	Hong. & S. £12 1/2	4 1/2	...	6 10 1/2	6 10 1/2	
97 1/2	88 1/2	93 1/2	87 1/2		Fund. 2 1/2% 1956-61	96 1/2	+1 1/2	3 9 0	59 1/2	52 1/2	6 1/2	6 1/2		6 1/2	6 1/2	Lloyds £5, £1 1/2	55	...	4 7	4 7	
90 1/2	80 1/2	85 1/2	79 1/2		Fund. 2 1/2% 1952-57	92 1/2	+1 1/2	3 7 10	56	79 1/2	6 1/2	6 1/2		6 1/2	6 1/2	Martins £20, £2 1/2	8 1/2	...	1 16	1 16	
114 1/2	98	109 1/2	102 1/2		Fund. 3% 1960-90	107 1/2	+2 1/2	3 9 8	6	5 1/2	5 1/2	5 1/2		5 1/2	5 1/2	Midland £1 1/2	8 1/2	...	3 17 0	3 17 0	
101 1/2	90 1/2	95 1/2	85 1/2		Nat. D. 2 1/2% 1944-48	97 1/2	+1 1/2	2 19 4	30 1/2	20 1/2	11 1/2	11 1/2		11 1/2	11 1/2	Nat. Dis. £2 1/2	5 1/2	...	4 5	4 5	
100 1/2	90 1/2	95 1/2	85 1/2		Do. 3% 1954-58	96 1/2	+1 1/2	3 6 11	34 1/2	27 1/2	8 1/2	8 1/2		8 1/2	8 1/2	Nat. of Egypt £10	25 1/2	...	5 17 1/2	5 17 1/2	
112 1/2	100 1/2	108 1/2	102 1/2		Victory Bonds 4%	107 1/2	+2 1/2	3 10 1/2	71 1/2	60 1/2	12 1/2	12 1/2		12 1/2	12 1/2	N. of Ind. £35, £12 1/2	30	...	6 13	6 13	
101 1/2	90 1/2	95 1/2	85 1/2		War L. 3 1/2% at 1952	107 1/2	+2 1/2	3 13 8	45 1/2	41 1/2	5 1/2	5 1/2		5 1/2	5 1/2	Roy. Bk. of Scotland	11 1/2	...	4 10	4 10	
90 1/2	78 1/2	83 1/2	76 1/2		Local Loans 3 1/2%	81 1/2	+2 1/2	3 13 7	16 1/2	14 1/2	5	5		5	5	St. of S.A. £20, £5 pd.	11 1/2	...	4 14	4 14	
102 1/2	90 1/2	95 1/2	85 1/2		Austria 3% 1933-33	96 1/2	+3 1/2	3 9 0	46	39 1/2	3 1/2	3 1/2		3 1/2	3 1/2	Union Dis. £1	45	...	4 9 10	4 9 10	
66 1/2	56 1/2	61 1/2	51 1/2		India 2 1/2%	62 1/2	+3 1/2	4 0 0	9 1/2	7 1/2	4	4		4	4	West. £4, £1 pd.	84	...	4 5	4 5	
80 1/2	68 1/2	76 1/2	66 1/2		Do. 3 1/2%	74 1/2	+4 1/2	4 1 1/2	9 1/2	7 1/2	4	4		4	4						
95 1/2	75 1/2	90 1/2	75 1/2		Do. 4 1/2%	86 1/2	+4 1/2	4 1 1/2	9 1/2	7 1/2	4	4		4	4						
117 1/2	110	115 1/2	105 1/2		Do. 5% 1958-68	108 1/2	+1 1/2	3 17 3	26 1/2	23 1/2	40 1/2	50 1/2		40 1/2	50 1/2	Alliance £1, fully pd.	25 1/2	...	3 10	3 10	
109 1/2	97	105 1/2	99		Dorm. & Col. Govts.	104 1/2	+1	4 8 3	14 1/2	13 1/2	43 1/2	44 1/2		43 1/2	44 1/2	Atlas £5, £1 1/2	14 1/2	...	2 15	2 15	
104 1/2	92	100 1/2	94		Austr. 5% 1945-75	104 1/2	+1	3 17 4	98 1/2	8 1/2	20 1/2	20 1/2		20 1/2	20 1/2	Com. Un. £1, fully pd.	8 1/2	...	4 10	4 10	
115	109 1/2	112 1/2	108 1/2		Canada 4% 1940-60	103 1/2	+1	4 3 1	29 1/2	25 1/2	25 1/2	25 1/2		25 1/2	25 1/2	Gen. Acc. £1 5/-	90	...	2 8	2 8	
108	95 1/2	103 1/2	96		Nigeria 5% 1940-60	108 1/2	+1	5 1 6	11 1/2	9 1/2	3 1/2	3 1/2		3 1/2	3 1/2	Lon. & Lanc. £5 2 1/2	10 1/2	...	3 14 1	3 14 1	
107 1/2	95	102 1/2	98		N. Zealand 5% 1946	101 1/2	+1	4 17 7	20	16 1/2	42 1/2	43 1/2		42 1/2	43 1/2	N. Brit. & Mer. £1 1/2	10 1/2	...	3 10	3 10	
112 1/2	97	110	104 1/2		Queens. 5% 1940-60	102 1/2	+1	3 15 3	15 1/2	13 1/2	6 1/2	6 1/2		6 1/2	6 1/2	Pearl (£1), fully pd.	18 1/2	...	3 0 1/2	3 0 1/2	
					S. Africa 5% 1945-75	108	+1	3 15 3	15 1/2	13 1/2	6 1/2	6 1/2		6 1/2	6 1/2	Phoenicia (£1), fully pd.	14 1/2	...	4 2	4 2	
Foreign Governments																					
102 1/2	78	85	78 1/2		Arg. 4 1/2% 1930-50	79 1/2	+1 1/2	5 13 2	94 1/2	82 1/2	40 1/2	40 1/2		40 1/2	40 1/2	Royal Exch. £1, 10/-	8 1/2	...	2 10	2 10	
89	38	62	48		Austria 1930-50	34	+1 1/2	12 5 5	99 1/2	8 1/2	11 1/2	11 1/2		11 1/2	11 1/2	Royal £1, 10/-	8 1/2	...	3 19 0	3 19 0	
99	80	82	48		Do. 4 1/2% 1934-39	62	+3 1/2	8 13 11	81 1/2	73 1/2	3 1/2	3 1/2		3 1/2	3 1/2	S. U. & N. £20, £1 pd.	13 1/2	...	4 14	4 14	
36	31	31 1/2	31 1/2		Belgian 4% (36) 1970	87	+1 1/2	4 16 10	13 1/2	13 1/2	6 1/2	6 1/2		6 1/2	6 1/2	Sun. L. £1, with 5/-	8 1/2	...	2 10	2 10	
37 1/2	12 1/2	15 1/2	12 1/2		Bulgaria 7 1/2%	21	+1 1/2	11 18 26	8 1/2	7 1/2	10 1/2	10 1/2		10 1/2	10 1/2	Sun. L. £1, fully pd.	7 1/2	...	2 10	2 10	
19 1/2	14	16 1/2	9		Brazil 5% 1914	10	+1 1/2	20 0 0	230	210	4 1/2	4 1/2		4 1/2	4 1/2						
60 1/2	37	38 1/2	28		China 5% (1912)	35 1/2	+1 1/2	14 1 8	270	210	4 1/2	4 1/2		4 1/2	4 1/2						
73 1/2	40	55 1/2	44		Do. 5% (1913)	51 1/2	+1 1/2	9 14 27	430	39 1/2	3 1/2	3 1/2		3 1/2	3 1/2						
105 1/2	90 1/2	95 1/2	85 1/2		Czechoslovakia 3%	49 1/2	+1 1/2	16 3 4	11 1/2	7 1/2	10 1/2	10 1/2		10 1/2	10 1/2						
94	84 1/2	86 1/2	68 1/2		Denmark 3%	76 1/2	+1 1/2	5 4 7	15 1/2	10 1/2	10 1/2	10 1/2		10 1/2	10 1/2						
13	9 1/2	12 1/2	10 1/2		Egypt United £4 1/2	11 1/2	+1 1/2	4 17 6	214 1/2	195	4 1/2	4 1/2		4 1/2	4 1/2						
40	20	44	21		French 4% (British)	38 1/2	+3 1/2	12 19 8	11 1/2	4 1/2	11 1/2	11 1/2		11 1/2	11 1/2						
34 1/2	15	33 1/2	21 1/2		Ger. Dawes Ln. 5%	26 1/2	+2 1/2	16 19 6	60 1/2	40 1/2	4 1/2	4 1/2		4 1/2	4 1/2						
58 1/2	25	29 1/2	23 1/2		Do. Young Ln. 4 1/2	29 1/2	+2 1/2	15 5 0	240	203 1/2	4 1/2	4 1/2		4 1/2	4 1/2						
24 1/2	20	35 1/2	24		Greek 6% Stab. L.	20 1/2	+1 1/2	15 5 0	225	211	5 1/2	5 1/2		5 1/2	5 1/2						
60	35	52	40 1/2		Hungary 2 1/2%	46	+1 1/2	11 19 0	15 1/2	12 1/2	21 1/2	21 1/2		21 1/2	21 1/2						
64 1/2	38	53	39 1/2		Japan 5 1/2% 1936-65	45	+1 1/2	13 6 8	217 1/2	214	3 1/2	3 1/2		3 1/2	3 1/2						
50 1/2	35	46 1/2	42 1/2		Do. 6% (24) red. 1959	44 1/2	+1 1/2	18 19 10	28 1/2	24	4 1/2	4 1/2		4 1/2	4 1/2						
75 1/2	50	61 1/2	45 1/2		Peru 7 1/2% 1922	50	+1 1/2	11 0 0	217 1/2	188 1/2	4 1/2	4 1/2		4 1/2	4 1/2						
15 1/2	9 1/2	11 1/2	7 1/2		Poland 4% 1922	9 1/2	+1 1/2	19 15 7	162 1/2	152 1/2	3 1/2	3 1/2		3 1/2	3 1/2						
92	75	83	74 1/2		Roum. 4% 1922	78 1/2	+1 1/2	3 16 5	180	164	4 1/2	4 1/2		4 1/2	4 1/2						
Corporation Stocks																					
115 1/2	101	111 1/2	106		U.K. & Arg. C. 3%	107	+1	3 18 6	27 1/2	18 1/2	13 1/2	13 1/2		13 1/2	13 1/2						
117	104 1/2	114	108		Corporation Stocks	108	+1	3 17 1	27 1/2	18 1/2	13 1/2	13 1/2		13 1/2	13 1/2						
87 1/2	77 1/2	81 1/2	74		Birmingham 5% 1945-56	77	+1	3 18 6	27 1/2	18 1/2	13 1/2	13 1/2		13 1/2	13 1/2						
97 1/2	90 1/2	93 1/2	88		Bristol 5% 1945-53	89	+1	3 15 10	27 1/2	18 1/2	13 1/2	13 1/2		13 1/2	13 1/2						
105 1/2	94 1/2	102 1/2	97 1/2		L.C.C. 3%	99	+1 1/2	3 15 10	27 1/2	18 1/2	13 1/2	13 1/2		13 1/2	13 1/2						
Public Boards																					
112	106	112	106		C. Elec. 5% 1950-70	108 1/2	+1	4 2 4	72 1/2	61 1/2	12 1/2	12 1/2		12 1/2	12 1/2						
115	103 1/2	112 1/2	106 1/2		Lon. Pass. Transport	107 1/2	+2 1/2	4 3 7	130	109 1/2	15 1/2	15 1/2		15 1/2	15 1/2						
123 1/2	111 1/2	118 1/2	112 1/2		4 1/2% "A" 1955-2023	115 1/2	+3 1/2	4 4 6	65 1/2	57 1/2	3 1/2	3 1/2		3 1/2	3 1/2						
117 1/2	105 1/2	112 1/2	106 1/2																		

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					
		£	£	£	£	%	£	£	£	%	
Electric Lighting, etc.											
Edmundsons Electricity.....	Dec. 31	98,184	588,798	686,982	118,821	405,000	6	30,000	133,161	535,119	9(d)
Kalgoorlie Electric	Dec. 31	11,463	26,810	38,273	...	14,062	7½	12,000	12,211	27,848	7½
Financial Land, etc.											
City and West End Propts....	Mar. 25	24,078	59,165	83,243	15,356	34,599	9	9,212	24,076	59,942	8½(e)
City of London Real Proptry.	Apr. 12	217,804	286,902	504,706	37,439	232,000	4	5,111	230,156	304,998	4
Dick (W. B.) Holdings	Mar. 31	10,903	58,705	69,608	12,503	19,937	10	10,254	26,914	50,970	10
Hesketh Estates	Feb. 28	15,867	24,897	40,764	12,688	9,968	5½	...	18,108	31,994	7
London County Properties...	Mar. 31	130,852	360,794	491,646	28,655	272,690	11	56,259	134,042	382,101	11
Telephone Properties.....	Dec. 31	26,674	53,108	79,782	16,735	17,875	6	10,000	35,172	42,741	6
Trust, etc., of Iowa.....	Feb. 28	16,929	489	17,418	...	...	...	...	17,418	376	Nil
Hotels, Restaurants, etc.											
Lyons (J.) and Co.	Mar. 31	145,188	1,011,980	1,157,168	490,353	417,661	22½	...	249,154	1,011,000	22½
Iron, Coal and Steel											
Carlton Main Colliery	Mar. 31	58,168	213,265	271,433	6,000	157,445	10	47,607	60,381	132,944	6½
Smethwick Drop Forgings...	Mar. 31	14,741	41,076	55,817	...	32,398	32½	6,500	16,919	47,070	32½
Rubber											
Bradwall (F.M.S.)	Dec. 31	3,880	3,549	7,429	...	2,610	4	1,000	3,819	8,290	10
Dwa Plantations	Dec. 31	534	Dr. 715	Dr. 181	...	...	...	Dr. 1,250	1,069	(a)	(a)
Golden Hope	Feb. 28	7,463	19,427	26,890	...	10,935	3	8,000	7,955	39,301	8
Hongkong (Selangor)	Dec. 31	9,440	8,373	17,813	...	9,000	20	322	8,481	38,664	65
Igalkande	Dec. 31	4,552	908	5,460	...	1,100	2½	...	4,360	2,144	5
Lingsi	Dec. 31	24,688	29,921	54,609	700	...	...	23,900	30,009	65,897	5
Matale Ceylon.....	Dec. 31	327	39	366	...	...	...	...	366	2,075	Nil
Tai Tak	Mar. 31	1,745	2,730	4,475	...	2,292	2½	500	1,683	6,220	5
United Patani	Dec. 31	30,725	24,777	55,502	...	20,000	4	5,000	30,502	70,381	12
United Sua Betong	Dec. 31	49,647	142,077	191,724	...	97,014	12	40,000	54,710	219,613	17½
Yunnan	Dec. 31	2,152	Dr. 140	2,012	...	...	...	...	2,012	1,362	Nil
Tea											
Galaha Ceylon	Dec. 31	4,376	22,618	26,994	3,600	17,520	6	3,000	2,874	31,913	8
New Sylhet	Dec. 31	3,947	5,035	8,982	720	4,200	15	...	4,062	11,207	22½
Panawatte	Dec. 31	995	5,108	6,103	...	4,199	2	1,000	904	18,455	6
Textiles											
Porritts and Spencer	Mar. 31	28,573	84,031	112,604	15,903	51,810	10	18,086	26,805	90,337	10
Salts (Saitaire)	Mar. 31	39,843	78,098	117,941	42,000	15,000	25(g)	30,380	30,561	92,406	50(g)
Tramways											
Maidstone Motor Services	Mar. 31	23,398	122,817	146,215	13,000	84,375	11½	20,000	28,840	112,958	11½
Trusts											
Indian and General	Apr. 30	14,113	22,669	36,782	8,462	13,629	12	...	14,691	26,045	13½
1929 Investment	Mar. 31	4,745	37,016	41,761	22,055	10,310	3½	4,000	5,396	37,620	3½
Perham Investment	Mar. 31	...	(b) 14,876	14,876	...	9,192	2½	3,165	2,519	(a)	(a)
Rhodesia Railways Trust ...	Mar. 31	259,587	137,272	396,859	...	100,288	5½	60,090	236,481	59,018	5½
Tobacco Securities Trust ...	Apr. 30	151,895	(c) 228,533	380,428	...	171,250	5	...	209,177	(a)	(a)
Witan Investment	Apr. 15	94,287	146,536	240,823	46,252	98,491	9½	...	96,080	169,658	10
Waterworks											
Antwerp Waterworks	Dec. 31	1,145	4,590	5,735	...	5,392	8.8	...	343	6,386	8.8
Other Companies											
Abdulla and Company	Dec. 31	21,841	50,525	72,366	20,000	30,000	10	...	22,366	58,833	12½
Armstrong, Stevens and Son	Mar. 31	11,533	10,683	22,216	...	9,072	12½	...	13,144	(a)	(a)
British Alkaloids.....	Mar. 31	1,193	50,932	52,125	5,970	15,260	45	26,500	4,395	43,510	42
Craig and Ros:	Mar. 31	9,234	8,261	17,495	5,000	4,000	4½	...	8,495	10,532	5½
Denny, Mott and Dickson ...	Mar. 31	37,209	73,204	110,413	52,800	20,400	6	...	37,213	75,523	6
Engineering Components ...	Mar. 31	5,615	24,982	30,597	3,262	22,656	25	...	4,679	24,808	20
Field (J. C. and J.)	Mar. 31	11,076	38,841	49,917	8,750	18,750	15	11,000	11,417	35,069	15
Glenfield and Kennedy ...	Mar. 31	33,842	104,647	138,489	9,938	58,905	20	34,971	34,675	78,259	15
Inglis and Co.	May 1	25,623	40,280	65,903	1,958	27,800	20½	10,298	25,847	42,909	20½
Harper (John) and Co.	Mar. 28	11,970	29,458	41,428	5,156	18,850	13	8,000	9,422	44,070	16
Hart (Thomas)	Mar. 31	4,319	4,972	9,291	1,740	544	2½	2,568	4,439	4,955	2½
Stevenson and Howell	Dec. 31	97,480	Dr. 1,215	(f) 85,323	5,951	19,948	14½	...	59,424	35,846	17½
Swan (John) and Sons	Apr. 30	14,416	5,784	20,200	...	5,600	10½	...	14,600	16,912	10½
Thomas and Evans	Feb. 25	34,149	78,008	112,157	19,250	30,000	10	27,000	35,907	63,532	10
Vavasseur (J. H.) and Co....	Dec. 31	11,425	43,622	55,047	5,000	15,000	5	21,333	13,714	Dr. 37,027	5
Whiteaway Laidlaw and Co.	Feb. 28	25,047	Dr. 13,645	11,402	...	...	...	...	11,402	50,050	Nil
Total Profits, 1939, in £000's:	No. of Cos.										
To May 20	1,103	48,240	148,208	196,448	30,049	77,431	...	38,120	50,848	161,916	...
To May 27	1,151	49,965	152,359	202,324	31,086	79,880	...	38,663	52,695	166,201	...

† Free of income tax.

(d) Absorbed £344,200.

(a) No comparable figure.

(e) Absorbed £36,090.

(b) December 16, 1937, to March 31, 1939.

(f) After payment of £40,000 for cancellation of agreement

(g) Preferred ordinary shares.

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Ruston and Hornsby, Ltd.—Net profit for year to March 31, 1939, £301,406 (£254,876). To contingencies reserve, £50,000. Ordinary dividend 12½ against 7½ per cent., absorbing £153,750 (£92,250). To reserves: Pension, £10,000; taxation, £20,000 (£20,000); general, £50,000 (£57,450). Carry forward £55,956 (£61,801).

Great Universal Stores.—Net profit for year to March 31, 1939, before taxation, £262,766 (£385,487). Against 1938-39 profit, interest to be charged on £1,000,000 4½ per cent. debenture stock issued June, 1938. Capital increased during year by further

£250,000. Ordinary dividend unchanged at 50 per cent.

Smethwick Drop Forgings.—Net profit for year to March 31, 1939, before tax, £61,076 (£79,570). To tax and N.D.C., £12,500 (£20,000). To pension fund, £1,500 (nil). To general reserve, £5,000 (£13,750). Ordinary dividend maintained at 32½ per cent. Carry forward increased from £14,741 to £16,919.

Barclays Bank (Dominion, Colonial and Overseas).—Deposits, etc., March 31, 1939, £99,862,846 against £98,328,940, March, 1938. Advances, £33,784,564 (£33,979,401). Cash, £26,090,496

(£27,228,688). Investments, £31,577,004 (£28,891,388). Interim dividend maintained at 3 per cent.

Leeds Piston Ring and Engineering Company.—Net profit for year to March 31, 1939, £11,640 (£19,159). Tax, £6,522 (£5,908). Ordinary dividend 10 against 12½ per cent. Carry forward reduced from £7,639 to £6,757.

Griffiths Hughes Proprietaries.—For year to March 31, 1939, ordinary dividend 5 per cent., against 6½ per cent. for nine months. Profits of the operating company, £112,550, a decline of £49,646,

Industry and Trade
COMMODITY STATISTICS

Coal

COAL OUTPUT ('000 tons)

District	Week ended			
	May 6, 1939	May 13, 1939	Jan.-April, 1938	1939
Northumberland	281.1	297.8	4,563.7	4,560.3
Durham	646.3	686.3	11,106.5	10,440.9
Yorkshire	937.5	920.6	15,422.2	15,219.2
Lancs, Cheshire and N. Wales	347.5	350.5	5,898.0	5,894.9
Derby, Notts & Leicester	633.8	636.3	11,762.6	12,090.7
Staffs, Worcs, Salop and Warwick	406.5	406.8	6,834.7	7,025.9
South Wales & Monmouth	660.3	817.2	12,768.8	11,616.6
Other English districts*	117.8	121.4	1,910.5	1,832.9
Scotland	638.6	642.4	10,496.4	10,442.5
Total	4,670.4	4,879.3	80,763.4	79,073.9

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton

RAW COTTON delivered to Spinners ('000 bales)

Variety	Week ended		Total Deliveries	
	May 12, 1939	May 19, 1939	Aug. 1, 1937-1938	Aug. 1, 1938-1939
American	20.1	19.2	1,029	832
Brazilian	7.8	7.0	240	248
Peruvian, etc.	2.9	2.9	97	103
Egyptian	8.7	14.2	289	284
Sudan Sakel	2.6	2.8	119	113
East Indian	13.6	7.4	298	357
Other countries	4.1	5.0	144	114
Total	59.8	58.3	2,216	2,091

Metals

SALES ON LONDON METAL EXCHANGE

	Week ended		From Jan. 1 to May 24, 1939
	May 17, 1939	May 24, 1939	
Copper.....	Tons 6,350	Tons 4,350	Tons 118,810
Tin	1,080	1,385	28,695
Lead	4,400	2,900	114,150
Spelter	2,250	2,875	74,445

U.K. STOCKS

	May 13, 1939	May 20, 1939
Copper (Br. official w'houses):		
Refined	6,148	5,985
Rough	26,713	25,833
Tin (London and Liverpool)...	11,941	11,672

METALS—(cont.)

TINPLATE INDUSTRY

	Week ended		
	May 14, 1938	May 6, 1939	May 13, 1939
Production—per cent. of capacity	35.50	64.55	65.32
Shipments	2,934	4,622	7,582
Stocks—warehouse and in vans	6,412	7,267	3,968
Nineteen weeks ended May 19, 1938			
Shipments	105,347	81,500	

Foods

WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)

From	Week ended		Season to	
	May 13, 1939	May 20, 1939	May 21, 1938	May 20, 1939
N. America	743	825	19,005	24,677
Argentina and Uruguay	413	484	6,974	9,728

BRITISH WHOLESALE PRICES

CEREALS AND MEAT				SUGAR (per cwt.)—cont.				MISCELLANEOUS			
May 17, 1939				May 17, 1939				May 17, 1939			
RAIN, etc.—				Crushed				GOLD, per fine ounce			
Wheat—				Graulated				SILVER (per ounce)—			
No. 2, N. Man. 496 lb.				Home Grown				Cash			
Eng. Gaz. av., per cwt.				TEA* (Auction Average) (per lb.)—				1 8½ 1 8½			
Liv. May., per cental				N. India							
four, per 280 lb.—				S. India							
Straight, d/d London				Ceylon							
Manitoba, ex store				Java							
arley, Eng. Gaz., av. per cwt.				Sumatra							
lats.				Africa							
Maize, La Plata, landed, 480 lb.				Total							
Maize, No. 2 Burma, per cwt.				TOBACCO (per lb.)—							
May 17, 1939				Virginia, stemmed and un-							
May 24, 1939				stemmed, common to fine							
CEREALS AND MEAT				Rhodesian, stemmed and un-							
RAIN, etc.—				stemmed							
Wheat—				Nyasaland, stemmed and un-							
No. 2, N. Man. 496 lb.				stemmed							
Eng. Gaz. av., per cwt.				East Indian							
Liv. May., per cental				Stemmed							
four, per 280 lb.—				Unstemmed							
Straight, d/d London				TEXTILES							
Manitoba, ex store				COTTON (per lb.)—							
arley, Eng. Gaz., av. per cwt.				Raw, Mid-American							
lats.				Sakellaridis, F.G.F.							
Maize, La Plata, landed, 480 lb.				Giza, F.G.F.							
Maize, No. 2 Burma, per cwt.				Yarns, 32's Twist							
May 17, 1939				40's Weft							
May 24, 1939				60's Twist (Egyptian)							
CEREALS AND MEAT				Cloth, 32 in. Printers, 116 yds.							
RAIN, etc.—				16 x 16, 32's & 50's							
Wheat—				36 in. Shirtings, 75 yds.							
No. 2, N. Man. 496 lb.				19 x 19, 32's & 40's							
Eng. Gaz. av., per cwt.				38 in. ditto, 38 yds.							
Liv. May., per cental				18 x 16, 10 lb.							
four, per 280 lb.—				39 in. ditto, 37½ yds.							
Straight, d/d London				16 x 15, 8¼ lb.							
Manitoba, ex store				FLAX (per ton)—							
arley, Eng. Gaz., av. per cwt.				Livonian ZK							
lats.				Pernau HD							
Maize, La Plata, landed, 480 lb.				Slanetz Medium, 1st sort							
Maize, No. 2 Burma, per cwt.				HEMP (per ton)—							
May 17, 1939				Italian PC							
May 24, 1939				Manilla, May-July "J2"							
CEREALS AND MEAT				JUTE (per ton)—							
RAIN, etc.—				Native 1st mks., c.i.f. H.A.R.B.							
Wheat—				May-June							
No. 2, N. Man. 496 lb.				Daisee 2/3 c.i.f. Dundee							
Eng. Gaz. av., per cwt.				May-June							
Liv. May., per cental				SISAL (per ton)—							
four, per 280 lb.—				African, May-July							
Straight, d/d London				SILK (per lb.)—							
Manitoba, ex store				Canton							
arley, Eng. Gaz., av. per cwt.				Japan							
lats.				Italian, raw, fr. Milan							
Maize, La Plata, landed, 480 lb.				WOOL (per lb.)—							
Maize, No. 2 Burma, per cwt.				English, Southdown, greasy							
May 17, 1939				Lincoln hog, washed							
May 24, 1939				Queensland, scd. super combg.							
CEREALS AND MEAT				N.S.W. greasy, super combg.							
RAIN, etc.—				N.Z., greasy, half-bred 50-56							
Wheat—				Tops—							
No. 2, N. Man. 496 lb.				Merinos 70's average							
Eng. Gaz. av., per cwt.				64's							
Liv. May., per cental				Crossbred 48's							
four, per 280 lb.—				46's							
Straight, d/d London				MINERALS							
Manitoba, ex store				COAL (per ton)—							
arley, Eng. Gaz., av. per cwt.				Welsh, best Admiralty							
lats.				Durham, best gas, f.o.b. Tyne							
Maize, La Plata, landed, 480 lb.				Sheffield, best house, at pits							
Maize, No. 2 Burma, per cwt.				IRON AND STEEL (per ton)—							
May 17, 1939				Pig, Cleveland No. 3, d/d							
May 24, 1939				Bars, Middlesbrough							
CEREALS AND MEAT				Steel rails, heavy							
RAIN, etc.—				Tinplates, per box							
Wheat—				NON-FERROUS METALS (per ton)—							
No. 2, N. Man. 496 lb.				Copper							
Eng. Gaz. av., per cwt.				Standard cash							
Liv. May., per cental				Three months							
four, per 280 lb.—				Tin							
Straight, d/d London				Standard cash							
Manitoba, ex store				Three months							
arley, Eng. Gaz., av. per cwt.				Lead, soft foreign							
lats.				Cash							
Maize, La Plata, landed, 480 lb.				English, pig							
Maize, No. 2 Burma, per cwt.				Spelter, G.O.B.—							
May 17, 1939				Spot							
May 24, 1939				Aluminium, ingots and bars							
CEREALS AND MEAT				rolling billets							
RAIN, etc.—				Nickel, home and export							
Wheat—				Antimony, Chinese							
No. 2, N. Man. 496 lb.				Wolfram, Chinese							
Eng. Gaz. av., per cwt.				Platinum, refined							
Liv. May., per cental				Quicksilver							
four, per 280 lb.—				MISCELLANEOUS							
Straight, d/d London				CEMENT, best Eng. Portland, d/d site, London area							
Manitoba, ex store				in paper bags 20 to ton (free, non-returnable)—							
arley, Eng. Gaz., av. per cwt.				4-ton loads and upwards							
lats.				CHEMICALS—							
Maize, La Plata, landed, 480 lb.				Acid, citric, per lb., less 5%							
Maize, No. 2 Burma, per cwt.				Nitric							
May 17, 1939				Oxalic, net							
May 24, 1939				Tartaric, English, less 5%							
CEREALS AND MEAT				Alcohol, Plain Ethyl, per proof gal.							
RAIN, etc.—				Ammonia, carb. per ton							
Wheat—				Sulphate							
No. 2, N. Man. 496 lb.				Borax, gran. per cwt.							
Eng. Gaz. av., per cwt.				powder							
Liv. May., per cental				Nitrate of soda per ton							
four, per 280 lb.—				Potash, Chlorate, net per ton							
Straight, d/d London				Sulphate per ton							
Manitoba, ex store				Soda Bicarb. per ton							
arley, Eng. Gaz., av. per cwt.				Crystals per ton							
lats.				Sulphate of copper per ton							
Maize, La Plata, landed, 480 lb.				COPRA (per ton)—							
Maize, No. 2 Burma, per cwt.				S.D. Straits, c.i.f.							
May 17, 1939				HIDES (per lb.)—							
May 24, 1939				Wet salted, Australian							
CEREALS AND MEAT				West Indian							
RAIN, etc.—				Cape							
Wheat—				Dry and Drysalted Cape							
No. 2, N. Man. 496 lb.				Market Hides, Manchester—							
Eng. Gaz. av., per cwt.				Best heavy ox and heifer							
Liv. May., per cental				Best cow							
four, per 280 lb.—				Best calf							
Straight, d/d London				INDIGO (per lb.)—							
Manitoba, ex store				Bengal, gd. red.-vio. to fine							
arley, Eng. Gaz., av. per cwt.				LEATHER (per lb.)—							
lats.				Sole Bends, 8/12 lb.							
Maize, La Plata, landed, 480 lb.				Bark-Tanned Sole							
Maize, No. 2 Burma, per cwt.				Shoulders from DS Hides							
May 17, 1939				Eng. or WS do.							
May 24, 1939				Belles from DS do.							
CEREALS AND MEAT				Eng. or WS do.							
RAIN, etc.—				Dressing Hides							
Wheat—				Ro. Eng. Calif, 20/35 lb. per doz.							
No. 2, N. Man. 496 lb.				PETROLEUM PRODUCTS (per gall.)—							
Eng. Gaz. av., per cwt.				Motor Spirit No. 1, London							
Liv. May., per cental				Petroleum, Amer. fld. bri. Lond.							
four, per 280 lb.—				Fuel oil, in bulk, for contracts,							
Straight, d/d London				ex. instal. Thames—							
Manitoba, ex store				Furnace							
arley, Eng. Gaz., av. per cwt.				Diesel							
lats.				ROBIN (per ton)—							
Maize, La Plata, landed, 480 lb.				American							
Maize, No. 2 Burma, per cwt.				RUBBER (per lb.)—							
May 17, 1939				St. ribbed smoked sheet							
May 24, 1939				Fine hard Para							
CEREALS AND MEAT				SHELLAC (per cwt.)—							
RAIN, etc.—				TN Orange							
Wheat—				TALLOW (per cwt.)—							
No. 2, N. Man. 496 lb.				London town							
Eng. Gaz. av., per cwt.				TIMBER—							
Liv. May., per cental				Swedish u/s 3 x 8 ... per std.							
four, per 280 lb.—				2½ x 7 ...							
Straight, d/d London				2 x 4 ...							
Manitoba, ex store				Canadian Spruce, Dis.							
arley, Eng. Gaz., av. per cwt.				Pine							
lats.				Rio Deals							
Maize, La Plata, landed, 480 lb.				Teak							
Maize, No. 2 Burma, per cwt.				Honduras Mahogany logs c. ft.							
May 17, 1939				English Oak Planks							
May 24, 1939				English Ash Planks							
CEREALS AND MEAT				VEGETABLE OILS (per ton net)—							
RAIN, etc.—				Linseed, naked							
Wheat—				Rice, refined							
No. 2, N. Man. 496 lb.				Cotton-seed, crude							
Eng. Gaz. av., per cwt.				Coconut, crude							
Liv. May., per cental				Palm							
four, per 280 lb.—				Oil Cakes, Linseed, Eng.							
Straight, d/d London				La Plata							
Manitoba, ex store				Calcutta							
arley, Eng. Gaz., av. per cwt.				Turpentine							
lats.											
Maize, La Plata, landed, 480 lb.											
Maize, No. 2 Burma, per cwt.											
May 17, 1939											
May 24, 1939											

Here in Great Britain our latest recovery has been astonishingly rapid. Two factors in particular have conspired to modify, if not exactly to falsify, the forecast of December. In the first place, the activity of British heavy industry in the latter months of last year was considerably (and unnecessarily) depressed by the long wait for the cheaper steel prices that came into force on January 1st. In four months *The Economist* index of the volume of steel available from home production and imports has jumped from 82 per cent. to 146 per cent. of the 1935 average. And secondly, it could not be foreseen in December how rapidly the expenditure of money on defence would increase. The amount spent in the first three months of 1939 was 25 per cent. larger than in the December quarter, and 50 per cent. more than the average for 1938. Moreover, the Estimates for 1939-40 show that defence expenditure in the current year is going to be more than half as large again as in 1938-39. The actual effect of last year's speed-up and the anticipated effect of this year's vast expansion have combined to bring forward by several months the industrial upturn expected for the summer.

The mere speed of the recovery of the last few months should, in itself, give rise to caution in prophesying its continuance. To judge by the weekly returns of the Government's expenditures, they cannot be far from their peak. Over the year as a whole, the Budget Estimates foresee an increase of 30 per cent. in expenditure on the Supply Services, civil and military, and the Chancellor of the Exchequer has stated that the recent expansions in the army are not likely to upset his figures. But the increase of Supply Service expenditure in the first eight weeks of the financial year has been over 37 per cent. To put the figures in a different way, the increase of expenditure expected over the whole year is about £240 millions, or approximately £4½ millions a week. But the average increase in expenditure in the eight elapsed weeks has been about £4½ millions. Expenditure will, of course, continue to increase during the year, but it may be that the rate of increase is no longer rising.

The indirect repercussions of defence expenditure, however, mature more slowly. The great increase in Government spending has been having its direct effect on the metal-using industries ever since January 1st. But it is only quite recently that the indirect effect on other trades has become visible in such items as, for instance, the record purchases of motor cars in March. The rise in motor taxation may have discouraged this particular form of expenditure, but further stimulus to all forms of consumer spending can be

expected in a period of rising employment, at least so long as there is no substantial increase in the cost of living.

The effects of re-armament finance are thus not by any means confined to the munitions industries. The "multiplier" does, in fact, multiply. But it does not pervade every part of the national life, and one of the most peculiar features of the present situation is that some of the industries which are normally foremost in revival are very quiescent. The reason for this is obvious enough. A normal revival is the result of the collective decision of the public, induced by "confidence," by lower rates of interest or by other causes, to spend its hoarded money on capital goods. But this time the stimulus is coming from another quarter, and the industries that depend on "confidence" are in a backwater. The industrial capital market is fast asleep and Throgmorton Street is little better than a depressed area. The volume of purely peace-time building, in so far as it can be judged from the statistics of plans approved by local authorities, is still on the decline. And though the export trade has shown surprising resilience, it can hardly be said to be prosperous.

It is in this distorted development that the chief danger of the present situation lies. If one group of industries—those making armaments—is very active and prosperous while another group is dull and depressed, it is only natural that a shift of resources of labour and capital from the latter to the former should take place. Such shifts are, in fact, already in progress. But all of the present expansion in the armament industries will sooner or later have to be undone. Our unemployment problem ever since the war has been largely due to the impossibility of shrinking industries once they have grown permanently too big. Unless we are very careful, we shall be storing up just such trouble for ourselves for that seemingly remote but quite inevitable future, when we begin to spend less on armaments.

The problem is not soluble in its entirety. But it can be reduced in size if all possible measures are taken to see that an emergency expansion in certain industries is either solved by emergency means—by overtime, by the recruitment of specifically temporary labour (such as women workers) and by dilution of a temporary and reversible, rather than of a permanent character—or else that it is avoided altogether by contracting the civil side of an industry's work as rapidly as the defence side is expanded. It is literally true that the more rapidly we solve our unemployment problem to-day the more obstinate it is likely to be in the future.

Japan's Choice

IN her present continental adventure Japan is subject to the Nemesis that lies in wait for every gambler, be it an individual or a nation, who is playing for very high stakes. As the game drags on the player finds himself compelled, time and again, to make the painful choice between cutting his losses up to date or hazarding yet more of his dwindling assets. The possible penalty of failure continues to grow in bulk until it dwarfs the possible reward of success.

Japan is confronted by this choice once again to-day. Among the Japanese themselves there is perhaps little disagreement over the question of their desiderata. They want a military, political and economic predominance for Japan in a vast zone of Eastern Asia which includes, at a minimum, the whole territory of China and all enclaves of foreign territory, foreign leaseholds, concessions and settlements, and foreign economic assets and interests therein. Whether Japan's coveted empire also embraces continental territory belonging to Russia, and continental and insular territory belonging to France, Great Britain,

the United States and the Netherlands, is a question that is not yet quite practical politics, though no doubt it would immediately come on to the Japanese agenda if once the first objective of conquering China were successfully attained. This first objective, at any rate, is hardly a matter of controversy in Japan; and the present acute dissension between the Navy and the civilians on the one side and the Army on the other is not over the scope of Japanese aims, but over the extent of the risks which it may be politic to incur for the sake of trying to translate aspirations into accomplished facts.

The Army, having already staked its own prestige on the China war, is evidently pressing its naval and civilian colleagues to consent to the staking of the whole of Japan's national welfare, and even existence, on this issue. If they can see any chance of a military decision that would break the Chinese resistance, they will take it, even at the price of themselves, entering into a partnership of unlimited liability with the Rome-Berlin Axis, or at the price of incurring a long-distance blockade or an embargo by the

affronted Western Powers. The Japanese Army to-day is, in fact, in the mood of the German High Command when it forced its Government to impose the unlimited submarine blockade. In Japan, however, there is evidently more political independent-mindedness and also more individual moral courage than there was in Germany in 1914-18 or is in Germany to-day. So far, the Army have not succeeded in getting their way. Their political opponents have, for the present, effectively vetoed an "all-in" alliance with the Axis; and Japanese action against the Western Powers in the Far East, provocative though it is, still stops just short of making an irreparable breach. The Japanese are still trying as hard as they can to bluff the Western Powers into letting their Far Eastern interests go by default. Within the last few days, for instance, they have stopped and searched a British, a French and a German liner in Far Eastern waters with the manifest intention of establishing a blockade *de facto* without formally declaring it; but when the protests were firm and immediate the Japanese promptly retreated and disavowed the intention of stopping regular shipping. Again, they are maintaining their claim to inherit all the Chinese Government's rights in the foreign settlements in China; and at Kulangsu—which is to serve as a precedent for Shanghai—they are refusing to withdraw their landing party. In fact, they are skirting the verge of a rupture as close as they can; but they are still flinching from going right over the edge.

It is, however, unlikely that Japanese policy will continue to hover in this indeterminate position very long; for time, after all, is not on Japan's side. The strain of the China adventure has just been brought home to every Japanese man and woman, in a way that even the least sophisticated cannot fail to understand, in a warning that food and other prime necessities of daily life may be severely rationed in the near future. However long the final choice may be postponed, a moment ultimately must come when the adventure will have to be abandoned if it is then still floating in its present limbo between success and failure. And already to-day Japan has to decide whether she shall play for safety by anticipating this moment and cutting her losses now, or whether she shall stake the whole of her national resources and prospects on a last attempt at a knock-out blow.

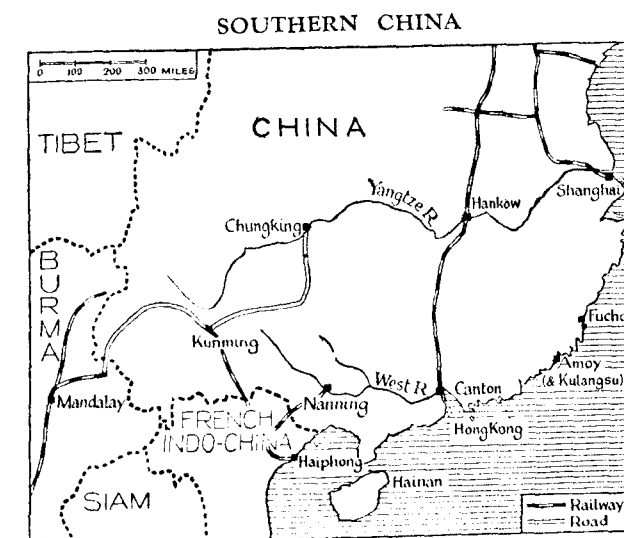
The Japanese military gamblers can point to the example of General Franco. The Spanish war lord, they can argue, refused to despair of victory in a war which was coming to look more and more like a stalemate; and in the end he was justified of his temerity, since the Spanish Republican resistance eventually collapsed with a suddenness and a completeness that were no less surprising than its previous hardihood and tenacity. Is it not well worth staking a great deal on the chance that the war in China may go the same way as the war in Spain? No doubt the Japanese soldiers are well aware of the greatness of Franco's debt to Italo-German military and technical aid; and hence the Japanese Army's eagerness for a thoroughgoing alliance with the Axis. Even if Italy and Germany did not go so far as to send arms and airmen and technicians to help Japan in the Far East, they might perhaps at least be induced, in consideration of a Japanese alliance, to forgo the profits that they are now making by selling arms to China! To these arguments of the soldiers their Japanese opponents can

retort by bringing up the less suspicious precedent of the disastrous end to the Greek military adventure in Turkey in 1922. Franco not only received from the Axis material assistance on a scale which Japan could not seriously expect; he also had the advantage of fighting in a confined arena in which his enemy could be, and eventually was, cornered and destroyed. By contrast, the present Far Eastern arena offers to the weaker combatant an almost unlimited field of manoeuvre, and in the hinterland of China lies a friendly Russia. On this showing, is not the present Japanese adventure, if pushed to extremes, more likely to end like the Greek adventure in 1922 than like Franco's adventure in 1939?

To this plea for prudence the Japanese Army may perhaps reply that it cannot be acted upon without renouncing almost all Japan's gains on the continent that have been so hardly won by her sacrifices up to date. So long as the genuine Chinese Government remains in being in the interior, the puppet Chinese Governments which the Japanese have set up in the occupied territories will be impotent to gain any hold upon the allegiance of their countrymen; and, even behind the Japanese lines, the countryside will remain in occupation of Chinese guerrillas taking their lead from Chungking. In such circumstances, the Japanese militarists may argue, Japan could only liquidate her continental adventure by way of a bargain with President Chiang Kai-shek, which could, and would, be driven very hard indeed by the undefeated champion of China's independence.

On these grounds, the Japanese Army may be resolved to make a final bid, however great the risk, for a decisive victory; and, though they have not yet carried their non-military colleagues with them, we cannot be sure that they will not gain the same fatal ascendancy in their country's counsels that Ludendorff gained in Germany in 1916-18. If the Japanese Army does succeed in extorting a free hand for itself, where may we expect to see its supreme effort made?

We may guess that, in this event, the Japanese Army will aim at cutting the last communications between the Chinese stronghold in Szechwan and its sources of supply for war material; and this indicates two lines of advance: an advance from Eastern Inner Mongolia towards Sinkiang—that is, from the north to the north-west—and an advance from Canton towards Yunnan—that is, from the south to the south-west. On this south-western front, the Japanese object would be to cut, at their points of entry into Chinese territory, first the railway from Haiphong, in French Indo-China, and then the new road from Burma to Chungking. Both the distance to be covered and the mountainous nature of the terrain would be likely to render this military operation particularly arduous, while the proximity to French and British territories would have what, from the Japanese point of view, would be the untoward effect of making France and Great Britain realise, more vividly than ever, the solidarity of their interests with China's. But we cannot assume that these formidable objections to the suggested plan of campaign will give the Japanese militarists pause; and it is therefore not out of the question that the final and decisive struggle in the present Sino-Japanese war—which ever way the scale may ultimately incline—will be fought somewhere in the trackless watershed between the upper basins of the West River and the Yangtze.



Powers for Supply

NOT until the Government's precise intentions have been revealed, in the promised White Paper and in next week's Parliamentary discussions, will it be possible to appraise the Ministry of Supply Bill fully and fairly. Meanwhile, the measure has sharply surprised the Government's critics. It has become a commonplace for Mr Chamberlain, first, to resist all important proposals for new measures, on the ground that they are needless and undesirable, and then, after months of obdurate and dangerous delay, to adopt them in part at least, commonly in haste and with misgivings; and it is by this familiar route that the establishment of a Ministry of Supply has come into sight. When the Prime Minister announced on April 20th the Government's decision to set up such a Ministry, he made it plain that the Minister's powers would initially be limited, and his statement scarcely prepared Parliament and the people for the remarkably wide powers of compulsion over industry envisaged now in the actual Bill. This time it appears that the Government, compelled once more to act by the pressure of events and public opinion, contemplate going much further than some of their critics had hoped for; and already, in quarters most vocal in their earlier appeals for a Ministry of Supply, fears are expressed that it is the Government's intention to institute an economic dictatorship.

Such fears are probably ill-founded. In general the institution of a Ministry of Supply, if belated, is timely and welcome and, in spite of the sweeping powers which may, in emergency, be given to Mr Burgin or his successor, it is far from likely that any undue coercion of private enterprise is for the present projected. Of the need for a Ministry of Supply, armed with full powers to secure the prompt execution of Government orders without the disorganisation of industry or inter-departmental friction and rivalry, there can now be no doubt at all. The magnitude of the defence programme already in operation necessarily means that certain essential raw materials and types of labour, employed for both civil and armament purposes, are likely very soon to be in short supply. It means, too, that at a very early date there will be an imperative need for new or converted industrial capacity to work on Government orders; and it means that the accumulation of stores of materials, plant and equipment is imperative. To satisfy these inescapable requirements is the clear task of a Ministry of Supply; and it is no criticism of the Government's Bill that it outlines wide powers to achieve these objectives. Unless the nation's resources can be controlled and directed by some central authority, to the end that the defence programme may work smoothly and well, grave bottlenecks, costly delays and expensive increases in price will inevitably arise. The minimum duties of any Ministry of Supply are twofold: first, to ensure the prompt delivery of all goods needed, directly and indirectly, for national defence; and, secondly, to obviate so far as possible the likely inflationary consequences of the Government's gigantic spending.

It is not yet certain how far the published Bill promises these powers to Mr Burgin now, though it is obvious that the measure makes possible the authorisation of duties unprecedented in times of nominal peace. The authority to be given to the Minister of Supply, in fact or *in posse*, falls into two categories. On the one hand, there are certain so-called permanent powers—for the most part, it would seem, to be held in reserve for the present—which involve practically blanket authority to secure the supply of "any articles required for the public service," such supplies including not only the normal present requirements of the Service departments, but also all materials needed for the maintenance of essential industries in war-time, reserve

stocks of materials, plant and machine tools and, in brief, all articles required by any Government department for the discharge of its functions. These are the full powers of a war-time Ministry.

On the other hand, there are certain temporary powers to expire, like conscription, in three years' time. These temporary powers are themselves far-reaching. Under them the Minister will be authorised to compel contractors for any of the Government services to deliver goods ordered or to carry out works required; and, moreover, it will be possible for the Minister to compel suitable firms to accept Government orders and to adapt their production and plant accordingly. In the case of contractors, industrialists and business men who show themselves unwilling to accept the Minister's fiat as binding, the new authority will be empowered to put in "controllers" to operate concerns in the national interest, and there will be similar powers to force undertakings to store the plant and commodities likely to be needed for the defence of the realm. With the similar authority to require protection against air raids for essential businesses in war-time the temporary powers of the Ministry add up to formidable powers of coercion. They include the power to requisition and commandeered space for the storage of essential reserves and to fix prices—though, inevitably perhaps in nominal peace-time, the machinery of arbitration proposed to settle prices in case of dispute between contractors and the Ministry is much less arbitrary, and very much more cumbersome, than the obligatory costing by Government accountants practised in the last war. Price-fixing carries as a necessary corollary provisions for compensating industry for expenditure undertaken solely to meet the Government's requirements. A grant of 27½ per cent. will be made towards the cost of A.R.P. work—the proportion being chosen as equal to the standard rate of income tax. This is not over-generous, but just, seeing that though the work will be done upon Government instructions the object will be to protect private property. On the other hand, criticism has fastened on the fact that industrialists are not to be guaranteed against loss on plant which they build for the Government.

In sum, the temporary powers of Mr Burgin will enable him to secure priority for Government orders, not only in production, but also in storage. But this in itself may not prove sufficient; the Minister will be enabled to compel industrialists to give priority to defence work, but he will apparently have no authority to work out the schedule of priorities he is to enforce. He is to be an agent and not a director. Moreover, it is to be remembered that, in the last war, it was not primarily by the use of its priority powers that the Ministry of Munitions ensured full and prompt supplies, but rather by its complete control over raw materials, which gave the Ministry a compelling sanction to require industrialists to work to orders.

It was Mr Chamberlain's statement of April 20th which gave some clue to the probable extent of the use of the wider permanent powers, which might, in the very broad interpretation of clause 18, include control over all essential raw materials. Quite explicitly he stated that, in the first instance, the new Ministry of Supply would be restricted to the problems of Army supply which have become so enormous in recent weeks, with the doubling of the Territorials and the creation of the militia. According to the Bill, the extreme permanent powers detailed will only be given to the Minister in cases where the supply functions of Government departments have been specifically transferred by Order in Council; and the presumption is, according to the Prime Minister's speech, that the Ministry will at first be confined to dealing with supplies for the expanding Army, to the accumulation of essential reserves and food-

stuffs (in place of the Board of Trade under the Essential Commodities Reserves Act, 1938), and to the supply of materials to other departments, such as Civil Defence, according to the former responsibility of the War Office. In fine, unless the Government's conversion has been more whole-hearted than Mr Chamberlain forecast just over a month ago, the immediate focus of the Minister's authority will be Mr Hore-Belisha's overtaxed department and the supply functions which it already exercises; and the immediate general duty will be to secure priority for Government orders.

An important point is that the term "priority" can have one of two meanings. In the first sense it can mean that Government orders should have priority over the demands made by domestic or export business upon industries; and in this sense the new Ministry will apparently have authority *ab initio* to requisition the use of plant and materials, which will be a notable step forward. Secondly, it can mean priority between the claims of different Government departments; and it is here the new Ministry's powers may prove to be deficient. Priority between the service departments is, so far as can be judged at present, to be secured by the magic process of "consultation"; and there is to be a Ministerial Priority Committee to which the Minister's powers in this respect are to be strictly subject. Central control may very well be frittered away in fact by inter-departmental "co-ordination."

Yet it is sheer nonsense to say, as Dr Dalton said at Southport, that the projected Minister's powers are "meagre," and it is equally false to describe them as dictatorial powers calling for extraordinary watch and ward. Immediately, they are designed, with some wisdom, to meet the needs of the expanding Army. Potentially, they are devised to satisfy the requirements of all the competing Government departments. The doubt is whether they are to be too restricted at first, not whether they are too complete. Practical expediency may well have dictated that the new Ministry should be confined, in the first place, to Army needs. But if so, there is still need for a body to plan,

before war breaks out, and to exercise, after the outbreak, the fullest control over the apportionment of the nation's resources. There are some grounds for uneasiness. It is the avowed official view that it will be desirable for the Minister to hold most of his powers "in reserve," and to proceed by voluntary co-operation, in spite of the fact that present problems are mostly too large and pressing to be solved simply by "gentlemen's agreements." It is scarcely promising that Mr Burgin, with little reputation for enterprise and initiative and more direct knowledge of the verbal compromises of the law than of industrial problems, should have been chosen as the Ministry's chief, with only a small staff. It is a sign of half-heartedness that all the evidence should point to a sharp limitation of the Minister's powers at the outset of his work.

The real test of the new Bill will be the extent to which and the way in which it is applied. But it is a distinct tribute to the practical wisdom of the Government's critics that the remarkably wide scope of the needed Ministry should have been drafted in such unmistakable terms. The Government seem at last to have realised that the institution of a Ministry of Supply, which they have opposed on the ground that it would slow down output at the outset and injure the export trade, is imperative for precisely opposite reasons; it is to speed up supply that it is wanted; and it is the fact of re-armament, not the efficient provision of arms, that threatens exports. The Government have for the moment evaded the delicate task of securing the best allocation of scarce skilled labour. They have done this for obvious political reasons, but control over labour cannot be avoided, and it is the duty of employers and trade unions to step in here and now to assist in this essential apportionment. Meanwhile, the Government have adumbrated the outlines of an indispensable measure, and it is for the Opposition to help to make it workable and really effective, rather than to meet it with resistance or party scorn. The substance of the Supply organisation needed is in the Bill, though it may be the shadow only that it is intended to display at first.

The Fight for Roumanian Trade

FOR those who regarded from afar, the German-Roumanian trade treaty was a nine-days' wonder: even without the sinister rumours of an ultimatum by which it was said to have been preceded, the notion of Roumania's economy being fitted into Germany's without so much as a by-your-leave from the rest of Europe, was sufficiently abrupt and disturbing. Upon a nearer view the treaty seemed less wonderful: and a close inspection has convinced most neutral observers that as a means of binding Roumania to Germany the treaty "simply wasn't true." But even if due allowance is made for Roumanian reluctance to become an intimate part of Germany's *Lebensraum* and for an inherited ability to procrastinate until all's blue, the fact remains that the emissaries of the Reich are losing no time in trying to realise the provisions of the treaty.

They have obtained mining and oil-drilling concessions in the Bucovina, in Transylvania, the Dobrudja, and the Roumanian plain. They are preparing to manufacture artificial textiles in the Danube Delta, to erect flour mills at Braila, to develop and reorganise communications, to build a power station on the Bega canal at Timisoara, to direct the marketing of Roumanian produce, to penetrate into every branch of commerce. Under the terms of the treaty Germany is awarded "free zones" within which her industrialists may manufacture what goods they please; and, since the treaty mentions no localities, the establishment of "free zones" wherever it would suit Germany's book is not ruled out of the possibilities. Important contracts

had been made even before the signing of the treaty. Some six months ago the Roumanian Government concluded a contract with the Muehler Industrie A.G. of Magdeburg for the construction of wheat silos to the value of 15 million Reichsmarks, or about 615 million lei. On May 13th the Director of the German Forestry Department and the Roumanian Minister of National Economy signed an agreement granting to Germany certain rights in the exploitation of State forests, and in view of the uneconomic stripping of timber which has been done in the past this is likely to prove of importance. Obviously the gains are not all on one side.

In negotiating with Roumania the German authorities (as has been pointed out in previous articles in *The Economist*) have two strong suits: the leading position which they already hold in Roumania's foreign trade—at least 45 per cent. passes through German hands—and the high prices which they are willing to pay. Even so, there is in Roumania a growing realisation, though one restricted to those who deal in foreign trade, that this very policy of high prices, on the surface so favourable to the Roumanian producer, is likely to secure for the Germans one of their principal aims: that is, the stunting of Roumania's industrial development. In a country with a natural increase of 11.7 per thousand per year, its economy adjusted to cereal farming and its urban development small, a gradual trend towards industrialisation promises to be the only relief of an over-population which is becoming ever more acute. It is the Germans' aim, however, that Roumanian

shall remain a country given over to arable farming and the incidental production of minerals and oil: there is no place for industrialisation in their scheme of things. Nor is there offered any solution for the problem of rural unemployment, for the future of those who have drifted, and are drifting, into the towns.

It is interesting to speculate upon what may be the far-reaching effects of German trade policy. To begin with, the policy of high prices is not the simple benefit it seems. According to indices of prices compiled by the *Argus* newspaper of Bucharest from statistics published by the Roumanian Ministry of Finance in July, 1938, the terms of trade which German price policy allows are nothing like as favourable as export prices suggest. Based on 1912, with imports calculated c.i.f. and exports f.o.b., this index shows the average of all import groups at 4,146, and the average of all export groups at 2,432.

Another significant fact is the steep rise in the Roumanian cost of living. According to the Central Institute of Statistics, this increased in Bucharest by 25.7 per cent. between February, 1937, and February, 1939, and by 49 per cent. in comparison with July, 1934. It is an observed fact that the *per capita* consumption of meat and sugar, textiles and articles of clothing is declining, and this trend is borne out by available indices of real wages.

It is very evident that the German policy of buying large quantities of produce at high prices, supported as it on the Roumanian side by generous export subsidies to the free-exchange countries, is having the double effect of creating a shortage in the home market and (all the more, therefore) of an increase in the cost of living. This increase falls hardest upon the towns, and in turn the effect of this is to stifle urban activity or, in other words, industrial development. The Germans would thus seem to be achieving their end of keeping Roumania a purely agricultural country, while enjoying the advantage of satisfactory terms of trade and without incurring the odium that would fall on them if the effects of their policy were generally realised in Roumania and elsewhere. To present the full scope of that policy it is necessary to add that one of the Roumanian Government's dearest wishes is to secure as soon as possible a measure of re-armament. At the same time, the budgetary situation will not allow a policy of free spending, even if, as is manifestly not the case, the Roumanians could put their hands on the necessary foreign exchange. Germany, therefore, is able to offer the additional bait of an immediate supply of armaments. If it wants to buy elsewhere the Government is forced to make rigid economies at home; to some extent this is being done, and it is not surprising that the burden of taxation is becoming heavier, as the table at the head of the next column, compiled by the Trade Cycle Institute of Bucharest, shows.

Alongside this crippling effect on the towns the policy of high prices has a parallel but contrary effect upon the countryside. The Roumanian peasant's purchasing power is becoming stronger, and although it will be a long step before he feels himself in circumstances which the most

imaginative could describe as "easy," the time is approaching when the Government will have to busy itself with the

DEVELOPMENT OF PRINCIPAL SOURCES OF TAXATION
(Millions of lei)

Year	Direct Taxes	Indirect Taxes	Stamps	State Monopolies	Administrative
1934-35	3,610	6,711	2,180	4,580	1,721
1935-36	4,132	8,742	2,428	4,841	2,188
1936-37	4,434	11,504	3,126	5,021	1,796
1937-38	5,176	13,251	4,076	5,416	2,245
1938-39	7,869	14,586	4,896	5,459	1,395
% Increase of 1939-40 over 1938-39	+7.9	+10.6	+6.4	+16.1	+24.7

supply of cheap consumers' goods.

In recent years the development of Roumanian industry has been comparatively rapid in spite of uncertain political conditions at home and abroad. According to indices compiled by Professor Madgearu, and lately published as part of a valuable historical survey,* the production of consumers' goods has increased considerably since the economic crisis:—

Year	Manufactures	Textiles	Leather	Metal Goods	
				Semi-manufactured	Steel Sheets
1929	100	100	100	100	100
1932	81.8	129.2	115.4	50.5	66.1
1937	137.4	170.1	132	156.1	135.3

It may be presumed that Roumanian industrialists will do all they can to maintain this rising trend, and that the measures of economic help which the British Government is in course of granting, notably those concerned with the development of an Anglo-Roumanian trading organisation, will play a useful part to this end.

But it is clearly necessary to the German plan that the trend shall not continue and that the Roumanian peasant shall be supplied with the consumers' goods he should soon be able to pay for, from factories situated either in the Third Reich or in German "free zones" inside Roumania. There is, however, one important snag in carrying out this intention. It is not only in her imports that Germany sets her prices high. Roumania is compelled by the clearing mechanism to import from Germany to the value of her exports and advantage is frequently taken of this to exact high prices for German goods. The steep rise in the peasants' purchasing power may thus be largely offset. If that is so, then the end-products of close relations with Germany may be a lower real standard of living in the country as well as in the towns—unless Roumania can persuade Germany to adjust her prices to straitened Roumanian pockets. Since the Government is an urban institution, this course is likely to be chosen. If the Germans refuse to lower prices then there will follow widespread discontent and that sabotage of time-tables at which the Roumanians can be past-masters, while if the Germans do agree to lower prices then Roumanian export prices will also fall. Eventually, this will mean that Roumanian exports will be able to compete, unsubsidised, on world markets. If the speculation is not entirely fanciful it may be true to say that the German authorities, having forced Roumania into her present position of economic dependence, will be themselves forced to weaken their hold, or, alternatively, drastically to strengthen it.

* "La Politique Economique Extérieure de la Roumanie (1927-38)." By Virgile Madgearu. Centre de Hautes Etudes Internationales, Bucharest.

NOTES OF THE WEEK

Britain and Russia.—In admitting that the latest British proposals recognised the "principle of complete reciprocity" M. Molotov is generally thought in his speech on Wednesday to the Supreme Soviet Council to have committed the Soviet Government to the signature of a defensive alliance with Great Britain. His speech was not decisive, however, and the greater part of it was taken up with voicing once more Soviet doubts of British sincerity and the fear that we may be seeking to deflect rather than to resist aggression in Europe. M. Molotov recalled Stalin's precept that they "must be cautious and not allow our country to be drawn into conflicts by warmongers who are accustomed to have others pull the chestnuts out of the fire for them." The Soviet Premier laid down three basic conditions: that the mutual assistance pact in prospect should be of "exclusively defensive character" in contrast to the offensive character of the Italo-German military alliance; that British, French and Soviet guarantees should be given to the States of Central and Eastern Europe "including all the countries bordering on the U.S.S.R. without exception" (in Europe); and that the measures and procedure for rendering assistance should be made precise. To all this, in effect if not specifically, the British proposals are understood to have agreed, conditionally on the military measures to be taken being in harmony with the principles which direct Article 16 of the League Covenant. The single specific exception, as far as can be seen, is that no guarantees have been offered to the Baltic States of Latvia, Estonia and Finland, through which the Soviets fear German attack. In regard to this M. Molotov said that "the Soviet Union cannot assume obligations to the five countries mentioned (for which Anglo-French guarantees have already been provided) unless it receives the guarantee in regard to the three countries situated on its north-western frontier." Which five countries M. Molotov had in mind is not clear from his speech; presumably he was thinking of Poland, Roumania, Turkey, Greece, and Belgium. It is important to note that the Baltic States have made it clear that they would prefer not to be guaranteed, since they wish to remain neutral under all circumstances short of an attack upon themselves. Estonia and Latvia are at present negotiating a non-aggression pact with Germany which they regard as complementary to that signed many years ago with the Soviet Union. They would probably be prepared to welcome a triple declaration recognising their neutrality on the part of Britain, France, and Russia; but they would be reluctant to go further than this.

It must be admitted that the British Government has given the Soviets every excuse for feeling suspicious; but it is difficult not to feel that M. Molotov's speech, so far as it was more than a preparation of an entirely uninformed public opinion for a new step in foreign policy, took up a bargaining stand that cannot be justified by the facts. It is, after all, essential to the spirit and intention of the Peace Front that no coercion should be applied to small States which would prefer to conserve their neutrality, if they can, outside it: Finland, Estonia and Latvia come into this category. If the British proposals contained ample guarantees of mutual assistance—and they are reported to have been very full and precise on this subject—then the Soviet Government is opening itself to the charge of exaggerated caution. Since there is no question of what Baltic statesmen have referred to as "preventive aggression"—an occupation of their territory by the Peace Front powers in order to prevent German invasion—there is a lack of substance in M. Molotov's plea that these States could not defend their own neutrality if attacked, and must therefore be guaranteed. If, on the other hand, the British proposals did not contain sufficient guarantees of mutual and immediate assistance were the U.S.S.R. attacked, then M. Molotov would hardly have conceded

that the principle of reciprocity had been recognised by them. The British Government have gone a long way to repair the errors of the past. The Soviet leaders would be ill-advised to try to extract too much purely Russian advantage from the strong bargaining position in which the mistakes of British diplomacy have admittedly placed them.

Common Sense at Southport.—Last year certain changes were made in the mode of election to the Executive of the Labour Party with the object of increasing slightly the influence of its non-trade union elements. The Whitsun conference of the party at Southport showed that there has in fact been little or no alteration in outlook and policy; as a body the party remains slow moving and conservative, and its decisions on important issues are still determined by the cautious common sense of the trade unionists, seen last week-end at its very best in Mr Bevin's appeal for a constructive colonial policy. At Southport the conference was faced with difficult decisions, and, on balance, they were wisely made. Labour's complaint against the Government in the last year or so has been that their foreign policy has lacked strength and firmness; yet, now that a programme of collective resistance to aggression has been begun, the members of the Labour Party do not find it easy to accept the new policy's full implications. Reluctantly in past years they have come to recognise the need for drastic re-armament; with similar misgivings last week-end they decided not to oppose conscription by extra-Parliamentary means or to boycott the Government's national defence schemes. Their decision was grudging but their judgment was sound. In fact, the keynote of the conference was distrust of Mr Chamberlain and his colleagues rather than real dislike of their policies.

Opposition Unending.—There was no inclination on the part either of the Executive or of the great majority of the rank and file at Southport to face the fact that the present odd situation, in which the Government, permanently ensconced in office, is the only medium whereby the Opposition's own policies can be put into practice, is largely Labour's own fault. The due operation of the Parliamentary system depends upon the permanent possibility that the Opposition may be chosen by the electors to replace the Government in office; and at present there is no chance at all of this happening. The doctrinaire platform of the Labour Party has too restricted an appeal for the party's duty to win a majority from time to time to be carried out; and the leaders of Labour, in their refusal to co-operate with other political groups to put forward a policy with which they admittedly agree and which would gain the support of a very large part of public opinion, are seemingly content to escape the responsibility of Government and to retain as a sinecure the task of Parliamentary criticism. The never-ending Cripps episode is only important because it illustrates this complacency. It was not surprising that the Southport conference voted overwhelmingly against Sir Stafford, even though all he asked for was the democratic right to put forward his own opinions about the Popular Front within the frame of party membership; the Executive had made the issue a matter of confidence; and the volatile nature of Sir Stafford's past programmes and allegiances, illustrated once more by his request after the conference's vote to be re-admitted into the party on the Executive's own terms, was too well known for his present position to be made the occasion of a grave party split. Yet Sir Stafford has his finger on the reasons for the party's fatal impotence, and it is at moments like these, when Labour's somewhat dictatorial leaders place rigid doctrine and strict ritual above all

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other more important considerations, that it is least possible to take His Majesty's Opposition seriously.

* * *

The New Army.—It has taken only a few weeks to carry through a revolution in Britain's military arrangements without precedent in peace-time. This week-end the first 200,000 men aged between 20 and 21 who are liable for militia service under the Military Training Act will register at local employment exchanges. Next week the medical examinations will begin and on July 1st the first notices for service will be sent out. Simultaneously the calling up of Territorials and Reservists for extended training will commence, and from next month onwards this country will wear a war-like guise never before seen except in actual war-time. The country's response to these unfamiliar changes has been impressively willing and resolute; and not the least reason why no bitter struggle has been waged to preserve intact the voluntary system and to resist the break with tradition that the new militarisation represents has been the Government's insistence on the fact that this phase, though absolutely necessary now, is to be only temporary until the danger passes, and their striking readiness to recognise and meet all cases of hardship and difficulty. Conscientious objectors are not to be persecuted but provided for simply by being required to spend their period of compulsory training on work of national importance instead of in camp or barracks. Agricultural labourers and miners will only be called up when their absence will be least injurious to their industries. Students are to be enabled to put off their training until immediately after graduation or, in future years, to anticipate it by serving before entering college. The conditions of militiamen are to be carefully safeguarded: wisely it has been decided to put none in overcrowded tents but to instal them in hutments until barrack room is ready; sensibly, too, it is intended to allocate their types of training as closely as possible to their capacity, experience and interests.

* * *

Only in one minor way is the making of the new Army, militia and Territorial, encountering appreciable day-to-day difficulties. Large firms which have hitherto willingly paid wages to Territorials in training are not unnaturally alarmed at the greater commitments now involved; and some have chosen to invent rather disingenuous reasons for limiting their liability. One of the oddest is the decision to pay wages to employees in camp only if the branch of service they have joined involves personal risk in war, a criterion which involves startlingly confident forecasting of the strategic disposition of the Territorial Army in the next war.

* * *

Staffing the Forces.—The institution of militia service, the doubling of the Territorial Army and the lengthening of training for all reserve and auxiliary forces represent the Government's decision, not only to man home defences continuously and with trained personnel, but also to build up the nucleus of a very considerable Expeditionary Force for use in Europe. Their net effect is to require sweeping changes in army organisation because of the demands they create for training and supplies, and on Wednesday a number of very significant and important appointments was announced. The two posts of Inspectors-General of the Forces, which existed before the war, are to be revived. General Sir Edmund Ironside, as Inspector-General of the Oversea Forces, will be responsible for the higher training of the Regular and Territorial Field Forces, for liaison with foreign staffs and for preparing the dispatch of an Expeditionary Force abroad; he may very well command that Force. General Sir Walter Kirke, as Inspector-General of the Home Forces, will be responsible for the basic training of all troops at home and, especially, for the militia. Within the War Office itself a new department will be created to make reports and returns to enable the Army Council "to obtain a clear view of the main

present and future requirements," and Mr H. A. Fortington, as Director-General of Progress and Statistics presiding over this department, will have a key position in the vast reshaping of military arrangements which the creation of a New Army has made immediately needful. The Army to-day is, in quite a new sense, the spearhead of Britain's armed might at home and overseas, and it is welcome that wholesale changes can so readily and speedily be made.

* * *

American Neutrality Laws.—The long debate inside and outside Congress on the revision of the existing Neutrality Act had, by last week, reached such a state of deadlock between the manifold plans and the even more numerous opinions, that the Secretary of State judged the moment ripe for intervention. Mr Hull's plan has five points: (i) prohibition of American shipping from entering combat zones; (ii) prohibition of American citizens from travelling to those areas; (iii) goods to be sold only for cash; (iv) prohibition of loans or credits to belligerents and the collection of funds for them; (v) licensing of exports of arms by the Munitions Control Board. This, it will be seen, is "cash and carry" in its full form. It differs from the existing Act in permitting the export of actual munitions to those who can pay for them and take them away, but it resembles the existing Act in refusing to accept any distinction between aggressors and their victims. The fact that "cash and carry" would benefit France and Britain against Germany and Italy is as incidental as the fact that it would benefit Japan against China. Whether this plan will reach the statute book is by no means certain, but it is a salutary check on British estimates of the trend of American policy to realise that nothing less strictly neutral than this has a chance of successfully running the legislative gauntlet. Policy, in fact, is still a long way removed from articulate opinion. Mr Hull himself demonstrated this in a speech which was delivered at almost the same time as the presentation of his neutrality plan. For though Mr Hull proposes to treat innocent and guilty alike, he yet tells the American public that there can be "no more disastrous illusion" than that isolation would solve the great domestic problems of the United States. American opinion is manifestly changing. But it has yet to convince Congressmen, who occupy a position in which they are much more anxious to avoid disapproval from strong minorities than to seek the favour of the majority—at least until it is unmistakably expressed. Any change in American foreign policy will have to follow the course of the movement to repeal Prohibition: it will be very slow and reluctant until the end, when it may well be accomplished overnight.

* * *

While America is thus trying to avoid entanglement in international conflict, war has broken out with renewed violence on two fronts at home. The latest attempt by the Administration to suspend the bitter mutual hatred between Business and the New Deal never looked very hopeful from the day it was given the dubious label of "appeasement." But it has now broken down. The Chamber of Commerce of the United States on the one hand, and the President on the other, have both reverted to their former stands, and though the Secretary of the Treasury, Mr Morgenthau, is still hopeful of finding some way of modifying some of the aspects of existing taxation to which business men take the most violent exception, it is becoming clear that there will be no general truce before next year's election. Conflict has also been resumed on the labour front. The recent coal strike and current trouble in the automobile industry hold out the prospect of endless strikes arising, not out of any disputes over wages or conditions of work, nor even out of the general principle of collective bargaining, but merely out of the desire of each of the warring factions of American Labour, the A.F.L. and the C.I.O., to oust the other. It is reported that these quarrels are leading to public disgust with labour. But there is scope for plenty of foolishness before public opinion effectively imposes its ban.

Turkey's Part.—In the now rapid and cumulative organisation of the Peace Front the Turks are playing a part of an importance commensurate with the key position of their country and with the upstandingness of their national character. In opening a congress of his party at Ankara, on Monday, the President of the Republic, General Ismet İnönü, spoke frankly and bravely. The Turks, he said, would never admit the right of big coalitions of Powers to overthrow smaller nations. To secure the independence of these latter had been, he declared, the purpose of the foundation of the Balkan Entente; and he then went on to speak of Turkey's relations with the three European Great Powers which, on this capital point, see eye to eye with their smaller neighbours. Turkey's relations with Russia, he said, were warmer than ever before—and this was a great deal to say, since Turkey and Russia have been allies since 1921, and it was the Russian alliance, more than any other external factor, that helped Turkey to save her national existence in the dark days after 1918. He spoke with equal warmth of the Anglo-Turkish agreement which is already an accomplished fact, and of the Franco-Turkish agreement which is on the eve of being concluded.

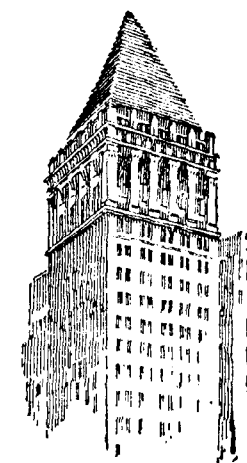
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This speech by the head of the Turkish State gives us glimpses of the Turkish Government's diplomatic activity in several spheres. In the Balkans, Turkey has been doing much, in an unobtrusive but no doubt on that account effective way, to hold out a life-line to her partner Jugoslavia in her now dangerously exposed position. At the same time, Turkey has been using her influence with her neighbour, Bulgaria, who may perhaps be inclined to lend an ear to Turkish counsels, since these two Balkan neighbours have been in friendly relation ever since the close of the First Balkan War. Turkish warnings, if any, will convince the Bulgars that, if they were to repeat the diplomatic error of 1915, they would be courting a repetition of the military and political disaster of 1918. (The news that Russia is sending a trade mission to Sofia seems to show Ankara and Moscow working in concert.) As for the coming Franco-Turkish treaty, agreement in principle has, it appears, already been reached, and the transaction will be clinched as soon as the Sanjak of Antioch and Alexandretta (or, as the Turks now call it, the district of Hatay) has been handed over by France to Turkey in full sovereignty. This is rather a delicate business, since Hatay is part of the French mandated territory of Syria, and the Turkish element in the local population, though numerous and important, is only one of several elements which, all alike, have a claim to be assured of fair treatment. Juridically, the transfer cannot be implemented without the consent of the League of Nations. It is devoutly to be hoped that this affair of Hatay is not going to delay the conclusion of a Franco-Turkish agreement which will be the last link in a network knitting up France and Great Britain with Turkey and Russia.

The Problem of the Unemployed.—In his introduction to the recently published Report of the Unemployment Assistance Board for the year 1938, Lord Rushcliffe, the chairman of the Board, states that "It would be beyond the competence of the Board or the Advisory Committees to attempt any survey of the underlying economic causes of unemployment. Their concern is with the unemployed themselves, or rather with that section of the unemployed numbering at one time nearly 600,000, whose unemployment is chronic or prolonged." It is precisely the fact that the Board's aim is thus restricted which gives the present Report its main interest and importance. For it is the difficulty of providing occupation for a large class of youths who have never been trained in industry and of older men who are not readily accepted by employers which constitutes the most immediate knot to be untied in the unemployment complex. The main problem of the long-term causes of unemployment still exists. Indeed, it is very necessary at the present time to see that it is not aggravated by ill-considered measures to avoid the immediate danger of a shortage of skilled labour in re-armament—such as the importation of men into areas whose present industrial activity is almost entirely dependent on Government orders. But this is a matter which simply requires vigilance and the prevention of further mistakes. For the satisfaction of the needs of the present long-term unemployed more positive action is necessary.

* * *

The number of persons who have been unemployed for so long a period that they are not entitled to draw unemployment insurance benefit and are therefore applicants to the Board for assistance actually increased from 581,437 to 588,771 between December 13, 1937, and December 12, 1938. Over four-fifths were persons over the age of thirty whose numbers and proportion to the whole population cannot be expected to decrease, but it is stated in the Report that practical reasons have led to particular attention being given in the past year to the special difficulties of the 100,000 male applicants aged thirty years and under. These difficulties are indeed acute. About 58 per cent. of the young men included in the inquiry had no employment or less than six months' employment in the three years preceding October, 1938. A small proportion of the total number were kept in a state of fitness for employment at Government training centres, instructional centres and local training centres, but except in the first-named case attendance did not materially improve chances of employment. There are further difficulties in the cases of men whose efforts to obtain work have slackened as their determination has been undermined by persistent unemployment, of the few who do not want work and, perhaps worst of all, the 8 or 9 per cent. of young applicants who were handicapped by mental or physical defects. The whole question of unemployment through ill-health requires particular attention. As many as 22 per cent. of the applicants for admission to instructional centres were rejected



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on grounds of physical unfitness. Most of these have no access to remedial facilities, and the Board has no power to help them. This gap in our public health services might easily be filled by enlarging the amount of assistance obtainable through National Insurance Approved Societies or local authorities, or by enlarging the powers of the Unemployment Assistance Board itself. The question of the health of the unemployed is one of the few problems connected with unemployment to which a solution is clear.

* * *

Labour in Depression.—It is a false picture of a country's economic situation that is gained by concentration solely on unemployment figures. In 1938 Britain was in depression and, as the annual report of the Minister of Labour, which was published this week, shows, the average level of unemployment was some 166,000 higher than in 1937. Employment, too, revealed the recession: it was on the average 120,000 lower than in the previous year. But closer study of the employment figures gives remarkable results. Despite the depression, employment, which is a better index of economic activity than unemployment is of economic decline, was higher in 1938 than in any other recorded year except 1937. It was 2,130,000, or 20 per cent., higher than in 1924 and 2,000,000 higher than in 1932. The ground gained in the astonishingly steep recovery between 1933 and 1937 was not lost in the setback which followed, and the capacity of our economy to provide an increasing amount of work for its members, which promises now to raise employment to new record levels, was a conspicuous feature of the depression we have now left.

* * *

A Small Advance in Education.—The amount of progress which the Board of Education was able to show in 1938 for its estimate of £51,002,330, an amount which represented an increase of only £1,463,371 over the previous year, is commendable. The Report of the Board issued on Wednesday of this week records a further reduction in the number of schools on the "Black List," as having unsatisfactory premises, by 116 to a present total of 844, a fall in the number of classes having over 50 pupils by 546, a slight increase in the number of pupils in grant-aided secondary schools and a further reduction of the proportion of uncertificated teachers. In addition to these changes, which really represent the partial rectification of old abuses, there were signs of positive educational advance in the provision of better accommodation for technical education, and the adoption of recommendations of the Spens Committee on Secondary Education to the effect that candidates at the School Certificate examination should be given a wider choice of subjects, and that the "credit" system of marking should be abolished—a change which will probably entail the issue of a new type of certificate providing clearer information to prospective employers than the present Matriculation certificate. School medical and other welfare services show a slight all-round improvement, but the figure of 614,806 children provided with free meals or

milk, although representing an increase of 79,506 over the previous year, looks singularly unimpressive beside the 5 millions of the total elementary school population of England and Wales; and it should be improved forthwith by the persuasion or coercion of the handful of backward local authorities who still fail to exercise their powers to provide either free milk or meals for necessitous under-nourished children. In sum, the progress recorded in this Report represents a very slight advance when compared with the enormous amount which remains to be done before we can claim to have a satisfactory educational system. Progress towards the standard of 50 children in a class is only valuable as a preliminary step to classes of 30—an end to which the continuing reduction of the total school population will contribute. Improvements in senior elementary schools should be carefully compared with the much less satisfactory state of affairs in junior and infant schools. The adoption of one of the minor recommendations of the Spens Report must not obscure the fact that nothing has yet been done to fulfil its general proposal of secondary education for all. Finally it is unlikely that education will ever be extended at a satisfactory rate so long as it is necessary for the Board of Education to spend a considerable amount of effort in pushing forward reluctant and incompetent local authorities to the fulfilment of their legal duties.

* * *

Withdrawal of the Mercenaries.—The German "volunteers" have left Spain and arrived in Germany, to be received by Field-Marshal Goering with more than mercenary honours. The Italians are understood to be leaving over this week-end: it is a bitter comment on the double-dealing of the dictators that troops whose presence in Spain they long denied should now be triumphantly welcomed home. Without having any direct knowledge of the contest of wills which has resulted in these decisions, we may perhaps tentatively congratulate General Franco on having succeeded in evacuating, at so early a date, so considerable a proportion of his foreign auxiliaries. We may suspect the existence of long-standing Italo-German plans which cast these troops, and Spain herself with them, for an important rôle in coming attempts to achieve the ambitions of the Axis by force of arms on a world-wide arena. The Spanish Nationalists' interest in keeping out of a world war is as obvious as their allies' interest in implicating them, and General Franco himself is reported to have said on Tuesday that Spain would not indulge in any "mad adventures." But it is still too early to predict with confidence what may be the final outcome of this tug-o'-war. In the announcement of the imminent withdrawal from Spain of the Italian infantry there are three items of news which are not reassuring. In the first place, according to Italian reports, the whole of the military equipment of the Italian forces is to be left behind. This is a clear breach of the Mussolini-Chamberlain agreement, and it can have no good purpose since it is not to be imagined that a country in Italy's present financial straits will have made so handsome a gift to a foreign country without at least the expectation of some valuable *quid pro quo*. The second disquieting point is that the Italian airmen in Spain are to stay on for a time, after the infantry have left, in order to put their machines and other war material in order for handing over to the Spaniards. The third point is that no less than four battalions of Spaniards are to accompany the Italian infantry to Italy for the ostensible purpose of taking part in a victory parade in Rome. Since the numbers seem disproportionate to the alleged object, it is feared that the ultimate destination of these Spaniards may be Libya. One can see that, from the Italian point of view, one good turn deserves another. If Italian "volunteers" in Spain helped the Spanish Nationalists defeat the Spanish Republicans, why should not Spanish "volunteers" repay the debt by fighting for Italy in Africa? By one means or another the Axis Powers, if they do go to war with the rest of us, may be expected to exert themselves with might and main to pull Spain in after them, as Germany did succeed in pulling Turkey in after her in

1914. Turkey's experience then is no doubt one of the causes of her present, very different, policy. Here is a lesson for Spaniards to read and take to heart.

* * *

Moderation Fails in Hungary.—Hungary's political course was set with the signature of the Munich Agreement. Those who had thought that moderate Hungarian opinion in time might be able to shift that course away from the Axis received a final disproof with this week's general election results. The extremist parties in more or less complete sympathy with National Socialism have increased their representation in Parliament from three to 43 seats, partly by the recent disenfranchisement of Hungarian Jews (which accompanied the new electoral law under which polling is secret for the first time), and partly by alarmingly strong support from the working-class of Budapest. Out of the total number of 260 seats, the Government won 180—leaving over 30 to the Left and agrarian opposition parties—but this apparent strength is heavily qualified by divisions within its own ranks. It is notorious that an influential section of the Government group sympathises with the extremist parties. This section will therefore have to consider whether to compromise with the moderate elements which compose the Cabinet or, if that will not satisfy them, to strike a bargain with the Nazis. A number of them, and notably M. Imrédy, the late Prime Minister, have already shown readiness to borrow the Nazi programme as the instrument for their assumption of power; now that the Moderates have suffered a serious defeat it would not be surprising if these Nazi sympathisers within the Government party came out openly for an extremist programme on the twin points of land reform and anti-Semitism. Meanwhile, the Government, scarcely affected by the elections, continues to strike up gallantly for a programme which, although differing little in substance from that of the extremists, is at least to be carried out according to Hungarian notions of decent conduct. To the extremists they oppose, first of all, a tentative scheme of land reform and anti-Jewish laws tempered by dislike for these measures; secondly, complete adherence to the Axis and the argument, used only this week by Count Csaky in the course of a speech at Sopron, that "Germany is not willing to sacrifice Hungarian friendship for the sake of propagandists who meddle in our internal affairs." But however well-meaning the Government may be at heart, moderation inside Hungary is likely to disappear just as surely as moderation in Hungarian foreign policy has disappeared.

* * *

The Londoner's Fares Increased.—The Londoner—and for the purpose of the London Transport Act of 1933, that description applies to any person living up to 30 miles from Charing Cross—will pay more for his travel from June 11th. Last Friday's decision of the Railway Rates Tribunal to grant the application of London Transport and the main line companies for a basic 5 per cent. increase in charges in the London area will hardly be welcomed by the traveller, although, as the recent proceedings before the Tribunal suggested, it was difficult to contest its inevitability if transport services are to be efficiently maintained in the area, and are to provide a reasonable return upon their capital. The general principles upon which fares will be increased must also be regarded as reasonable. The Board inherited numerous anomalies from its constituent undertakings, and opportunity will be taken to smooth them out. Not all adjustments in fares are upwards, moreover. In the process of eliminating halfpenny fares on the Board's railways, for example, some 34 fares will be reduced and 100 increased. Some existing long fares—such for example, as the penny stage of 2.16 miles on one of the Board's tram routes—will be adjusted. On the other hand, passengers on the Stanmore branch of the Metropolitan system will enjoy an appreciable reduction in rates. The general intention is to increase season ticket rates only

where they are unduly low in relation to ordinary fares. The Tribunal's judgment wisely recognises the hardship which the fare increases will inflict upon a substantial number of travellers, although it does not regard this point as one which should affect its decision. This view, expressed on the first occasion on which proceedings have been taken under the London Transport Act of 1933, is of considerable importance. Yet, regarded in a broader context, the cost of travel has important social and economic implications. If it is true that London should pay for the transport facilities which it demands, it is no less true that higher transport costs may tend to deter travel in the London area. Marshall's clerk, who had to weigh carefully the expenditure of a further penny in addition to his usual threepenny fare and decided to walk, is no figmentary figure in London to-day.

* * *

New Forest Planning.—The special problems which arise from the necessity to co-ordinate planning schemes in contiguous districts have given rise to an important innovation in the New Forest area. Following an initiative taken by the Forestry Commission last November, an informal committee was set up, consisting of the planning officers of six local authorities, together with representatives of the Ministry of Health and the Forestry Commission. The report of the committee, which will shortly be published, represents an advanced step in the evolution of a national planning scheme. The main significance of the experiment lay in the fact that its subject was an area in which many preliminary difficulties had been removed through the fact that the New Forest is permanently secured as an open space. The committee was therefore able to turn its attention to the more advanced problems of (1) preserving the character of the Forest, (2) limiting the growth of villages within its boundaries, (3) making all possible allowance for the healthy growth of neighbouring urban areas such as Southampton and the belt of small seaside resorts between Christchurch and Lymington, and (4) making adequate provision for through traffic crossing the Forest. All these are legitimate claims which must be met, and the committee's conclusion that their co-ordination is only fully obtainable by a single permanent planning body must command immediate assent. The present temporary committee has also made a number of incidental contributions to planning as such by specifying the categories in which supervision must be applied as (1) buildings, (2) vehicles and road works, (3) people, (4) overhead wires, and (5) advertisements, and by stating unequivocally that in order to check these potential dangers to rural peace there must be no unplanned alteration of the present conditions. This will involve definite undertakings not to widen roads which carry local traffic only and to limit development and building in villages and hamlets—in short, rural stabilisation.

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The Difficulties of Germany's Railways

(From Our Berlin Correspondent)

THE Reich Railways, which, with the liquidation of the restrictions placed on the German Reich by the Peace Treaty, were transformed from a private undertaking to an undertaking *sui generis*, may be said to represent the largest traffic enterprise in the world. They have now reached a critical period in their working; and last year their operation was considerably affected by the annexations of Austria and the Sudetenland, and by the military measures which were then taken. Their capacity was heavily overtaxed, not only by the inclusion of these territories but also by increased construction in Germany itself, mainly of fortifications, and by the carrying out of the Four Year Plan. The result was traffic disorganisation, a severe shortage of carriages and wagons, delays and accidents (which were increased by floods in Silesia and heavy snowfalls). At times the shortage of wagons was so acute that the provision of fuel for cities and industry was endangered; the Reichsbahn reckons that there are 70,000 wagons too few at the present time. In order to minimise the difficulties, the Reichsbahn has discontinued numerous services, curtailed international traffic and confined many lines to carrying fuel wagons only.

The Reichsbahn system was increased by 17.4 per cent. in length, that is by 9,500 kilometres to 64,000 kilometres in all, by the taking over of the former Austrian Bundesbahnen and the Sudetenland railways, and by the inclusion of three privately owned companies. Since the newly acquired lines must be developed, and since domestic traffic shows a rising tendency in connection with the Four Year Plan, the Reichsbahn has been compelled to arrange an extensive building programme which will cost approximately Rm. 3,500 millions. In 1940-43, the Reichsbahn plans to acquire 6,000 new locomotives, 10,000 passenger carriages and 112,000 goods wagons and luggage vans. The present rolling stock of 25,209 locomotives (812 electric), 2,170 Diesel engine cars, 68,942 passenger carriages, 22,028 luggage vans and 650,229 goods wagons is quite insufficient for current traffic.

The increase in passenger kilometres worked last year was 17.7 per cent., and 12 per cent. in the Old Reich territory alone. For the first time, the proceeds of passenger traffic increased more than actual passenger operations; they rose by 20.7 per cent. The trend was different in goods traffic. The number of ton kilometres worked rose by 17.5 per cent., and for the Old Reich territory alone by 10.1 per cent. But proceeds increased by only 14.2 per cent. Receipts per ton kilometre fell sharply from 3.68 pf. to 3.56 pf., and, compared with 1929, receipts per passenger kilometre decreased by 21.5 per cent. and per ton kilometre by 21.9 per cent. The total receipts of the Reichsbahn in 1938 were still Rm. 200 millions lower than those of 1929, although Austria and the Sudetenland were included.

Special Rates and Fares

The reasons for the decline in receipts since 1929 were the lowering of the rates and charges during the depressed years, the many specially low rates for Government traffic (for the Four Year Plan, winter relief, and the Reich motor roads) and the loss of high-paying freights to road transport. It is mainly the carriage of bulky goods at low rates that the Reichsbahn has retained. Last year 70.6 per cent. of the goods carried and 72.7 per cent. of the passengers were transported at specially reduced rates; and of the proceeds from passenger traffic 60.2 per cent. came from special rates, and of those from freight traffic 50.5 per cent.

Receipts from passenger traffic and luggage in the Old Reich territory and the Sudetenland rose from Rm. 1,186.2 millions in 1937 to Rm. 1,332.5 millions in 1938, and from goods traffic from Rm. 2,393 millions to Rm. 3,153 millions. Miscellaneous receipts rose from Rm. 295 millions to Rm. 329.8 millions, so that the total receipts increased from Rm. 4,420.2 millions to Rm. 4,815.4 millions. Counting Austria, total receipts were Rm. 5,153.5 millions, of which

Rm. 1,432.3 millions came from passenger traffic, Rm. 3,355.5 millions from goods traffic and Rm. 345.7 millions from other receipts. But, while total gross receipts rose by 8.9 per cent., total expenditure rose by 9.2 per cent. In the Old Reich, including the Sudetenland, the cost of management rose from Rm. 2,209.4 millions to Rm. 2,462 millions, and the cost of maintenance from Rm. 1,004.5 millions to Rm. 1,136.5 millions, while only Rm. 786.7 millions were spent on renewals, against Rm. 791.2 millions in 1937. Including the payment of a tax of 3 per cent. of net receipts up to Rm. 4,000 millions, total expenditure was Rm. 4,505.1 millions, against Rm. 4,124.9 millions the year before.

The point is that renewals and replacements have fallen seriously behind. The system has been extended and renewal expenses have declined. Fresh investment is imperative, and the Reichsbahn can only finance a small part of the necessary programme from its own resources. The issue of a railway loan of at least Rm. 750 millions is expected in the autumn.

Not least among the railways' burdens are payments to the State. In addition to the 3 per cent. tax on net receipts under Rm. 4,000 millions, amounting last year to Rm. 120 millions, the Reichsbahn had to pay 9 per cent. of its net receipts over Rm. 4,000 millions to the Reich Treasury; this charge was Rm. 73.4 millions last year. And total payments to the Reich Treasury rose from Rm. 412.5 millions in 1937 to Rm. 480.1 millions—which is very remarkable when it is considered that many foreign railways need and receive actual Government subsidies.

Despite all these difficulties and charges, the Reichsbahn accounts ended 1938 with a surplus which had increased from Rm. 295.3 millions in 1937 to Rm. 310.2 millions (if a deficit of Rm. 58 millions on the Austrian system is not included). But there was no margin for anything like adequate repairs and renewals, and the surplus is far from representing a healthy and efficient state of affairs. If the railways are to play their needed part in the economic development of the Greater Reich, both for civil and military purposes, a very large investment programme must be financed and quickly carried through; and in the present circumstances of high employment and shortage of resources this will not be easy.

June 1st.

Fresh Government Spending in Sight

[FROM OUR NEW YORK CORRESPONDENT]

WHILE some of the signs which in the past have usually portended recovery have begun to appear, especially in monetary matters and in commodity prices, the latest weekly indices of business activity still show a tendency to sag. The prevailing view in financial circles is that the second half of the year will be better than the first, but the improvement that is anticipated is expected, by almost everybody, to be only "mild" or "moderate."

The Government is plainly dissatisfied with this state of affairs, and the indications are that new efforts at economic stimulation will be made before long. The present Administration has never been contented with a rôle of inactivity, and its recent passivity has already lasted for a considerable period. In the absence of some quite considerable change in the business situation, economic action by Washington at an early date seems almost certain.

A new programme of public expenditure is the action now being generally discussed. No details have yet been revealed, and probably they have not yet been decided, but various suggestions are being made. They include the lowering of

interest charges to home builders, purchase and lease by the Government of railroad equipment, a new public works programme of housing, etc., increased outlay on social security measures, a more vigorous programme of loans to small businesses, advances to home builders and the construction of public power generating plants. One rumour has even suggested that some portion of the \$1.8 billions of unutilised gold assets in the Stabilisation Fund might be used in this programme, but the President has shown a strong unwillingness to take such a step. These are unofficial guesses.

There are several reasons why moves by the Government to activate the economy should be under close consideration. One of the most obvious is political. Next year the Presidential election will be held; and, rightly or wrongly, the Administration and the party in office will be to a considerable degree judged by the state of business at the time of the nominating conventions and the elections. Whether or not Mr Roosevelt desires a third term (and there are reports that no decision has been reached) he would be only human if he at least desired to have sufficient influence to have a voice in naming his successor. Thus the President would doubtless like some assurance that business will be "good" next year. Extensive emphasis has been laid during recent years on the relationship between business activity and Governmental expenditure, and there is therefore a good political case for a fresh expenditure programme very soon.

Another more exclusively economic reason for renewed Government spending lies in the fact that State expenditure will fall away after the summer peak unless new plans are made. So far there are no signs of activity in the private field which might be expected to offset this forthcoming diminution in public spending and common sense seems to suggest that necessary steps should be taken to ensure the maintenance of investment and spending by public means.

The Failure of Appeasement

The fact is that a chief reason why fresh Government intervention in support of business should take the form of renewed spending is the apparent failure of other devices to assist recovery. A few weeks ago considerable attention was given to the so-called "appeasement" programme of the Government, which was intended to win over business men from their mistrust of the Administration. The long illness of Mr Hopkins, the new Secretary of Commerce; the intervention of the war scare; Chamber of Commerce resolutions reported annoying to the Administration; and the apparent impossibility of finding a formula satisfactory to a sufficient number of people: all these are given as reasons for the undoubted fact that "appeasement" has come to a standstill. It is true that a Tax Bill with some provisions pleasing to business is still likely to come before the Senate, but it is improbable that its scope will be very broad; and, similarly, various promised measures dealing with the railroad problem will at best be of relatively minor significance. Again, the high hopes that accompanied the settlement between the Tennessee Valley Administration and the Commonwealth and Southern about the latter's Tennessee property have lately been replaced by reports of further anti-utility moves by the Government. From all these signs it is plain that all the essential elements in the Government's policy of appeasing business have failed or not been successful enough to make any appreciable change. This being the case, Government expenditure to sustain business and employment, until effective means can be found to deal with the tax problem, the railroads, the utilities and so on, is widely called for.

The final and most elaborate and abstruse argument for fresh public spending is based on what is called the "mature economy" theory, which has been outlined in evidence before the Temporary National Economic (Monopoly) Committee. The theory is a variant of the oversavings theory: according to it, maturity in the economy means a lack of investment opportunities adequate to absorb savings; savings accumulate and economic stagnation results. Hence the Government must borrow and activate these funds. Whether or not so intended, the popularisation of this concept through the testimony and statistics presented to the T.N.E.C. during the past week could well serve as an introduction for a new expenditure programme.

Already it is reasonably clear that Congressional appropriations in the present session will substantially exceed the Budget estimates made by the President in his annual Budget Message last January. Although the appropriation for relief has not yet been made, it can hardly be smaller than that asked by the President; and the agricultural appropriation will be somewhat larger. There is thus reason to suppose that the deficit for the next fiscal year (beginning July 1st next) will be as large as that for the current fiscal year—now

expected to be about \$3.5 billions, compared with the estimate of \$4 billions made in January. The addition of a spending programme now would mean that next year's deficit would exceed this year's by a considerable margin.

May 22nd.

The End of France's Popular Front

[FROM OUR PARIS CORRESPONDENT]

M. FAURE, General Secretary of the Socialist Party, who favours the breaking-off of relations with the Communists and a policy of disarmament and appeasement, secured a majority of votes at the Nantes conference of the party against M. Blum, though a compromise resolution on the closing day modified this decision. And the *Union Socialiste Républicaine*, too, pronounced the Popular Front dead at their conference. M. Jouhaux, leader of the trade unions, admits that membership has fallen by 20 per cent. from the high levels of 1936; and, in general, there is a marked decline in militant labour politics.

The Communists refused to enter M. Blum's Cabinet after the Popular Front's electoral successes. And now the Socialists, victors of 1936 and the strongest party in the Chamber, have themselves put away the Popular Front. The two parties, Socialist and Communist, are more than ever electoral competitors. The position is oddly mixed. The financial policy of the Socialists failed, and the foreign policy advocated by the Communists has now been put into operation. The Socialists have a strong position in the Chamber, but their credit is not high and they are deeply divided. In three years their greatest political victory has been transformed into political defeat.

The truth is the success of the Popular Front platform in 1936 was mainly due to an explosion of protest against the financial deflation which the Moderates had failed to stem by devaluation or, at least, reflation. But the devaluation of 1936, which was not deliberately contrived, dismayed the middle classes and turned them against the Popular Front; and the "vicious spiral" of prices and wages did the same for the workers and the peasants. In September, 1938, the Socialists lost the battle of the general strike against the decree-laws. Eight months later they proved unable to do what they had done in 1936, that is, to become the rallying point of discontent. This powerlessness of the Left, coupled with the united sentiment of the country in face of foreign dangers, might well change M. Daladier's decision to postpone the elections of 1940. Meanwhile, the Socialists have put off until the autumn the conclusion of their Nantes conference.

Stock Exchange Revival Possible

If the Popular Front is dead, its great bogey, the Stock Exchange, is not very much alive. Since M. Blum went back into Opposition, M. Reynaud, who promised last year to collaborate with him in a Government of National Union, has made a great reputation as an able Minister of Finance. M. Reynaud lives on the errors of M. Blum: he measures the success of his financial policy by making statistical comparisons with the record of M. Vincent Auriol. Still, he is perfectly justified in emphasising that, whatever the reason, the franc is now stable in spite of much heavier military charges, and the public feels for the Minister of Finance that mixed sentiment of caution and surprise which the magician provokes. Hoarding goes on, for the public still hesitates, and the Stock Exchange is inactive. Transactions are very few. The share indices, apart from food, etc., still show a rise of up to 30 per cent. compared with 1938, while foreign stocks a fall of 15 per cent. Annual reports of industrial

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companies, just published, show that important headway was made in 1938; and they say that in the first few months of 1939 there was a further increase of sales in both volume and value. The outlook for profits is promising, while the monthly statistics of new financial issues show a distinct improvement.

The creation of new companies and, still more, the increased issues of debentures are symptomatic. Provided that fresh international tension does not arrest business again, there is the chance that some companies, which have up to now financed their increased activity (mostly war orders) from repatriated capital, may re-enter the market in order to increase their financial resources which the depreciation of

SHARE VALUES (INDICES)				
	April, 1938	February, 1939	March, 1939	April, 1939
All French stocks.....	218	223	228	228
Banks	136	151	148	148
Insurance.....	359	434	431	445
Coal mines of the North	156	158	151	157
Shipbuilding	54	70	73	73
Textiles	223	250	247	239
Food, etc.	360	330	329	318
Colonial companies	300	348	335	338
Foreign stocks.....	397	377	347	339
Rentes and debentures	75.6	86.5	86	86.6
Transactions.....	60	27	33	28

the franc has depleted. This is all the more likely now that the attraction of lower rates of interest has been supplemented by the recent measures of M. Reynaud, which lowered taxes on issues which were intended for the improvement of industrial plant.

Meanwhile, whatever grounds there are for new hopes, the main fact is that the vicious sequence which led from budgetary deficit to Treasury crisis and monetary crisis has ended. The franc is now strengthened by the decrease in the import surplus (it was the equivalent of 83 tons of gold in the first four months of 1939, against 138 tons in the same months of 1938 and 216 tons in 1937) and by the increase in tourist receipts and by the return of capital. M. Reynaud's announcement of the funding of the short term foreign debt was helpful psychologically, too, and other steps taken by the Government, such as the strengthening of police powers over foreigners, the measures to arrest the declining birth rate and the rising strength of the Peace Front have fostered market confidence.

In such conditions, a revival of the Stock Exchange, where many stocks of first standing still yield 5, 6 and 7 per cent., cannot be excluded—that is, if there is no fresh international crisis. But, even if there is a crisis, so long as it does not actually end in war, its effects will probably be confined to the Stock Exchange, which will be a great and remarkable advance from the time when a political crisis immediately led to a monetary crisis.

June 1st.

New Elections and New Policies in Hungary

(FROM OUR BUDAPEST CORRESPONDENT)

AFTER prolonged discussions in both Houses of Parliament, the Jewish Bill finally passed into law on May 5th. On the intervention of the Heads of Churches in the Upper House against certain provisions of the original Bill, the two Houses finally reached a compromise. The amendments refer chiefly to the definition of a Jew; under the new provision Jews who have been converted to Christianity will be regarded as Gentiles after twenty years, provided that the conversion took place prior to January 1, 1939. The main provisions of the new law are the limitation of Jews to 12 per cent. of the total number employed in industrial or commercial undertakings and 6 per cent. in intellectual occupations. In addition, Jews are entirely barred from holding leading positions in companies, from being editors of journals or theatre directors. In the Whitsun elections, the electoral rights of Jews were regulated according to the new law, and only those had voting rights whose ancestors were in Hungary before 1867.

Parliament was dissolved on May 3rd, and the new elections took place at Whitsun, when, according to the provisions of the new Electoral Law, there were for the first time secret ballots both in town and country districts. The results of the elections brought a great majority to the Government Party, which won 180 seats from 260, but the "Arrow-Cross," the Hungarian Nazi Party, have won large successes by gaining 43 seats. The opposition, consisting of the farmers, socialists and liberals, obtained only 32 seats. The result shows an impressive advance for the Nazi sympathisers.

In the course of an election speech, the Prime Minister, Count Teleki, stated that Hungary would strengthen her economic ties with Germany and Italy. He emphasised that as Germany is Hungary's biggest customer, the Hungarian economy must accommodate itself to a certain extent to the requirements of the German market. But both the Prime Minister and M. Kunder, Minister of Commerce, gave, however, the most emphatic assurances that Hungarian industry would be safeguarded and that the reorganisation of the productive structure would not imply a concentration on agriculture at the expense of industry. And in another election speech the Foreign Minister, Count Csáky, stated that Hungary was anxious to maintain good relations with the Western Powers.

Industry and Agriculture

There can be little doubt that after the rapid industrialisation of the post-war era, the relative importance of agriculture must, under the new situation in Central Europe, again come more into the foreground. A reorganisation of agricultural production will in any case be necessary, since the present disproportionate subsidy on wheat production (maintaining the internal price of wheat at 20 pengös, or 16 shillings per quintal) cannot be continued for ever.

The internal industrial situation has shown a distinct improvement for which the Government's five year investment policy is no doubt partly responsible. This provides for an annual public investment of 200 million pengös (i.e. some 3 per cent. of the national income) covered partly by a capital levy and partly by an internal loan. In the current Budget year, moreover, the extra Government income under the plan will reach 400 millions—140 millions by capital levy and 260 millions by the internal loan. The industrial improvement is best reflected in the figures of raw material imports, of which pig iron and scrap, copper, and coke have risen considerably.

Total imports in the first quarter of 1939 reached 122 million pengös, against 95.8 millions in the first quarter of 1938, while exports increased from 133.6 millions to 142.5 millions, leaving an export surplus of 20.5 millions for the quarter. On the export side the main increase was in agricultural items, while industrial exports, apart from textiles and iron goods, fell off slightly or remained stationary.

The most notable industrial development in recent years has been in the production of mineral oil. The exploitation of oil in Hungary began in 1937, by a subsidiary of the Standard Oil Company in South-Western Hungary. The oil proved of very good quality, and while production amounted to only 221 tons in 1937, reached 4,280 tons in 1938, and is still rising fast. In the last quarter of 1938 home production was already 35 per cent. of total home consumption, and it is generally believed that this year it may reach 50 per cent.

With the re-incorporation of Ruthenia, Hungary obtained a further 572,000 hectares of forest, which reduces Hungary's timber import requirements by some 15 million pengös per annum. The Ruthenian salt mines save another 3 million pengös of salt imports and make the country entirely self-sufficient in salt.

Hungary has prolonged the existing commercial treaties with France, Roumania, Sweden and Switzerland, and is negotiating for further agreements with Greece and Poland. Important negotiations are also proceeding with Germany to accommodate German imports without clashing with Hungarian industrial interests.

The Hungarian National Bank has now issued further instructions regarding the transfer of dividends to foreign holders. Every foreign shareholder can, by means of additional exports, now obtain 39 Swiss francs in lieu of each 100-pengö dividend claim. The transfer must be claimed within six months of the declaration of dividends. The dividends that can thus be transferred are estimated at about 4 million pengös per annum; and it is hoped that this will be interpreted abroad as a gesture showing Hungary's desire to fulfil, as much as possible, her financial obligations.

May 31st.

Rising Interest Rates in Holland

[FROM OUR AMSTERDAM CORRESPONDENT]

THE prevailing political uncertainty in Europe has necessarily left its mark on financial and economic developments in the Netherlands. In particular the position of the money and capital markets was strongly affected, these presenting an aspect quite different from that of the critical days of last September. Money rates did tighten decidedly at that time, but the movement was of brief duration and it entailed no further consequences. Now, however, the money and capital markets have assumed quite a different appearance. This is evident from the fact that the Dutch Investors' Front, embodying the large institutional investors, such as assurance companies, savings banks and so on, have recommended to their members a temporary rise of $\frac{1}{4}$ per cent. in the interest rates at which they are prepared to participate in private and mortgage loans.

In view of the lack of buying interest in the bond market, a pronounced decline in the price of State loans and bonds has taken place during the last few weeks. Taking the bond market as a whole, the interest yield has consequently risen by $\frac{1}{4}$ to $\frac{1}{2}$ per cent. Whether this change is likely to be permanent, and whether rates will continue to pursue their present upward course, cannot be foreseen, the movement being attributable to causes of a more or less abnormal nature. It is certainly not due to any increase in the demand for credit for industry and commerce. A number of less welcome influences are responsible—the withdrawal of refugee capital, pressure on the foreign exchange market and the desire for liquidity in view of the precarious international situation. Of these the flight of capital is probably the most important. Taking into account the fact that, as long as international tension continues, expenditure on defence will make further governmental loan requirements almost inevitable, the drastic *volte-face* in the capital market can hardly be wondered at.

It should not be overlooked that interest rates have actually been displaying a slightly upward tendency since the beginning of January. Throughout that time no conversion loans or new issues of any consequence have been brought on to the market apart from occasional loans privately negotiated with some large institutions. The firmness of quotations for bill discounts and prolongation money has also been attracting attention. Prolongation rates even rose to $2\frac{1}{2}$ per cent., but subsequently fell back to 1 per cent.

Smaller Gold Stock

The weekly returns of the Netherlands Bank show considerable movements. A few details are set forth below. These returns, it may be added, are nowadays not as informative as they used to be prior to the establishment of the equalisation fund and the omission of the amount of gold deposited abroad.

NETHERLANDS BANK (Millions of guilders) Weekly Returns					
	Sept. 28, 1936	Sept. 27, 1937	Sept. 26, 1938	April 17, 1939	April 24, 1939
Gold stock	670	1,265	1,480	1,248	1,226
Balances on current account:—					
Of third parties	51	588	608	462	448
Of the State	49	78	159	13	8
Bank note circulation.....	772	833	1,052	1,041	1,037

Note.—Sept. 27, 1936 = suspension of gold standard. Sept., 1938 = September crisis. April, 1939 = April crisis.

It will be seen that the stock of gold and the balances on current account are now decidedly smaller than in September.

In the following table the items for loans and the gold stock are shown week by week since they first fell back on February 27th.

	Loans (In millions of guilders)		Gold Stock (Millions of old guilders)	
	Total	Decline	Total	Decline
February 27th	234	30	1,431	30
March 6th	219	15	1,416	15
March 13th	214	5	1,411	5
March 20th	189	25	1,386	25
March 27th	174	15	1,335	51
April 3rd	174	...	1,309	26
April 11th	173	1	1,295	14
April 17th	175	+2	1,247	48
April 24th	174	1	1,226	21

During the last few weeks, the demand for dollars has slackened considerably, thanks to fears of immediate hostilities having subsided. In conformity with this, the release of gold by the Netherlands Bank has been on a smaller scale.

May 10th.

Chilean Exchange Rates

[FROM OUR SANTIAGO CORRESPONDENT]

THE economic life of Chile is completely in the hands of factors beyond her control. This is shown in the latest figures published of the country's balance of trade. During the first half of 1937, when the value of minerals, ores, and agricultural produce was high in international markets, the percentage of imports in the total trade was 25.6, the percentage of exports being 74.4. During the corresponding period of 1938 (a time of low values for Chile's exports), these percentages had changed to 41 for imports and 59 for exports. These percentages have drawn still closer together, and the export surplus at the end of 1938 was small. The figures for the first quarter of the current year, however, show a welcome improvement.

The diminution in the export surplus has reached a stage which is having a serious effect on the exchange market. Recent reports from the Exchange Control Board give an estimate of £1,000,000 as representing the value of commercial debts which have become frozen once more due to lack of exchange instruments.

As is natural, the result has been a contraction in the foreign buying power of the country as a whole, and the rationing of foreign money has become essential. This shortage cannot be blamed entirely on decreased values of Chilean commodities on international markets, but must be ascribed partly to the policy of the Exchange Control Board in its insistence in the maintaining of a fixed parity for export drafts (25 pesos per U.S. dollar). This has the effect of stimulating imports. Had export exchange been allowed to follow the market trend, it would still have been impossible to check the decreasing volume of exports owing to international

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factors, but on the other hand, a dearer unit would have been a valuable incentive to check an increasing importation of goods.

At the moment it is the Exchange Control Board's constant endeavour to correct this state of affairs and the new "prior permit" system is a step in the right direction. By this system, importers must first state their requirements to the Board, which can either accept or refuse permission to import. The importer must also state when he considers cover will be required. Under present circumstances this is a vast improvement in the control of imports, since the Board has it in its power to reject merchandise when it considers it unnecessary, or when stocks of any given article tend to accumulate. No goods are allowed to enter the country without this prior permit. The Control Board can now at any time tell the exact amount of the requirement of commerce for foreign exchange instruments.

An instance of the refusal of the Board to allow certain imports is shown in the calling for of a reduction in the country's imports of tea, which were recently reduced by 30 per cent., priority to import being given to firms dealing exclusively in this article to the detriment of the large importing houses of general merchandise.

The Need for Simplification

The time would appear to be ripe for a simplification of the multiplicity of rates of exchange extant in Chile. At the moment there is the official rate of exchange on the basis of 1.5d. gold, which is more in the nature of a Government rate, inasmuch as it is only used by the Government for national expenditure, such as diplomatic and consular services, and payment of re-armament requirements. Copper and nitrate companies' working expenses must be liquidated at this rate, and the difference of 20 per cent. between it and

the export rate accrues to the State. The compensation rate, that is the rate obtaining between Chile and those countries which have a commercial treaty, is based on 30 per cent. over the official rate (1.15d. gold); the export rate, at which most transactions take place, is fixed by the Exchange Control Board at 1.16d. gold. Another special rate for foreign drafts sold by the public to the commercial banks, the product of which may be used in certain specified instances, i.e. for so-called luxury goods, travelling expenses, etc., with the permission of the Board, is termed whitewashed exchange. This rate varies about 0.95d. gold per peso. Finally, there is the so-called black rate of about 0.85d. per peso. This is not officially recognised by the authorities.

There is a definite current of opinion in favour of the simplification of these rates, which are so bewildering to people outside of Chile. The mere existence of a control in any shape or form gives rise to an illegal or black rate. By allowing the pegged export rate to slip away gradually until it more nearly approximates the whitewashed rate, which is the real barometer of the market, the position would at once become simplified to a large extent, and though such a step would inevitably increase the cost of imported goods, it would through such action act as a deterrent to imports, since the average buying power of the man in the street in Chile is low.

There is little doubt but that this is at the back of the minds of the authorities, and with any real and sustained demand and an increase in the value of the goods that Chile exports, the simplification of exchange, so essential to the commercial life of the country, will be accomplished.

Whatever the outcome of future deliberations, there is little doubt that the official rate will be maintained, as from this source the Government receives valuable cheap supplies of exchange by way of indirect taxation of the copper and nitrate industries.

Letters to the Editor

The Conscription of Wealth

TO THE EDITOR OF THE ECONOMIST

SIR,—There are certain remarks in your article on "Conscription of Wealth" in the issue of May 13th which should not, I feel, be allowed to pass unchallenged. I refer especially to your curt and summary dismissal of the Labour Party proposal for a levy on property.

In discussing financial policy, it is surely essential to distinguish clearly between the actual war situation and what has been aptly termed the "near-war" situation. It is evident that we are now in a "near-war" situation but not in an actual war situation. The Labour Party proposal for a levy on property was specifically put forward, as the Debate speeches showed, to deal with this situation, and not with a full war situation.

It was put forward for two reasons. Firstly, because, as the article itself agrees, there is a *moral* case for the conscription of wealth. As you rightly say:—

What most people mean in advancing the need for the conscription of wealth is that if there are to be new, additional and onerous compulsions placed on personal liberty, then they should be accompanied by new, additional and onerous compulsions placed on wealth.

The proposal was advanced, secondly, because, contrary to the view expressed in your article, it is in fact a highly practical method of meeting the financial problems created by the "near-war" situation.

The policy of borrowing as much as £400 millions has generally been justified precisely because we are not yet at war, and because there is still a considerable amount of unused resources. It is felt that, if any attempt were made to raise this £400 millions by increasing direct taxation, the effects on industry might be disastrously deflationary. This argument has undoubtedly a great deal to be said for it, but it calls for a rather closer analysis. In the first place, the actual effects on employment resulting from the spending-out-of-loans policy depends to a very considerable extent on the method adopted for borrowing the money. It will hardly be contested that if the Treasury attempts to raise the full £400 millions by borrowing from the public, without any assistance from the banking system, the effect on interest rates will be extremely severe. On the other hand, if the bulk of the £400 millions is raised, directly or indirectly, from the banking system, the effect of the whole measure is likely to be far more inflationary.

Secondly, even if it be admitted that borrowing is desirable this year because of the need for industrial expansion, it is very doubtful whether the same need will exist next year, by which time unemployment will probably have fallen very near its minimum level. But there is every probability that the expenditure on defence next year will have to be just as heavy as this year. Shall we be justified in continuing to borrow next year, as well as this year? In the third place, it is an unfortunate feature of the borrowing policy that it necessarily increases the National Debt, and places a heavier *budgetary* burden on the future.

The Labour Party proposal for a levy on property is precisely designed to avoid the difficulties of a large-scale borrowing policy, without involving the deflationary effects of a policy of raising income and sur-tax. The proposal is in its essence extremely simple. It involves a levy on the value of property held by individuals possessing more than a certain amount of property, say, £20,000 worth. The rate of the levy would be graduated on the same kind of scale as existing death duties, but would not, in the average, exceed more than perhaps 2 per cent. It has been estimated that the number of individuals who would be affected by it would be not more than 120,000. The levy would be paid for the most part by handing over securities to the State, and the State would then proceed to realise these securities on the market, in precisely the same way as it would have sold new securities, had a policy of borrowing been adopted. An alternative method would be for the State to hold the securities raised by the levy and to issue new securities.

There can surely be no doubt that the proposal diminishes the need for increasing the National Debt. Is there anything particularly undesirable about its economic effects? It seems clear that these will be very much the same as the economic effects of borrowing by issuing new securities. The extent to which it is or is not inflationary will depend on whether the securities which the State sells are taken up by the banking system or not.

The comment in your article that "it is the nation's income that is relevant, not its accumulated wealth or capital," and that "the State is not interested in war-time in getting into its possession the land, factories or houses of its citizens, but only in diverting into its own coffers half of the income arising from these capital assets" seems to me largely irrelevant. In the first place, as I have said, the proposal was not put forward for war-time but for a "near-war" situation; and secondly, it is perfectly clear that the property acquired through the levy, which would mostly be paid in securities, would have to be sold again by the State in order

to raise the funds for current expenditure. The sales of these securities would, if the volume of money were unchanged, simply absorb existing savings. Nobody has ever suggested that the State should solve its budgetary problem by getting land and factories and houses into its possession.

There remains the somewhat complex question of the effects of the levy on consumption expenditure as compared with the effects of borrowing or raising income and sur-tax. I should expect the levy to cause a bigger reduction in consumption than borrowing would, and a smaller reduction in consumption than in taxation. The reason is that the levy would fall more heavily on the very wealthy than an increase in income and sur-tax, while, as compared with borrowing, it would involve a net loss of assets to the individuals who pay it.

I suggest, therefore, that the property levy proposal, although not perhaps so adequate a weapon in full war-time conditions for cutting down private consumption as increases in taxes on income, has very much to commend it, especially at the present time. It is equitable, it diminishes the need for increasing the National Debt, and its economic effects are in no way undesirable.

May I add, in conclusion, one last word on the problem of war finance proper? I am in entire agreement with you that every effort must be made to avoid the financing of the war by inflation. I also agree that it should be possible to increase taxation to a far greater level than most people care at present to contemplate. But I would suggest that, if you are considering increasing taxation on the scale suggested in your article, there is much to be said for the view that it would be simpler to place the whole income tax-paying class on an allowance basis and, instead of first of all allowing them to receive incomes and then taking away half, to deduct the half which you want at source.

I am,
Yours faithfully,

HUGH GAITSKELL.

London, N.W.3.

Full Employment

TO THE EDITOR OF THE ECONOMIST

SIR,—In forecasting the probable effects of this year's re-armament programme, Mr Kaldor (in his letter published on May 27th, page 491) appears to neglect certain factors.

(1) He takes for the basis of his estimate the probable value (£500) of the *gross* output per head and not the *net* output; hence his figures for additional employment refer solely to the industries *immediately* concerned with the products the Government actually buys; while the indirect effects in the industries producing raw materials and semi-finished products needed for re-armament are lumped together with the indirect effects in consumption goods industries. On this basis his estimate for the total indirect effects is too low. He ought to take at least three rather than two as his "combined multiplier."

(2) On the other hand, he does not appear to take into account that the cost of capital equipment (not furnished by the Government) is paid for as part of the price of the finished product; hence part of the current expenditure is amortisation with respect to past capital investment. Assuming that the bulk of factory construction in the armaments industries is already past, the effective increase in defence expenditure will not be so great as the official figures would suggest. (In my opinion the influence of this offsetting factor will not be strong enough.)

(3) His last point seems to pre-suppose that bottlenecks only arise in industries which supply armaments exclusively. But bottlenecks are just as likely to arise in the higher stages of production where Government demand competes with private demand; moreover, certain types of skilled labour and machinery in which shortages are likely to be employed by both armament and civil industries.

Yours faithfully,
T. BALOGH.

University College.

The "Square Deal" Report

TO THE EDITOR OF THE ECONOMIST

SIR,—With reference to the summary of the above report on page 482 of *The Economist*, May 27th, under No. 3, "Protection of Trade and Industry," you quote the following:

"In order to preserve fullest flexibility, proposed periodical conferences between railway companies and

trading interests should be set up by Statute. (Para. 35.)"

I am taking the liberty of pointing out that this is not quite correct. A reference to the report, para. 35, reads:

"The parties do not contemplate, nor do we recommend, that these conferences should be set up by Statute. The success of the proposal will depend in large measure on the spirit in which the parties approach the discussions which they are designed to foster, and we think it better to leave the position as flexible as possible."

It is agreed there is a large measure of opinion which feels that these conferences should have statutory authority, but the Transport Advisory Council have not made a recommendation to that effect.

Yours sincerely,
W. H. GREENALL.

Manchester.

[Owing to a printer's error two words were omitted from the sentence quoted, and the meaning was thereby changed to give the erroneous impression which our correspondent rightly criticises. The sentence should have read: "In order to preserve the fullest flexibility, the proposed periodical conferences between railway companies and trading interests should *not* be set up by Statute."—EDITOR.]

Books Received

The Directory of Directors, 1939. (London) Thomas Skinner and Company (Publishers), Ltd., 330 Gresham House, E.C.2. 1,933 pages. £1 10s. net.

This is the sixtieth issue of a directory whose usefulness to all connected with company work is re-emphasised with each annual edition.

A Critique of Russian Statistics. By C. Clark. (London) Macmillan. 76 pages. 6s. net.

Chemistry: A Survey. By A. Beck. (London) Gollancz. 96 pages. 1s. 6d. net.

Quo Vadis? By W. C. Sickesz. (Amsterdam) W. C. Sickesz. Vondelstraat 95. 54 pages. 7s. 6d. net.

L'Argent-Métal. By A. Vasanne. (Gembloux) Imprimerie J. Duculot. 227 pages. No price stated.

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Books and Publications

Shorter Notices

"History of the London County Council, 1889-1939." By Sir Gwilym Gibbon and R. W. Bell. Macmillan. 720 pages. 21s.

The past fifty years of London's Government have much around which an absorbing history might be built. Politically, there were the energetic years of the Liberals, the stolid years of consolidation by the Conservatives and the new era of the Labour Party. There has been the constant struggle between Council and Parliament and between Council and other local authorities. Economically and politically, there has been the evolution in the idea of local government to the present concept of public utility and active intervention to make people's lives happier. The trouble is that this new idea of service is still confined within the administrative framework of fifty years ago. It is therefore a pity that Sir Gwilym Gibbon and Mr Bell have not dealt with the jungle of London's various governing authorities or contrasted London's virile growth with the inability of the Council to grow administratively and the consequent diminished interest in its activities. The authors' appendices and the fairly full account given of each of the individual services of the Council will provide the specialist and the research student with invaluable condensed information. But the administrator will want to know still more.

"Member-Bank Borrowing." By Robert C. Turner. Ohio State University. Columbus.

This is one of the best contributions to the subject of central banking that has appeared for some years. Professor Turner takes as his field of study the Federal Reserve system, and concerns himself with the more important aspects of member-bank borrowing. His raw material is set out in a very full statistical appendix, including figures for bank rates on rediscounts and other rates in each Federal Reserve district for each month from 1922 to 1938. In an analysis of some 150 pages only, illustrated by charts, Professor

Turner isolates the main points at issue. The working banker just borrows; but it is interesting to observe from the correlations established in the present work that there are well-defined patterns of behaviour on the part of member banks in respect of borrowing, though Professor Turner takes good care to demonstrate that these patterns must not be over-simplified. The two theories submitted by the author to his strict statistical tests are the "profit theory" and the "need theory" of borrowing. The first holds that member banks borrow at the reserve banks whenever it is profitable to do so; the second that they borrow only of necessity and repay their borrowing as soon as possible. Professor Turner's general conclusions require more than a review to be examined at length; but they are very important. Whether bankers' behaviour approximates most closely to the one or the other of these theories is of profound significance to those in charge of attempts to control the credit system of the United States.

"Tin Statistical Year Book, 1939." The International Tin Research and Development Council. 200 pages. 8s.

The latest edition of this Year Book gives data on tin production, tin consumption, stocks, prices, etc. In addition it contains interesting historical information about the tin industry. Tin consumption is compared with world population, and it is shown that the increase in world tin consumption during the last 130 years has been much larger than the growth in population; per capita consumption has risen considerably. Details are given about the quantities of tin produced at mine or smelter. In Europe mine production amounts at present to less than 2 per cent. of the world total, while European smelter production accounts for about 80 per cent. of Europe's tin requirements. About 70 per cent. of the total world mine production comes from Asia and Oceania, while consumption in these parts does not exceed about 9 per cent. of the world total. In North and South America, on the other hand, consumption is double their mine production.

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THE BUSINESS WORLD

Electricity Shares and the Government

NOT surprisingly, the past year saw a slackening in growth of the electricity industry. Total units generated by authorised electricity undertakings increased by 6.4 per cent. from 22,902 million units to 24,376 million units. For the previous three years, the average annual increase exceeded 14 per cent. The 1938 figures, however, cannot be regarded as unfavourable for a year in which *The Economist's* Index of business activity fell from 111 to 101.

Despite the smaller increase in consumption, the further rise in the price of coal, and increased rates, the experience of the company undertakers was generally satisfactory. Excluding the London groups, only three large companies—Bournemouth and Poole, Shropshire, Worcestershire and Staffordshire, and Mersey Power—failed to increase their net earnings. The largest percentage increases were shown by North Metropolitan and Clyde Valley—a residential and an industrial company, respectively. The experience of the so-called industrial companies was not greatly different last year from that of the other company undertakers. In the industrial areas the increase in units generated was below the average for the whole country, but the industrial companies were probably able to pass on a larger proportion of additional fuel costs since power contracts usually contain a "coal clause."

Average fuel prices for selected "grid" stations were 20s. 3d. per ton last year against 18s. 3d. per ton for 1937. This increase involved an additional burden for company undertakings of between £300,000 and £350,000. Much of this additional burden was, of course, passed on to the consumer. Companies operating under a sliding scale, however, could only pass on higher fuel costs by limiting the scope for additional dividends above the standard dividend. So far as the investor is concerned, however, the increased cost of fuel has merely restricted the gains in net potential revenue.

In the following table the net revenues of fourteen major companies (not subject to the London Electricity Acts) are summarised for the past three years:—

RESULTS OF 14 ELECTRIC SUPPLY COMPANIES*			
	1936	1937	1938
Net revenue	£6,465,273	£7,178,977	£7,491,309
Fixed charges and preference dividends	1,826,692	1,890,443	1,931,450
Net revenue, after fixed charges	4,638,581	5,288,534	5,559,859
Depreciation	2,556,938	3,102,331	3,324,641
Ordinary dividends (net).....	1,835,875	1,843,334	1,845,117
Balance to reserves and carry forward	245,768	342,869	390,101

* N. Met.; Bournemouth & Poole; Midland Elec.; Midland Counties; Shrops., Worcs. and Staffs.; Northampton; Brit. Power & L.; Mersey Power; Elec. Distr. of Yorks.; Yorks. Elec.; Lancs. Elec.; Clyde Valley; Scottish Power; N.E. Elec.

Net revenue increased last year by £312,332 (4.4 per cent.) compared with £713,704 (11.1 per cent.) for 1937. The bulk of this increase is again absorbed by higher depreciation, while free reserves are increased by only £47,232. Net ordinary dividends are reduced, but on a gross basis, adjusting for tax, an increase of £87,209 would be shown,

the greater part of which arises from the 50 per cent. increase in Clyde Valley Electric ordinary capital. No company reduced its dividend, although the Shropshire, Worcestershire and Staffordshire dividend of 5½ per cent. entailed a substantial draft on the carry-forward. The Mersey Power Company also maintained its dividend, which requires £39,718, but only by cutting its depreciation charge by approximately £21,000.

Amounts shown above for depreciation include sums appropriated by certain companies to "Depreciation and Reserve" funds. They may, therefore, include a certain proportion of free reserves. It is difficult to see the advantages of this duplex form of appropriation, which leaves the extent of true distributable earnings and free reserves in some doubt. We have attempted, in the notes on electricity company results which have recently appeared in these columns, to overcome this lack of uniformity by calculating "standard" depreciation charges, based on the depreciation scales prescribed by the Electricity Commissioners for use under the Electricity Supply Act, 1926. An element of approximation is unavoidable in calculating

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standard depreciation charges, but they do afford a rough indication of the adequacy of the provisions made by individual companies. In the aggregate, the depreciation charges shown above exceed the standard depreciation charges by some £150,000.

The experience last year of companies which operate entirely or partly under the London Electricity Acts, was generally less favourable than that of the extra-London companies. Since the scope for sliding scale benefit depends upon a combination of reduced prices and reduced costs, the London companies were more seriously affected by increased generation costs. Excluding County of London Electric and South Metropolitan (for which detailed figures relating to the London section of the undertakings are not available), all London companies, with the exception of City of London Electric, experienced a reduction in net equity earnings, though all the companies (except London Electric, where the amount was practically unchanged) became entitled to additional sliding scale benefit. For London Associated Electricity, the fall in the operating companies' earnings was so acute that no appropriation for sliding-scale benefit was actually made. In fact, this company and the London undertaking of Metropolitan Electric failed to earn even their 7 per cent. standard dividends. Generally, the results were well below expectations. This generalisation does not, however, apply to the County of London Electric, whose figures showed the largest increase in equity earnings of any company—from £820,479 to £1,037,502—though it is impossible to estimate what proportion of the addition was actually distributable.

So much for the financial results of the industry in a year affected by slower growth and substantially higher costs. Its future remains clouded by legislative uncertainties. The Government's tentative proposals for implementing (in significantly altered form) the recommendations of the McGowan Commission, aroused opposition from company undertakers and local authorities alike, and they have long been pigeon-holed. Uncertainty still exists, however, because the problem of reorganisation has only been deferred and not solved. It has recently been intensified by the appointment of a Select Committee of the House of Lords, under the chairmanship of Lord Sankey, "to consider to what extent the efficacy of the statutory regulations imposed on gas, water and electricity undertakings regarding the raising of capital, the borrowing of money, the charges to be made, or the relation between dividends and prices charged, may be impaired through the control of such undertakings by another company." The setting-up of the Committee suggested that the Government was still anxious to deal with at least one aspect of electricity reorganisation—the control of supply companies by holding companies, certain aspects of whose activities received pointed comment in the McGowan Report.

The Committee, however, has now suspended sittings until November. Presumably, this fact implies some change in the official view of the holding company problem; it certainly involves further delay, whose importance to the investor may be measured by the fact that the majority of the twenty largest companies control important subsidiary companies. Hence the majority, on a narrow definition, might be regarded as holding companies. It would be hazardous, in these circumstances, to attempt to anticipate the outcome of the Committee's deliberations upon the structure of the electricity supply industry.

Two other outstanding problems, with serious investment consequences, would also be involved in any reorganisation of electricity distribution—the co-ordination of many local undertakings (on more efficient and tactful lines, it may be hoped, than were adumbrated in the Minister's draft proposals two years ago) and the purchase rights of local authorities. Of these two questions, the latter is undoubtedly the more pressing. During the next few years, purchase rights in respect of a large number of important undertakings will become exercisable. Further disintegration of existing supply systems is undesirable, and since the Commissioners' consent is necessary before purchase rights can be exercised, it is probable that franchises will be extended on terms which provide for restriction of profits. On a question of such importance, Parliament should lay down definite lines on which extensions of

tenure are to be conceded, and the Government's original proposals did, in fact, deal with this matter. Without guiding principles, each extension of tenure will be decided after negotiation between the local authority and the company concerned, with the Electricity Commissioners exercising supervision. In existing conditions, it is probable that supervision is less effective than the Commissioners themselves would desire; in any case, it is difficult to strike a *via media* between the aspirations of some local authorities, and the feeling among certain companies that the right of purchase has become somewhat theoretical.

In recent negotiations there has been a natural tendency to use the London 1925 Acts as a working model. From the point of view of the consumer, this may involve the fixing of the standard dividend at a relatively high level. The rate of 7 per cent. provided in the London 1925 Acts was appropriate when 5 per cent. War Loan was quoted at par, but conditions have changed violently since that time. On the other hand, a disproportionately low standard rate might one day react unfairly upon new franchises with a life of up to forty years. Moreover, it has yet to be seen whether the sliding scale under the 1925 Acts will provide an adequate incentive to enterprise in the later stages of the franchise. Perhaps a sliding scale commencing at a fairly low rate—say one-twelfth of consumers' benefit—and gradually increased at, say, five-yearly intervals to perhaps one-third on additional increments of consumers' benefit would meet this point. Finally, the 1925 Acts ignore differences of capital structure; an undertaking mainly financed by ordinary shares may thus enjoy higher charging powers than one whose capital is mainly represented by prior charges at a low rate of interest, while the "incentive" provided by the conventional sliding scale also depends largely upon the capital structure.

The Midland Electric Corporation for Power Distribution provides an example of extended franchise, which is of particular interest to investors. The undertaking was subject to purchase by the local authority in 1932, at fair market value of the assets, without allowance for goodwill. The new order, issued in 1933, provided for a 40 years' extension of tenure to 1973, when the undertaking will again become purchasable on the basis of net depreciated assets, without goodwill. During this period, the Corporation is entitled to pay 6½ per cent. on the agreed capital attributable to the undertaking (other than Loan Capital) and may also distribute an additional ¼ per cent. for every reduction of 2½ per cent. in prices below the standard tariff, while 6 per cent. may be paid on any further capital supplied from free reserves. Up to 1943, an additional ½ per cent. may be paid when prices do not exceed the standard tariff. In effect, therefore, the company is allowed 7 per cent. on its capital for the first ten years and 6½ per cent. thereafter, plus 6 per cent. on additional capital invested from free reserves. In 1938, prices charged were 22½ per cent. below the standard tariff, so that the company was entitled to distribute an additional 2¼ per cent. Provision is made to vary the standard tariff, at intervals, to meet unavoidable changes in operating costs, or any change in the various classes of supply. In this case, at least, the shareholder has not suffered, for the dividend on the increased capital has been 9 per cent. for the past three years, as against 8 per cent. paid for some years previously.

This example might suggest that electricity shareholders need feel little misgiving regarding maturing purchase rights. This order, however, was negotiated in 1932, and future negotiations might be less favourable. On this point, at least, the need for general principles, carrying the full force of Parliamentary approval, is urgent. The problem of the holding company, and the long-range question of reorganisation of distribution may perforce be left to a later date. When that day comes, two points must be borne in mind: first, that reorganisation must be synonymous with increased efficiency, which is not necessarily the same thing as a geographical parcelling-out of supply areas; and secondly that the part of those who have financed the industry—both investors and ratepayers—should be recognised, and not obscured by an excess of zeal to benefit the consumer at the expense of long-term development.

Sea Fishing

IN the past seven years there have been three official reports on the sea fishing industry and four Acts of Parliament—a degree of Government activity which rightly indicates that all is not well with this important trade. The fishing industry has, indeed, been the victim of abrupt changes in the conditions of both demand and supply and of the stability of its own structure and technique.

Before the war over half of the British catch consisted of herring, the greater part of which was exported to Russia and Germany. The extent of the fall in the volume of herrings caught and in exports of cured herrings can be seen from the following table:—

	1913*		1929		1937	
	'000 cwt.	£'000	'000 cwt.	£'000	'000 cwt.	£'000
(i) Fresh fish:—						
British landings:—						
Cod	3,354	2,179	3,613	3,485	7,513	4,149
Haddock	2,221	1,862	3,079	3,363	2,979	2,396
Hake	645	629	741	1,994	601	1,111
Herring	12,183	4,572	8,310	3,600	5,563	2,196
Total (all kinds)	24,096	14,501	21,123	19,647	21,807	15,934
Average value per cwt.						
Herring			8s. 11d.		7s. 3d.	
Demersal fish			25s. 5d.		17s. 10d.	
Foreign landings	2,238	1,093	3,333	4,823	1,852	3,193
British exports	1,470	1,216	1,482	1,254	1,338	953
Retained for home consumption: total	24,864	14,378	22,974	23,216	22,321	18,174
Retained for home consumption: fresh	15,155		15,976		19,488	
(ii) Cured or salted:—						
Retained imports	141	174	244	408	78	89
Exports	9,529	6,287	6,040	4,148	2,787	2,410
(iii) Canned fish:—						
Retained imports	761	†	1,180	6,407	1,561	6,512
Exports	†	†	157	403	98	386
U.K. output of canned fish (Census of Production)			1930			
			131		327	
(iv) Consumption per head of all kinds of fish (excl. shell fish)	1b. 39.36		1b. 42.59		1b. 49.81	

* Including Hare. † Included with cured fish. ‡ Not available.

Increased consumption of meat in Continental countries and national self-sufficiency have been the chief reasons for the very drastic decline in British exports of herrings, but there has also been a fall in home consumption. The trouble of cooking herrings and of disentangling the flesh from the bones has steadily reduced their popularity, although consumption of fish of other types has increased considerably since the war, and reached in 1937 nearly 50 lb. per head. The place of the herring has been taken by cod, which is the fish most favoured by fish fryers to complement chips.

Because the herring and the white-fish sections of the trade are distinct, this change in the public's demand has very severely affected the herring fisheries. Redundant boats, mostly over-age and badly equipped as the result of the long depression, excess curing capacity and the decay of the main herring ports in East Anglia and East Scotland—the problems of the herring trade are fundamentally the same as those of any industry which is faced with contracting markets. In this case, however, they have been accentuated by the small size of the fishing and curing units; many herring boats are worked by their joint owners, and units who operate more than a few boats are extremely rare. The Herring Industry Board has stated that in 1937 the average earnings of English steam drifters were £2,780 and of Scottish drifters £1,588: to meet wages and running expenses alone the former required £2,700 and the latter £2,200 per annum. In 1933 it was estimated that 94 per cent. of all drifters were more than 10 years old and 60 per cent. more than 20 years old.

The serious plight of the herring industry led in 1935 to the setting up of the Herring Industry Board, on the recommendations of the Sea Fish Commission of 1932. The Board has been able, through money provided by the Exchequer, to give grants for re-equipping boats or building new ones, and it has done much good work in the way of market research. It has also limited the length of the catching season. But local jealousies have so far rendered any reorganisation of the market difficult, and led in 1938 to the substitution of an appointed Board, with an

advisory council composed of the trade's representatives, for the original elected Board.

With the shift-over in public taste from herrings to white fish, it might be thought that the white fish or trawling section of the industry would have flourished as the herring fleet suffered. But the white fish boats have been afflicted by a change in the technical conditions of production. The excessive and unco-ordinated fishing over past years in the North and Irish Seas (known as "home" waters), or alternatively, as some experts hold, the limited food supply for an increase of fish population has led to the landing of an increasing proportion of smalls, as is shown in the next table:—

	PERCENTAGE OF TOTAL LANDINGS OF WHITE FISH CLASSED AS "SMALLS"		
	1913	1933	1935
Cod	24	46	32
Haddock	43	85	83
Plaice	42	70	72
Hake	17	63	69

One result of this development has been the depression of market prices, since a two-year-old cod weighing 2 lb. does not fetch one-third of the price of a 6-lb. cod, owing partly to the greater waste in gutting and heading. Consequently, there has been a steady pressure to extend the range of operations to more distant waters in the Bear Island and Barents Sea areas. It has been estimated that in 1906 70 per cent. of the fish landed were caught on voyages that lasted less than a week, while in 1937 this proportion had fallen to between 35 and 40 per cent.

As a result of the longer voyages involved, the small slower type of trawler has become progressively less efficient, and rebuilding has become progressively more important. In 1934 the Sea Fish Commission found that only 18 per cent. of all trawlers were less than 10 years old and the majority of the new boats were registered at Hull, where the development of the distant fisheries has been prosecuted with vigour. Nearly half of the Hull fleet were in 1935 under 10 years of age, but a considerable number of older boats displaced have been sold to other ports, where they were still in commission. The increase in the number of regular fishermen insured against unemployment is also an index of the increasing use of the larger boats employing a crew, as against the smaller boats worked by two or three self-employers.

A further result has been the intensified problems of storing fish until landed. The traditional method, of packing fish in ice, is not effective for more than a week or so, and in summer months much fish has been landed in imperfect condition. It was partly to meet this problem that the Hull trawler owners agreed in 1932 to a voluntary embargo on northern fishing in summer, and in subsequent years a similar prohibition has been enforced by orders issued under the Sea Fishing Industry Act, 1933. But even outside the summer months the average quality of the fish landed has deteriorated owing to the inefficiency of the older methods of preservation. The Sea Fish Commission suggested that solutions to this problem might be found, firstly, by brine freezing, if this could be made commercially practicable, and secondly, by the employment of "factory" ships, which would act as fish stores and carriers for a number of trawlers.

The industry also suffers from an inefficient system of distribution, established in the days when speed in handling fresh fish could only be obtained by a multitude of dealers each concerned with only a small quantity. The margin between the value of fish landed at ports and its retail price has widened considerably in the last twenty-five years, as the table opposite shows.

On leaving the trawlers, fish is first handled by the port wholesalers, whose true function is to find markets and make up fish in suitable quantities and of the kinds demanded. There has, however, been a quite excessive increase in the numbers of port wholesalers since the war

	All food prices; retail*	Av. price of fish landed at ports†	Fish prices; retail*
1914	100	100 (1913)	100
1930	145	145	219
1937	138	112	204
1938	140	126	203
1939 (Jan.-Mar.)	137	...	210

* Ministry of Labour Gazette.
† Sea Fishing Statistics.

with the result that the quantity handled by each has fallen considerably at Fleetwood, Milford Haven, Aberdeen and Grimsby. Hull is the single exception to this tendency, probably as a result of the port's comparatively recent development by fairly large concerns. The port wholesaler deals partly with retail shops and partly with inland wholesalers, who are concentrated at Billingsgate. As long ago as 1882 complaints were made that the Billingsgate market was unduly cramped by the narrow network of streets and by the distance from the railway termini. The actual working of the market has also received strong adverse comment at the hands of various post-war inquiries. Doubts have been cast—with how much justification it is difficult to say—on the price list, which, it was suggested, was inflated in order to enable distributors to justify prices to the public. On stronger ground were the complaints of the excessive number of "bummarees," i.e. the secondary wholesalers, who break up and mix different kinds of fish in lots required by the retailers.

In 1934 the White Fish Commission made the following estimate of the price structure of fish distribution:—

Price paid by port wholesaler to—		
Trawler owner.....		100
Wages	8	
Carriage and packing	11	
Other expenses and net profit	4	
	23	
Price paid by inland wholesaler to—		
Port wholesaler		123
Wages	8	
Carriage and packing	6	
Other expenses and net profit	7	
	21	
Price paid by retail fishmonger to—		
Inland wholesaler		144
Wages and salaries	27	
Carriage and packing	6	
Rent and rates.....	9	
Other expenses and net profit	10	
	52	
Consumer to retail fishmonger		196

It will be noted that the margin for net profit is nowhere great, but that total wages at each stage make up nearly 45 per cent. and carriage and packing 30 per cent. of the

difference between the prices paid to the trawler owner and by the consumer. A vertically organised concern, such as Macfisheries, which owns trawlers and shops, would no doubt be able to effect reductions on the average shown above. A prominent chain of variety stores has given evidence of this possibility. Kippers of a somewhat different quality from those sold by fishmongers have been placed on the market by this firm at a price considerably below that charged by other retailers, as a result of savings effected by direct contact with curers. Similarly, a fish frier probably saves by buying fish (usually cod) in bulk as well as in shop expenses, as compared with the fishmonger.

Retailers are, broadly speaking, of two kinds: fishmongers and fish friers. It is estimated that there are about 16,000 fishmongers and between 25,000 and 30,000 fish friers in Great Britain. The latter have for many years been of great importance in Lancashire and Yorkshire, where one-third of them are still situated, but it is only in the last ten years that they have spread in the South of England on a large scale. It has been estimated that the fish friers take about one-half of all the white fish landed.

A first step towards a reorganisation of the distributive side of the industry was the passing in June, 1938, of the Sea Fish Industry Act. A White Fish Commission has been established with powers to register producers, distributors and processors, to submit marketing schemes to poll, to set up a marketing board and to initiate co-operative schemes for inshore fishermen whose activities could not be usefully included in the scope of a marketing board. Hitherto, only the registration has been carried out, but in March, 1938, a deputation of the British Trawlers' Federation pressed the need for action on the Minister of Agriculture and Fisheries.

After many years' delay two competent organisations—the Herring Industry Board and the White Fish Commission—have at last been set up to deal with the problems of the fishing industry. Foreign competition is negligible, as imports have been limited by quota since 1933 to 1½ million cwt. per annum. On the production side, both of the main sections need new equipment, fewer but larger boats and better methods of storing and handling their catch. On the distribution side, any improvement must involve a reduction in the numbers of port wholesalers and an increase in the dispatch of fish direct from ports to the principal towns in bulk instead of in the separate lots of each wholesaler. Any attempt to improve the finances of the industry by raising retail prices through restricted catches would only aggravate the problem of redundant capacity by preventing the continuation of the rise in consumption. To raise prices at ports by reducing the present distributive margin will naturally create considerable hostility among those distributors whose livelihood is threatened, but if the consumption of fish is to be expanded to the benefit both of the fishermen and of the population, a reform of distributive methods is essential.

Finance and Banking

The Czech Gold.—The debate on the adjournment of the House of Commons on Friday of last week was very largely taken up with the affair of the Czech gold. The Government's previous attempts to withhold the real facts have had an effect directly opposite to that which was presumably intended. The indignation that is naturally felt at the prospect of Germany deriving any benefit from her aggression has been inflated to the dimensions of a political storm, and the Chancellor of the Exchequer felt impelled, at the end of the debate, to undertake a re-examination of the legal aspects of the matter. The gold is believed to be still physically in London and the Chancellor's inquiry is, in plain language, a search for legal means of keeping it here. The whole affair is unfortunate and has seen one blunder after another. But it is doubtful whether a decision to retain the gold in London would not be the last and biggest blunder of the series. Such a decision could only

be made possible by a very peculiar reading of the legal position, which would certainly violate the spirit of the undertakings that were given to the B.I.S. when it was set up, even if it could be accommodated with their letter by some such unworthy casuistry as the suggestion that the Bank of England is not bound by the British Government's promise to give immunity to the B.I.S.'s assets. And if Great Britain is prepared to twist the law for the sake of a single case (however worthy that case may be), what is likely to be the effect on London's reputation as a financial centre?

The truth and the common sense of the matter seem to be that the decision was the B.I.S.'s, and that once Basle had accepted the instructions it received from Prague, the Bank of England had no real option in the

matter, however distasteful it might be to see Czech gold go to Germany. (The attacks made on the British members of the B.I.S. Board are, incidentally, based on the assumption, which there is some reason to believe is false, that they knew anything about the decision until after it had been made.) That the decision made in Basle contravenes British notions of the duty of a prudent banker was apparent from the debate in the Commons. That the affair has still further restricted the scope of the B.I.S. cannot be gainsaid. The statutes of the B.I.S. have been shown to have a painful imperfection. But even as no more than a central bankers' club, the B.I.S. is a body which it is well worth while keeping alive, in spite of one blunder—which, in the nature of the case, is highly unlikely to be repeated, since the central bank of every State threatened by aggression has now had warning. The greatest need of the moment is to prevent anti-aggressive ardour from destroying all sense of proportion.

Big Credit Displacements.—The incidence of Whitsun in the last week of May has accentuated the usual month-end disturbance in the credit position. The expansion in the note circulation over the week-end appears to have been rather below normal proportions, while the movement was rather late in starting—probably because the clearing banks had already fortified their provincial tills during the preceding weeks of international tension. The latest Bank return shows that on Wednesday evening last, by which time there had probably been some reflux of holiday currency from circulation, the note issue was £5,211,000 higher than a week previously. The post-Whitsun Bank return a year ago showed an increase of £5,800,000. The comparison favours the 1939 figures, since the latest Bank return was dated May 31st and thus reflected the additional requirements of cash which always make themselves felt at the end of the month. The money market had anticipated that the withdrawal of currency from the banks and the accumulation and immobilisation of funds in Government accounts preparatory to the War Loan dividend disbursements on Thursday would cause a perceptible tightening of credit. No such tendency was apparent, though, under the influence of these two factors, bankers' deposits at the Bank of England had by the close of business on Wednesday fallen to the precarious total of £82,391,000. The discount market probably averted the development of any stringency by postponing its payments for Treasury bills during the past week until the turn of the month had been safely passed. This meant that though the market syndicate at last Friday's tender had obtained the generous allotment of 74 per cent. of its applications, the task of taking it was deferred until resources had again been swollen by the distribution of War Loan dividend on Thursday. The result of this uneven incidence of Treasury bill payments during the week was to leave the Treasury rather short of funds on the final day of the month. In order to mobilise in public deposits the resources required for the June 1st dividend payments, the Government was probably forced to raise money on Ways and Means advances at the Bank, and such operations may be responsible for the £5,000,000 increase in Government securities shown by the latest return.

French Consolidation Loan.—A much-needed process of consolidation in the French Government's external debt was brought to a successful conclusion towards the end of last week. It took the form of the placing with a group of Dutch banks, headed by the Mendelssohn house, of 155,000,000 guilders of 4 per cent. 6 years bonds, and with a Dutch-Swiss group of a 100,000,000 guilders 3½ per cent. 6 year loan which is being issued to the public at 97½. These two operations provide funds which will replace a heterogeneous mass of short-term indebtedness incurred for the French railways and the Treasury mostly at periods of financial stress in France and without due care for the

proper sequence of maturities. As part of this indebtedness coming to maturity in recent months has been repaid, the placing of the medium term loans has, in fact, provided the French authorities with some new money in the form of guilder balances. The selling of guilders from this source has been the most important factor in this market during the past week and has been almost wholly responsible for the slight depreciation of the Dutch rate in London. The loans to France have not, however, operated solely against the guilder. A substantial part of the 255,000,000 guilders has, in fact, been placed outside Holland. The bonds have been offered on a fairly large scale in the London market and it is evident that the subscriptions for both types of medium security have involved a demand for guilders which has gone some way towards offsetting the selling of the guilder proceeds from French official quarters. It is very interesting to note that the new bonds do not incorporate the gold clause. In its place they include a dollar clause. The substitution is an interesting reflection of the recent growth of international confidence in the immutability of the dollar—gold parity.

Building Society Finance.—Mr Walter Harvey's address from the chair at the annual conference of the Building Societies Association this week frankly discussed a number of current building society problems. Mr Harvey expressed the movement's welcome of the Government's Bill on Building Societies. It is not, as he recognises, perfect in its present form. The question of agency commissions, for example, will need close consideration in Committee. Although the societies will be able to contract out of warranty for properties on which they make mortgage advances, the warranty clause is not regarded as futile, since it will put the mortgagor on independent inquiry, and relieve the societies of any public misconception of their functions. Mr Harvey castigated those societies—and the number has tended to grow—which habitually trade on bank overdrafts. This practice fully deserves the adjective "pernicious," for the societies concerned are likely to be faced with the recall of bank accommodation at the very time when their financial circumstances may be strained. The steady fall in the proportion of liquid assets held by the movement has attracted considerable comment in recent years, and many societies could not show even half of the general proportion of 10 per cent. of liquid assets to total assets. Mr Harvey suggests that depositors in particular might obtain increased protection if 25 per cent. of total deposit liabilities was held in cash and realisable securities, and earmarked as special security. Whether such segregation is workable in practice would require careful examination. Meanwhile, there is everything to be said for improving the liquidity of those societies, which are, in effect, fully invested.



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MONEY MARKET NOTES

The Bank Return

THIS week's Return, being dated May 31st, shows the full effect of the preparation for the War Loan dividend payment on Thursday. Thus public deposits are up by £12.8 millions, while bankers' deposits show an almost exactly corresponding fall to the low level of £82.4 millions. The note

Issue Dept.	June 1, 1938	May 17, 1939	May 24, 1939	May 31, 1939
Gold	326.4	226.2	226.2	226.2
Value per oz. fine	85.148	51.148	51.148	51.148
Notes in circulation	484.9	493.6	494.6	499.8
Banking Dept.				
Reserve	42.3	33.2	32.2	26.9
Public Depts.	24.9	16.8	25.5	38.3
Bankers' Depts.	102.8	107.3	95.3	82.4
Other Depts.	35.5	36.1	36.4	37.1
Govt. Secs.	109.7	113.5	114.0	119.0
Discounts & Advances	8.9	10.1	7.1	8.0
Other Secs.	20.0	21.3	21.7	21.7
Proportion	25.9%	20.4%	20.4%	17.0%

circulation has expanded again, by £5.2 millions, the further increase being due partly to the Whitsun holiday, and the fine weather accompanying it, and partly to end-of-the-month requirements. The withdrawal of currency has reduced the Reserve to the low figure of £26.9 millions, and the "proportion" stands at only 17 per cent.

Foreign Exchanges

HOLIDAY conditions have prevailed in the foreign exchange market for the greater part of the week, and the amount of business done has been small. Sterling has been firm, the rate advancing from \$4.68½ at the end of last week to \$4.68½ on Tuesday and \$4.68½ on Wednesday, an improvement which has taken place without any direct assistance from the Control. The Canadian dollar has been firm in terms of sterling, closing on Tuesday at 4.69½, which was only 1½ c. above

the London-New York rate. The new arrangements for dealing in travel marks came into force on Thursday. Previously it was possible to obtain about 24½ travel marks for £1, but under the new Standstill Agreement, described in a Finance Note last week, they have become dearer, and on Thursday were quoted at about 21.80 to the pound.

The Money Market

CONTRARY to expectations, all the banks did not come into line with those which raised their buying rates for August bills to ½ per cent. in the middle of last week. This may have been one reason why the market syndicate raised its bid by one penny at the Treasury bill tender, which, together with the fall in total

	June 2, 1938	May 25, 1939	June 1, 1939
Bank Rate	2	2	2
London Deposit Rate	1½	1½	1½
Short Loan Rates			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	1½-5/8	1½-1/8	1½-3/4
Discount Rates			
Treasury bills	1½	5/8	5/8
Three months' bank bills	9/16	11/16	5/8-11/16

* Viz. 1½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. ¼ 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.

applications of £2.5 millions, secured it the remarkably large allotment of 74 per cent. As pointed out in a Finance Note, the syndicate evidently concentrated its payments on the last three days of this week, so that any stringency which might have been felt, in view of the low level of bankers' deposits at the Bank of England, was thereby averted.

The Bullion Market

DEMAND for gold has come almost entirely from arbitrageurs, while sales have consisted of newly-mined gold and

official supplies. In view of the strength of the pound and the inclusion of a premium of ½d. in the price, the bigger arbitrage demand on Wednesday, when the turnover rose to £472,000, compared with £245,000 on Tuesday, was rather surprising. Even more surprising was the encouragement given to arbitrage, and therefore to the pound, by the Exchange Account, which is understood to have provided the bulk of the supplies. This is contrary to its former policy of only releasing gold when sterling was in need of support. Shipments

Date	Price per fine oz.	Prem. or Disc.	Amt. dealt in £'000	Silver price per oz. standard
May 26	148 5½	par	182	191½
27	148 5½	par	182	191½
30	148 5½	2 pm	245	191½
31	148 5½	2 pm	472	191½
June 1	148 5	par	347	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.

of gold, presumably on official account, to Canada have in recent weeks been running at a very high level, amounting in the five weeks to June 1st to £30.9 millions. These shipments are in accordance with the policy, initiated last year, of keeping part of the national gold stocks overseas in case of war. On the other hand, shipments from South Africa to the United Kingdom have also been big, totalling in the same five weeks £10.7 millions, while a further £1.2 millions is due to arrive on June 9th. These shipments are in excess of the current production of the Transvaal mines, so that presumably some of the gold earmarked since last September is being transferred.

INSURANCE NOTES

to £3,608,000 is recorded, and an increase in British Government securities from £3,912,000 to £4,218,000. Debenture and ordinary stocks showed some increase, but preference stocks fell from £1,766,000 to £1,722,000. General reserve remains at £2,500,000, investment reserve increased from £1,961,000 to £2,210,000 and the profit and loss balance, after providing for the final dividend, amounts to £1,479,000. The dividend is maintained at 60 per cent., and costs £437,000, compared with available interest earnings of £366,000.

Caledonian Insurance Company.

—New life assurances in 1938 amounted to £2,103,000, compared with the 1937 record figure of £2,166,000. The net rate of interest fell by 2s. 3d. per cent. to £3 16s. 8d. per cent. In other branches premium income increased in the fire branch by £14,000 to £712,000, in the accident branch by £45,000 to £559,000 and in the marine branch by £14,000 to £111,000. The additional reserve in the accident department has been increased by a transfer of £30,000 from profit and loss. The underwriting

results for the last two years are shown below:—

	1937	% of Profit	1938	% of Profit
Fire	65,472	9.4	51,782	7.3
Accident, employers' liability, general, motor	10,963	2.1	29,501	5.3
Marine	10,000	...	5,000	...
Life	12,871	...	12,872	...
Charges to profit and loss	99,306	...	99,155	...
	72,565*	...	53,178	...
	26,741	...	45,977	...

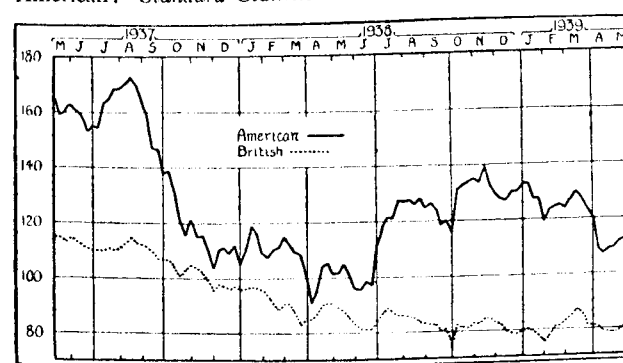
* Includes transfer of £25,000 to general reserve.

Assets amount to £11,891,000, while life department assets increased from £8,258,000 to £8,547,000. There was no marked redistribution of Stock Exchange securities, which stand in the balance sheet at less than market values on December 31st last. The fire, accident and marine funds amount to 110 per cent., 83 per cent. and 172 per cent. respectively of the 1938 premium income. General reserve fund remains at £600,000, and the profit and loss balance, after payment of the 1938 dividend, amounts to £178,000. The dividend, which is at the rate of 75 per cent., costs £85,000, against interest earnings of £75,000.

Investment

How Far Recovery?—April was a month of idle disillusionment for the investor; but May has marked a recovery similar in pace, though not similar in origins, to that of February. Sentiment has fluctuated with the progress of the formation of a comprehensive anti-aggression front, and the market, perhaps a little prematurely, made a truly capitalistic response to the anticipation of a firm pact with Russia. The political background has thus improved sufficiently far for the investor to take stock of economic realities. And those realities at the moment are pointing to a vigorous industrial recovery. In its early stages, at least, the month's recovery was assisted by the stringent technical position, and only modest buying was needed to produce a sharp response in prices. It could hardly be claimed that buying has since got into full stride. As this week's movements have shown, there is considerable readi-

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.



ness to take profits, and the large institutional buyer has apparently still to be tempted. Yet investment brokers have not complained at the turnover recorded in the last ten days. For the recovery in gilt-edged, the shortage of stock operated as the proximate cause, but to a degree which, in view of the market's defence responsibilities, showed surprising vigour. Indeed, the *Financial News* index of fixed interest securities (1928=100) must take honours in precedence to the ordinary share index, for it has recovered from 114.9 on May 1st (the lowest point recorded since the occupation of Czecho-Slovakia) to 120.5 on May 31st, while the more volatile industrial average has advanced in the same period from 78.4 to 84.6. The latter figure, however, is sufficiently near the March "high" of 88.0 to open up the possibility of a chartist "bull market," provided that no untoward political event disturbs the tentative strengthening of investment confidence.

Revival of Trustee Borrowing.—After the spectacular success of the South African loan last week—the scrip closed at 7½ premium on Thursday, but touched 1½ on Tuesday—the market has welcomed the Northern Ireland issue of £2,500,000 3½ per cent. stock, 1950-54, at £98 10s. per cent. The special financial responsibilities of the British Government towards Ulster are, of course, fully recognised by investors, and Northern Ireland investors provide much support for their own issues. But the feature of greatest interest in the prospectus is perhaps the revival of annual drawings, at par by a cumulative sinking fund of 2½ per cent. per annum, operating half-yearly, commencing in September. It is calculated that drawings will extinguish approximately half of the issue by the date of final redemption. Hence, calculation of the redemption yield involves striking an average between the mean expectation of life of half the stock so repaid, and the full life of the remainder. On this basis, the theoretical average life of the loan would be slightly over 11 years,

and the redemption yield £3 18s. per cent. to the nearest 3d. multiple. The stock will not attract a large premium over par, in normal circumstances, owing to the risk of repayment by drawings. And although, in this case, the sinking fund provisions undoubtedly added to the attractions of the issue (which was quickly subscribed on Thursday) not all trustees welcome the responsibility of re-investing capital sums received from drawings. After the rapid gains of the past ten days, a natural profit-taking movement has caused fractional losses in the gilt-edged list. But the readiness of the market to welcome new trustee issues—though they have been arranged on attractive terms—is a welcome sign, for it may presently be faced with the more serious task of absorbing an instalment of this year's heavy defence borrowing.

London Fares and the Investor.—On Friday last week, the Railway Rates Tribunal handed down its judgment on the joint application of London Transport and the main line companies for a basic increase of 5 per cent. in passenger fares in the London Pool area. Its unqualified assent was marked by a spectacular jump of 8 points in London Transport "C" stock to 80, and by gains of 4½ points and 2½ points in Southern preferred and deferred stocks to 75½ and 17½ respectively. The consequences of the judgment were already well known to all transport stockholders. They were set out in detail in a leading article in *The Economist* of April 1, 1939. Briefly summarised, the estimates suggest that, in a full year, London Transport will obtain £732,000, Southern Railway £300,000; L.N.E.R., £71,000; L.M.S., £60,000; and Great Western, £16,000, after giving effect to the pooling scheme. On the basis of last year's results of London Transport, the realisation of this estimate would imply that the standard dividend of 5½ per cent. for the "C" stock would be earned with a margin of approximately £114,000. For the Southern Railway, the expected increase, again on the basis of last year's results, would suffice to make up the deficit of £131,871 on the full 5 per cent. preferred ordinary dividend which was paid, and leave a surplus equivalent to just over one-half per cent. for the deferred stock. In terms of the preferred stock alone, the increase represents more than one per cent. Although the increases will be effective for three weeks of the current

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Phoenix Assurance Company.—New life assurances amounted to £4,967,000, compared with the previous record of £4,921,000 for 1937, and the net rate of interest fell by 3s. 10d. per cent. to £3 16s. 5d. per cent. Fire and accident premiums total £2,731,000 and £3,899,000, against £2,746,000 and £4,061,000 respectively. The accident results were the best for many years. Marine premiums increased by £686,000 to £741,000, but no transfer was made last year to profit and loss. The results of the last two years are given below:—

	1937	% of Profit	1938	% of Profit
Fire	272,654	9.9	239,138	8.8
Pers. Accident, Emp. Liability & Gen.	191,433	4.7	304,872	7.9
Marine	20,000	2.9	...	...
Life	40,000	...	40,000	...
Charges to Profit and Loss	524,087	...	584,010	...
Investment reserve	333,109	...	372,937	...
	190,978	...	Dr. 38,927	...

Consolidated assets increased from £36,942,000 to £37,708,000 and life assets alone from £19,291,000 to £19,630,000. Among the life assets a slight decrease in mortgages and loans

year of London Transport, and for the same period in the current half-year of the main lines, no great change is to be expected in the potential earnings position of the Board, which was examined in detail in our earlier article. If there were any large-scale forestalling of the increase by renewal of expiring season tickets before June 11th on a longer basis, the figures might, however, be affected. But the general indications suggest that for the current year the Board may not pay more than 4 per cent.

* * *

Rules for "Outside" Dealings.—The Board of Trade has published this week draft rules for the conduct of business of licensed dealers in securities under the Prevention of Fraud (Investments) Act. Although they are stringent in detail, their general effect will eliminate the notorious abuses which have been exploited by certain untrustworthy outside dealers. All offers made in writing (a description which covers telegraphed or advertised offers) must state the stock exchange on which quoted securities are dealt in, or give particulars of the manager and trustee of a unit trust, or, in the case of unquoted securities, be unaccompanied by a written statement conforming with the prospectus requirements of the Companies Act or in the form outlined in the schedule to the Rules. The latter requires full particulars of capital, dividends, and management personnel, and if they are not available, a statement to that effect must be included. Hence the investor will necessarily be informed whether the security is quoted and, if it is not quoted, will be provided with sufficient information to form a general view of the quality of the investment offered. No licensed dealer may deal with any person as the result of a call, unless the call was made by request; and calls arising from unsolicited communications are not deemed to have been "requested." These rules do not apply to transactions with professional dealers, nor to clients who have done business with the dealer at least three times within the past seven years. Detailed contract notes are to be issued, and accounting records maintained, and kept for seven years. No margin or option transactions may be made by a dealer except as an agent, and such deals must be supported by a corresponding transaction with a member of a recognised stock exchange. Nor may instalment payment facilities be offered unless payments are to be made at intervals not exceeding one month, and involve not less than 10 per cent. of the total consideration. These rules have been issued in draft, and representations may be made to the Board of Trade regarding them up to June 30th. As they stand, they will provide far-reaching safeguards for the investor against the activities of any would-be sharepusher who manages to obtain inclusion in the list of licensed dealers.

* * *

Capital Issues and Trustee Borrowing.—Offers of capital to the public and to shareholders reached the highest total since January at £5,774,000. Although this figure contrasts favourably with the stagnation in April, the comparison is greatly assisted by the £5 millions South African 3½ per cent. loan. Apart from the resumption of trustee borrowing, the general degree of capital market activity is scarcely better than in recent months. Computations of capital issues on "old" and "new" bases are given below:—

(£'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
Jan., 1938	150	12,001	4,095	Nil	16,246	150	13,900	5,422	Nil	19,472
Mar., 1938	300	4,266	80	2,399	7,045	300	10,194	140	2,399	13,033
Apr., 1938	Dr. 1300	125	Nil	Nil	Dr. 1175	Dr. 1300	3,110	478	Nil	2,288
May, 1938	Dr. 350	14,155	11,554	Nil	25,359	Dr. 350	17,508	12,193	Nil	29,351
Feb., 1939	Dr. 250	5,519	350	Nil	5,619	Dr. 250	6,165	3,850	Nil	9,765
Mar., 1939	Dr. 450	1,499	26	200	1,275	Dr. 450	5,784	980	200	6,514
Apr., 1939	Dr. 500	285	3	Nil	Dr. 212	Dr. 500	1,932	3,073	Nil	4,505
May, 1939	Dr. 650	1,296	5,008	120	5,774	Dr. 650	3,264	5,429	120	8,163

The Sydney issue has not been included in these totals, which exclude conversion operations, while the Northern Ireland loan will appear in the June total.

Foreign Bonds Recover.—Foreign bonds have shared in the May market recovery, with particularly emphatic advances in the European list. The index of bond prices computed by Municipal and General Securities Company (January-June, 1934=100) shows an advance of one point during the month to 57.8, but the European index has jumped practically 8 points, from 63.4 to 71.3. Movements in the component series of the index are shown below:—

AVERAGE JANUARY-JUNE, 1934=100

End of Month	Europe	Near & Far East	Egypt	South and Central America			Complete Index	Under- faulted Bonds	De- faulted Bonds
				States	Pro- vinces	Total			
1938	(28)	(31)	(4)	(35)	(11)	(46)	(109)	(52)	(57)
May.....	85.7	74.9	98.4	63.0	47.2	58.8	70.7	75.3	66.6
June.....	(27)	68.5	98.0	65.9	51.2	62.0	(100)	(48)	(60)
	89.0						71.1	76.5	67.0
September	(26)						(107)	(47)	
December	88.5	66.2	96.1	57.7	44.4	54.2	66.1	72.3	61.7
	78.1	64.2	87.0	53.7	40.7	50.2	61.3	68.7	56.0
1939	(25)						(106)	(46)	
January...	69.1	57.7	83.2	56.2	40.2	51.9	58.3	64.7	53.8
February...	75.1	59.1	82.0	55.8	42.9	52.4	60.1	67.5	54.9
March.....	66.5	60.3	78.8	57.5	45.7	54.4	59.6	66.0	55.1
April.....	63.4	59.1	74.0	54.2	41.4	50.8	56.8	63.4	52.1
May.....	71.3	59.9	78.6	52.2	40.3	49.1	57.8	64.8	53.0

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

Egyptian bonds have made a partial recovery to the March level. In the Far Eastern group the fall in under-faulted Chinese issues has been more than counter-balanced by a recovery in Japanese bonds. Uncertainty, however, still prevails in the South American market, where doubts concerning Chile's intentions towards future service, and disappointment at Brazil's continued silence have depressed prices to the lowest levels of the year.

Company Notes

John Brown Profits.—The results of John Brown, like those of other companies closely concerned in the defence programme, show no spectacular advance for the year to March 31st. Net profits, according to the preliminary announcement, have increased by the relatively modest amount of £23,709 from £526,973 to £550,682 and the dividend is maintained at 17½ per cent. tax free. Earnings are equivalent to 23.3 per cent. net, compared with 22.2 per cent. for the previous year. Thomas Firth and John Brown, in which John Brown holds some 75 per cent. of the £1,100,000 "A" ordinary capital and the whole of the £450,000 "B" ordinary capital, actually showed a slight reduction in net earnings for 1938, although it paid 17½ per cent. tax free, as in the previous year. The possibility of any considerable element of directorial control of profits, however, is hardly suggested by the formula in last year's report of John Brown, which showed that total profits had been struck after providing for "all expenses, remuneration of management, etc." The group now holds a controlling interest in Westland Aircraft, jointly with Associated Electrical Industries, and has undertaken rapid extension of aircraft production, while a large sub-contracting scheme has been set up. Hence, its interests, direct and indirect, in defence work are now very considerable. The preliminary statement does not disclose to what extent, if any, payments on account of the "Queen Elizabeth" were taken into the latest year's profits. Meanwhile, the shares, which rose slightly on the dividend announcement to 33s., yield £7 14s. 6d. per cent. on a gross basis, and appear to recognise the prospect of some degree of special taxation under the Government's arms profits proposals.

* * *

Boots Pure Drug.—Boots' shareholders ceased last year to expect surprises in their final dividends, when the directors left the company's jubilee unmarked, and the 24 per cent. on the ordinary shares, with a 5 per cent., tax free, bonus, is strictly according to the years-old

formula. Nor does the report for the year to March 31st give any indication confirming the hope of a capital bonus distribution. Net income last year is slightly higher at £951,946, against £941,372, but the report offers no explanation of the increase. In 1937-38, however, a year of record turnover, £36,000 was provided for special depreciation before striking net income. Ordinary dividends (equivalent to 30.9 per cent. gross) again absorb £464,000, and are covered by earnings of 49.0 per cent., against 43.3 per cent. The directors ceased after 1936-37 to make allocations to general reserve, when the fund reached £2,000,000, but the addition of £265,000 to contingencies reserve suggests that their caution has in no way been modified. Three years' comparative figures are given below:—

	Years to March 31st		
	1937	1938	1939
Net Income†	967,412	941,372	951,946
Directors' fees	6,471	6,500	6,500
Depreciation and renewals	168,276	180,348	174,406
Pref. and pref. ord. divs.	96,750	96,750	96,750
Ordinary shares:—			
Earned	695,915	607,774‡	674,291
Paid	464,000	464,000	464,000
Earned (%)	50.0	43.3	49.0
Paid (%)	30.67	30.9	30.9
General reserve	100,000	Nil	Nil
Contingencies reserve	50,000	Nil	265,000
Other reserves	70,251	122,133	48,549
Carry forward§	316,987	346,730	248,724

† Trading profit plus income from investments, etc., less staff pensions and taxation; in 1938 less £36,000 special provision.

‡ After £50,000 to taxation reserve.

§ 24 per cent., and 5 per cent., tax free, bonus in each year, excluding 3½ per cent., cash distribution from capital profits in 1938.

§ Includes £7,233, £8,102, and £5,251 in respective years from works development reserve fund.

The balance sheet shows that "sundry creditors and provision for contingencies" have been increased from £864,204 to £1,005,359, while depreciation reserve is £37,127 higher at £917,685, and the contingencies reserve has now reached £500,000. The assets side shows a slightly less liquid position, while shares in subsidiaries are somewhat lower at £929,521, against £946,441. Analysis of the subsidiary trading concerns' accounts for 1937-38 shows that the net book worth of the subsidiaries was £2,767,000, and this sum, which is attributable to the parent company, forms the basis of the long-standing expectation of a capital bonus. The parent company, in 1937-38, apparently received only £12,000 in dividends from subsidiaries, out of available earnings of £165,922. Hence the company could well afford an increase of share capital and a more generous dividend policy. Whether this statement of possibilities justifies the unusually low yield of £3 12s. per cent. on the ordinary shares, now quoted at 43s., is another question.

* * *

Edmundsons Electricity Consolidation.—The trend of consolidation of the Edmundsons Electricity group (to which reference was made in last week's issue of *The Economist*) was further discussed by Sir Thomas Royden at Wednesday's meeting. The final objective is a group consisting of the parent company and ten—perhaps fewer—directly-owned operating subsidiaries. The group is still expanding at a satisfactory rate, though its activities have been hampered by legislative uncertainty. It has, in particular, special concern in the proceedings of the House of Lords Committee, whose examination of the activities of holding companies in the utility industries has now been postponed until November 16th. And the Wessex company, which desired last year to increase its capital, has so far failed to obtain the sanction of the Electricity Commissioners for a new issue. Whatever case may exist for the reorganisation of utility "empires" controlled by holding companies, or indeed, of electricity distribution generally, no case can be made out for administrative delay which impedes the development of the electricity industry. If imme-

diately legislation is impracticable, there is much to be said for Sir Thomas Royden's view that the present status of municipal and company undertakings should be preserved until Parliament can deal comprehensively with the industry.

* * *

Associated Newspapers Setback.—The difficulties of newspaper companies last year are sufficiently well known for some decline in profits to cause no surprise. In the case of Associated Newspapers, however, the reduction in profits for the year to March 31, 1939, appears distinctly severe. The report draws attention to depressed trade conditions, and to the increased cost of newsprint, which was operative for the full year as compared with only part of 1937-38. Following the announcement of the halving of the deferred dividend from 25 per cent. to 12½ per cent., the accounts show a 43 per cent. reduction in total profits from £793,198 to £452,353—a level which is considerably below one-half of the profits recorded from 1934 to 1937. No special factors which might have contributed to the decline are mentioned in the report, but the latest results can hardly be welcome to shareholders, even when full allowance is made for the adverse experience of all newspaper groups last year. The force of the reduction of £340,845 in total profits is borne in full by the deferred shareholders, whose earnings, at £378,266 represent 14.1 per cent., against 26.3 per cent. No allocation is made to publicity reserve, which received £50,000 a year ago, but £100,000 is placed to reserve for contingencies (which is not shown separately in the balance sheet), by drawing upon the carry forward to the extent of £67,401, which stands at £457,730. Despite the sharp decline in profits for the latest year, the 5s. shares, quoted at 9s., still yield little over 7 per cent.—a return which is lower than the current yield on a number of comparable newspaper shares.

* * *

Satisfactory Oil Dividends.—Recent oil dividend announcements show that 1938 proved more favourable for the leading companies than the market had feared. In 1938, world production of crude oil was reduced to 1,983 million barrels, against 2,032 million barrels in 1937, while prices were reduced in the autumn. The moderate reduction in world production, however, has not necessarily affected some of the smaller companies, and the price reduction in the U.S.A. only affected the last quarter of the year. Hence the year's average price level was relatively satisfactory, although it was lower than in 1937. All doubts regarding the significance of the enigmatic "Shell" Transport "second interim" declaration in April were set at rest last week by the declaration of a final dividend of 2½ per cent. tax free, making 20 per cent. tax free for the year as in 1937,

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while profits are provisionally announced at £6,795,000 against £6,754,330. The profits experience of Royal Dutch has evidently been similar, for the 17 per cent. dividend is repeated, by the declaration of a final dividend of 3 per cent. in addition to interims of 14 per cent. These declarations greatly cheered the oil share market on the eve of the holiday. Indications of the Venezuelan Oil Concessions results are equally welcome. The year's dividends on the preference and ordinary shares are 16½ per cent., against 22½ per cent. on a smaller capital. During 1938, the share capital was raised from £4,798,249 to £7,197,373 by a cash issue, and the latest year's dividend should absorb approximately £1,214,500 gross, against £1,079,600 in 1937. The company's vigorous development policy may make the dividend an imperfect guide to actual earnings, for Lord Bearsted disclosed that, up to June last year, production was running 20 per cent. ahead of 1937—a satisfactory situation in view of the apparent stability of world output at that time. Increased production may also prove to have been a factor in the results of Anglo-Egyptian Oil, whose 12½ per cent. dividend on the "B" shares is repeated. Since production from the Hurghada Field is declining, the company has been active in opening up new sources. Production from the important Ras Garib well No. 3 began at the end of 1937, and storage and transport facilities were expected to be ready by July last year. The market has welcomed these announcements, and oil shares are firm, pending the issue of the full reports.

* * *

Burmah Oil Report.—The results of Burmah Oil, and the resumption of dividend payments by Attock Oil, are no less encouraging. Burmah Oil shows higher total profits, despite political disturbances which interfered with drilling and production. Supplies for marketing remained fully adequate, but political unrest affected costs. In such circumstances, a 12 per cent. reduction in trading profits is not surprising. The 20 per cent. rise in investment income (due to the legacy of larger distributions by Anglo-Iranian and "Shell" Transport from the previous year) puts the investment revenue above trading profit for the first time. The following table shows the allocation of profits in the past three years :—

	Years ended December 31,		
	1936	1937	1938
	£	£	£
Trading profit	2,598,225	2,856,436	2,520,092
Total profits.....	4,070,679	5,075,420	5,178,433
Depreciation	336,467	354,152	370,559
Taxation	225,973	538,581	731,813
Other expenses	177,718	184,756	196,118
Preference dividends.....	300,000	300,000	300,000
Ordinary stock—			
Earned.....	3,030,521	3,697,931	3,579,943
Paid	2,518,360	2,747,302	2,884,668
Earned %	33.1	40.4	26.1
Paid %	27½	30½	21
General reserve	500,000	960,513	600,000*
Carry forward	647,155	637,271	702,154†

† And 50 per cent. capital bonus. * Of which £500,000 to Fields Expenditure Equalisation reserve. ‡ After £30,392 issue expenses.

Owing to the substantial rise in taxation charges, ordinary earnings are slightly lower than in 1937, but as a result of the 50 per cent. capital bonus distributed last June, the 1938 dividend of 21 per cent. (which disappointed the prophets of a 22½ per cent. payment) absorbs £137,366 more than the 30 per cent. distribution of 1937. Perhaps the main feature of the 1938 accounts is a special addition of £500,000 to the fields expenditure equalisation reserve. Extensive areas are now being surveyed and drill tests may be involved later. If this allocation were charged as an expense, earnings for the equity would be reduced to 22.4 per cent.

Attock Oil Dividend.—The market's expectation of satisfactory results from Attock Oil have not been disappointed. A moderate dividend for 1938 was foreshadowed last September, when an issue of 300,000 £1 shares was made at 25 per cent. premium to finance the new refinery, and again in a progress report at the end of January. The 7½ per cent. distribution (on the old capital of £1,500,000), while satisfactory itself, greatly understates the improvement in profits. Net profits amount to £309,345 against £56,885, but depreciation absorbs £180,000 against £40,000, leaving earnings of £129,345, equivalent to 9.1 per cent. on the old capital. For 1937, only 1.1 per cent. was earned, and no dividend had been paid since 1928. Last year's new issue has yet to achieve the earnings stage. In 1938, output amounted to 535,475 barrels, against 250,754 barrels in 1937, and 110,026 barrels in 1936. Yet in some wells, production was mechanically restricted owing to the limitations of refinery and storage capacity. The market's conviction that the company faces a brighter future—marked by a yield of no more than £2 9s. per cent. on the £1 shares at 62s. 6d.—does not seem misplaced.

* * *

The Week's Company Profits.—This week our usual analysis of profit and loss accounts, appearing on page 579, comprises 41 companies for which comparable figures are available. Total net profits amount to £7,906,000 against £8,713,000, a decline of 9 per cent. Aggregate net profits of 1,192 companies which have reported in 1939 to date, are 8½ per cent. lower at £160,265,000 compared with £174,914,000 earned by the same companies in the previous financial years. The week's results are discussed in preceding Notes, and on page 563 under the heading "Shorter Comments."

* * *

Company Meetings of the Week.—Reports of company meetings commence on page 567 of this issue. Sir Thomas Royden's speech at the *Edmundsons Electricity* meeting is discussed in a Note on page 559. At the meeting of *John Summers and Sons*, Mr R. F. Summers informed shareholders that the issue of 4½ per cent. debenture stock was sufficient to cover the installation of the new strip mill and to leave a working margin. The mill is expected to be in operation by the end of this year. Mr J. F. Taylor reported to shareholders of *Pease and Partners* that bank loans had now been paid off and the concern was in a strong financial position. At the meeting of *Gold Fields Australian Development*, Mr J. A. Agnew informed shareholders that, at the present rate of milling, there was a four years' supply in the ore reserve. Mr E. F. Slade, at the meeting of *Batang Consolidated Rubber*, declared that the directors aimed at acquiring a new rubber area involving an increase of capital. At the meeting of *United Sua Betong Rubber*, Sir John Hay stressed the principle that the regulation scheme makes an essential commodity available to all countries, and ruled out specific favours to one country. Sir Thomas Royden informed shareholders of *Imperial Continental Gas* that a larger distribution from the Belgian interests might be made this year, coupled with increased revenue from Edmundsons Electricity and a reduced debenture liability. At the meeting of *London County Freehold and Leasehold*, Sir W. J. M. Burton pointed out that the company's properties were spread over a wide area, and were consequently less vulnerable to air attack. Mr W. Arthur Addinsell informed shareholders of *Holyrood Rubber* that the company's planting rights have been transferred to Edensor Rubber, in which Holyrood is interested. At the *Ever Ready Company (Great Britain)* meeting, Mr Magnus Goodfellow disclosed that sales in April and May were substantially in advance of the same months last year, both in volume and value.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET	ACCOUNT
JUNE 6	JUNE 8

THE markets reopened after Whitsun in cheerful mood, but as the week progressed the advance lost some vigour, although investment sentiment remained confident. Special importance, therefore, need not be attached to the rather more hesitant tone apparent towards mid-week. Profit-taking towards the end of the account was the main factor at work, while the market's mood was further subdued by knowledge of the delay in reaching an Anglo-Soviet agreement.

Gilt-edged stocks began briskly with a renewed rise in prices, due to shortage of supply accompanied by persistent, if scattered, public buying following the complete uneventfulness of Whitsun in the international sphere. Both perpetual and medium-dated stocks showed gains of up to ½ a point. But already in late dealings on Tuesday a little profit-taking was apparent, and it became more pronounced as the end of the account approached, the undated stocks being most affected. In comparison, however, with the upward tendency of the past few weeks, the reaction was very moderate. News of the Northern Ireland loan caused momentary hesitation, on the generosity of its terms rather than distaste for the issue, which was quickly subscribed on Thursday. Home Corporation issues were unexciting but steady, while, among Colonial issues, New Zealand issues were favoured on Mr Nash's visit and resisted the mid-week irregularity. The section was affected on Wednesday, however, by somewhat heavy selling of the South African scrip before the 3½ per cent. call.

Foreign bonds were quiet and movements diverse. Japanese bonds were supported, but Chinese became rather weaker. Greek loans were in demand in mid-week on hopes of an improved debt offer.

*

At first, *home rails* advanced strongly on further consideration of the Square Deal, on the increase in London area fares, and on hopes of good Whitsun traffics. Profit-taking, however, set in owing to fears concerning the labour position. London Transport "C" began the week with a further rise after last Friday's spectacular leap, on the fares increase, but slipped back later. Argentine rails shared in Tuesday's general cheerfulness and remained fairly firm.

A similar trend was evident among *industrial shares* over the week. Moderate gains in prices prevailed but some profit-taking began in late dealings on Wednesday, and on Thursday there were a number of slight losses. Until mid-week, iron and steel shares were very firm, and the trend of prices was moderately upward. John Brown, however, were unaffected by the small increase in profits and the maintenance of the dividend, while Indian Iron and Staveley were exceptions to Wednesday's firmness. Strength was also shown by the engineering section, North British Locomotive, in particular, responding to news of good contracts.

The general advance among coal shares continued, and electrical equipment issues were firmer for choice. With a few exceptions, motor shares moved upward, while the revival of interest in aircraft manufacturing issues continued. Brewery shares were hardly so satisfactory as other sections, for prices moved only slightly on Tuesday, and the trend then became irregular. Apart from the mid-week hesitation common to most sections, tobacco shares were firm. The stores group made a good showing, and the tendency was also firmer in the provision and catering section. Textile issues, for a change, were among the more interesting groups. Moderate gains were general on Wednesday, support persisted towards mid-week on the better industrial prospects, and the section was practically exempt from the general hesitation on Thursday. Until profit-taking brought a slight but widespread reaction on Thursday, miscellaneous issues moved to higher levels. Shipping shares were quietly supported.

*

Oil shares continued their recent advance on Tuesday. Anglo-Iranian were firm in anticipation of the dividend, while Burmah Oil, "Shell," Royal Dutch and Venezuelan Oil Concessions received support. Later in the week, the close of the account affected business, but in a firm market Anglo-Egyptian "B" advanced further. Among *rubber shares*, the commodity's sound statistical position imparted a consistent firmness. On Tuesday, Rubber Trust and Anglo-Dutch were in demand, but later the advance became general on public support.

Among *mining shares*, Kaffirs, especially East Geduld, received early support on Tuesday from the Cape. Later in the week, local and Paris support more than maintained the advance. Developing mines were also favoured, with Western Holdings and West Wits in the lead. Finance shares, at first narrowly irregular, became firmer in mid-week. Among *West Africans*, Arison continued to forge ahead, the advance becoming general by Wednesday. Greater activity was evident among copper shares, less popular issues sharing in the improvement, while tin shares advanced, with Mawchi in the lead.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains‡	Corres. Day 1938	Security Indices	
			30 ord. shares*	20 fixed int.†
May 26	7,230	6,425	83.4	120.0
" 29	"	Bank Holiday	"	"
" 30	7,180	6,275	84.6	120.5
" 31	6,895	6,735	84.3	120.4
June 1	6,090	6,175	"	"
High... 1939	"	"	88.0	123.5
Low... 1939	"	"	73.7	114.9
			Jan. 27	May 1

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

ACTUARIES' INVESTMENT INDEX

The appreciable revival of May is fully reflected in the Actuaries' security indices both of fixed interest stocks and of industrials. Gilt-edged in particular have recovered sharply from their low levels of April, and are now about the

same as in January, while industrials make an equally good showing, and after rising nearly 5 points in as many weeks, are well above January levels. The index of 160 industrial equity prices stood at 64.3 on Tuesday, May 30th, against 59.4 five weeks ago, and 64.0 a year ago. The corresponding average yields are 5.53, 6.03 and 5.94 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)		
	May 31, 1938	Apr. 25, 1939	May 30, 1939
<i>Fixed interest :—</i>			
2½% Consols (1).....	131.9	117.1	123.9
Misc. ind. deb. (14) ..	120.8	114.1	115.2
Misc. ind. pref. (26) ..	112.5	104.1	106.8
<i>Ordinary shares :—</i>			
Insurance (10)	110.8	106.8	113.1
Coal (8)	80.8	76.9	83.6
Iron and steel (19) ..	50.1	54.1	58.4
Oil (4)	77.8	74.5	81.4
Home rails (4)	51.1	34.1	49.2
Stores, etc. (18)	57.8	52.5	58.4
Breweries, etc. (20) ..	124.9	106.6	120.0

Group	Yields (%)		
	May 31, 1938	Apr. 25, 1939	May 30, 1939
<i>Fixed interest :—</i>			
2½% Consols	3.38	3.81	3.60
Misc. ind. deb.	3.95	4.17	4.13
Misc. ind. pref.	4.37	4.71	4.59
<i>Ordinary shares :—</i>			
Insurance	3.83	4.02	3.80
Coal	6.93	7.62	7.03
Iron and steel	9.12	7.00	6.48
Oil	6.53	7.81	6.56
Home rails	6.49	0.50	0.34
Stores and catering ..	5.65	6.19	5.43
Breweries, etc.	5.35	6.21	5.49

New York

WALL STREET opened confidently on news of federal arbitration in the automobile strike, anticipated higher steel mill activity and Mr Morgenthau's tax plans. Chrysler and U.S. Steel were outstanding. The market was closed on Tuesday. The advance continued on Wednesday with more cheerful foreign news, steel and railroad shares being particularly active. But though the Dow-Jones index of industrial averages gained a point on the day's trading, the later advances were not held. The *Iron Age* estimates this week's steel mill activity at 52 per cent. of capacity against 48 per cent. last week. Steel scrap prices have also hardened on the 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				
	Low Apr. 12	High Jan. 4	May 17, 1939	May 24, 1939	May 31, 1939
347 Ind'ls.	92.8	114.5	94.5	98.7	100.4
32 Ruls.	23.6	32.5	24.0	25.6	26.3
40 Utilities....	77.8	88.3†	81.2	83.9	84.8
419 Stocks ...	79.3	95.6	81.1	84.6	86.0
Av. yield % ..	4.34% High	3.31% Low	4.34% High	4.12% Low	4.06% Low

* 50 Common Stocks. † March 8th.

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

May 25	May 26	May 27	May 29	May 30	May 31
110.8	111.2	111.8	112.7	Closed (c)	112.3

1939 High: 130.3 January 4th. Low: 98.8 April 8th.
(c) Memorial Day.

TOTAL DEALINGS IN NEW YORK

1939	Stock Exchange		Curb Shares
	Shares 000's	Bonds 000's	
May 25	1,010	7,350	162
" 26	620	5,450	108
" 27	380	3,100	63
" 29	600	4,320	83
" 30	Closed		
" 31	660	5,790	95

* Two-Hour Session. (c) Memorial Day.

New York Prices

	Close Latest May 25, 1939	Close Latest May 26, 1939
--	---------------------------------	---------------------------------

1. Rails and Transport

Atchafalpa	29½	29½
Balt. & Ohio	51½	51½
B.M.T.	12	11½
Can. Pacific ..	4½	4½
Ches. & Ohio ..	34	32½
G.N. Ry. Pk.	21½	21½
Illinois Cent.	12½	12½
N.Y. Central ..	15½	15½
Norfolk Pac.	9	8½
Pennsylv. Ry.	18½	18½
Southern Pac.	13½	13½
Southern Ry.	15½	15½
Union Pac.	96½	97
Greyhound	19½	19

2. Utilities and Communications

Am. W. Works.	10	10
C. & S.	13½	13½
Con. Edison	31½	31½
Col. Gas & El.	69	64
El. Bond & Sh.	9½	9½
Nat. Pwr. & Lt.	7½	7½
N. American	21½	21½
Pac. Gas & El.	31	30
Pac. Lighting	48	48½
Pub. Serv. N.J.	37½	37½
Stan. Gas & E.	3½	3
United Corp.	21½	21½
Un. Gas Imp.	12½	12½
Amer. Tel.	165½	164½
Inter. Tel. For.	75½	74½
West. Union	19½	20½
Radio	69	68
" B. Pref.	63	64

3. Extractive and Metal

Am. Mol. Mill	14½	14½
Beth. Steel	57½	58
Beth. Steel P.	106½	109
Republic Ste.	16½	16½
U.S. Steel	48½	48½
U.S. Steel P.	106	108½
Alaska J. Neau	8½	8½
Am. Metal	28½	30
Am. Smelting	43	42½
Anaconda	25	24½
Bona Alum	21½	22
Cerro de Pas.	38½	38
Int. Nickel	49½	48½
Kennecott	32½	32½
Patino Mines	10½	10
Tex. Gif. Sul.	29	29
U.S. Smelt.	52	52½
Vanadium	20½	21
Atlantic Ref.	21	20½
Phillips Petr.	36	35½
Shell Union	11½	12
Shell Un. P.	105½	105½
Socony Vac.	12½	11½
Stan. Oil Cal.	26½	26½
Stan. Oil N.J.	44½	44
Texas	40½	39½

* ad

Paris

THE Bourse made a promising start in May, though rentes and mining shares continued weak. M. Litvinoff's resignation and the impending new Government loan imparted a more cautious attitude, but optimism soon revived. Trading was thin, however, and chiefly on professional account, but M. Reynaud's review of France's finances and the increasing confidence in the country's preparedness resulted in the over-subscription of the new loan, which, in

turn, encouraged a harder tone in rentes. Home industrials and international issues, after uncertainty in the middle of the month, finished on a firmer note.

	May 3, 1939	May 31, 1939	May 3, 1939	May 31, 1939
3% Rentes 81-10	79.95	79.95	Chargeurs	550
4% Rts. 17 84-20	83.50	83.50	Reunis	615
Banque de			Rio Tinto	2,260
Francee. 7,675	7,950	7,950	R. Dutch	59,200
Credit			Mex. Eagle	75.50
Lyonnais 1,613	1,688	1,688	Chartered	203
Suez Canal 14,485	15,060	15,060	Ford	54
Wag. Lits. 61-50	69-50	69-50	De Beers	1,143
			Johnnies	357
				412

Berlin

THE first half of the past month witnessed an upward tendency, but subsequently gains were lost in idle and rather featureless markets. Steel, shipping and electrical shares led an upward movement in the first week, but shipping shares quickly lost ground. The middle of the month brought rather quieter markets and prices drifted downward, relieved only by a short rally in electrical stocks. Though the tone remained rather undecided, prices were firmer towards the end of the month.

	May 3, 1939	May 31, 1939	May 3, 1939	May 31, 1939
Reichs-bank ...	178.50	178.50	Nord. Lloyd ...	57.50
D.D. Bank ...	112.0	111.50	A.E.G. ...	114.50
Dresdner ...	105.50	105.50	Siemens ...	192.00
I.G. Far. benind. ...	149.25	149.90	Stahl ...	102.75
			Hamburg Amer. ...	56.75

Amsterdam

THE month opened quietly, and political factors were responsible for a downward drift of prices. As optimism on the political outlook developed, prices recovered, Fokker Aircraft, Unilever N.V., and Royal Dutch rising several points. In addition to local industrials, commodity shares and American issues received support, and by the middle of the month the *Telegraaf* composite share index had improved from 195.53 to 204.56. Later less favourable business reports, and the delayed negotiations between Britain and Russia tended to curb activity, and earlier gains were reduced. The resignation of the Dutch Finance Minister and Danzig incidents further unsettled the bond and share markets, but on the Royal Dutch dividend and rising hopes of an Anglo-Soviet agreement, the market concluded the month on an active note.

	May 3, 1939	May 31, 1939	May 3, 1939	May 31, 1939
2½% Dutch 74½	73	73	A. K. U. ...	337½
5½% Ger.* 167½	191½	191½	Ford Motor	342½
Philips Lp. 184½	198½	198½	Deli B. To.	149
Neth. Ship. 108½	119½	119½	Ryl. Dutch	292½
Lever Bros. 128½	134½	134½	Hand. Am.	406
& Unilever 128½	134½	134½		431½

* Without transfer certificate.

Canada

THE Canadian stock markets remained in a very nervous and reactionary condition till nearly the end of April, but since May began there has been a gradual recovery, although the volume of trading has remained low and the public is still very cautious. The formation of an anti-Fascist bloc has revived confidence, however, and an advance in commodity prices has been a helpful factor, but the markets were sluggish

until the fourth week of the month. The shares of breweries, manufacturers of refrigerators, dairy corporations, etc., which benefit by hot weather, were in demand early in the month, but later the initiative passed to gold and steel shares, an upward movement developing over a wide front. The Bureau of Statistics "Investors" Index for common stocks, which stood at 97.2 on April 21, rose to 99.0 for May 4 and further to 100.4 on May 11. For the week ending May 11 the index for long-term Dominion bonds was 116.4, against 117.2 for the corresponding week in April and 118.2 for the corresponding week in 1938.

	May 3, 1939	May 31, 1939	May 3, 1939	May 31, 1939
Bell Tel. ...	175	175½	Int. Petrol. ...	24½
Can. Pac. ...	11½	8½	Brazil Trac. ...	10½
Do. pref. ...	28½	20½	Brit. Col. Power Corp. ...	26
Dome Mines ...	30½	31½	Do. "B" ...	2½
Hollinger ...	14½	14½	Can. Cement ...	8½
McIntyre ...	53	57	Int. Nickel ...	49½
B. of Montr. ...	205	212	Massey Harris ...	51½
Bk. of Nova Scotia ...	301	300	Montreal Lt. ...	31½
R. Bk. of Can. ...	189	187	Quebec Pow. ...	16½
C. Bk. Com. ...	167	167½	Shawinigan Water ...	19½
Can. Pac. ...	3½	4½	Steel Co. of Canada ...	75½
Cock. Plow ...	5½	7		

Capital Issues

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Conversions	New Money
June 3, 1939	£2,500,000	£	£2,462,500
To the Public	60,000		60,000
To Shareholders	Nil		Nil
By S.E. Introduction	513,178		661,602
By Permission to Deal			
Savings Certs. week to			
May 27, 1939	Dr. 50,000		Dr. 50,000
	Including Conversions		Excluding Conversions
Year to date	49,946,726		47,715,659
1939 (New Basis)	50,570,895		48,336,542
1938 (New Basis)	28,296,519		27,085,454
1938 (Old Basis)	65,002,057		51,717,799

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp.	Foreign
1939 (New Basis)	30,637,073	16,758,585	320,000
1938 (New Basis)	54,441,451	19,465,842	2,429,229
1939 (Old Basis)	18,266,613	8,498,811	320,000
1938 (Old Basis)	33,675,930	15,642,745	2,399,124

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1939 (New Basis)	24,497,895	2,870,356	20,347,410
1938 (New Basis)	42,146,074	6,341,738	27,648,730
1939 (Old Basis)	19,799,935	928,447	6,357,072
1938 (Old Basis)	33,913,766	2,478,496	13,325,537

NOTE.—"Old Basis" includes only public issues and issues to shareholders only. "New Basis" includes all new capital in which permission to deal has been granted.

BY OFFER FOR SALE

Government of Northern Ireland.—Offer for sale of £2,500,000 3½ per cent. stock at 98½, redeemable at par March, 1954, from 1950 on notice, and by half-yearly drawings from 1939, by sinking fund of 2½ per cent. at par. A trustee stock. Annual yield from taxation, about £14,000,000. Issue is part of £3,000,000, and has been taken by Glyn Mills and Company and Baring Bros. and Company.

BY STOCK EXCHANGE INTRODUCTION

Bentley Engineering Company.—Issued capital, 5,000 "B" £1 ordinary, 40,000 £1 ordinary shares and 60,000 6 per cent. £1 cumulative preference shares. Hosiery machine builders of Leicester. Combined profits of company and T. Grieve and Company, after depreciation: 1936, £18,323; 1937, £27,575; 1938, £36,866. Total assets of company, end 1938, £211,632.

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Industry and Trade

European Coal Exports.—The outstanding feature of the European coal trade during the first quarter of the current year was the sharp decline in German exports, illustrated in the following table of the cargo and bunker exports of the principal European coal-exporting countries.

	January-March		Change	
	1938	1939		
	Th. metric tons	Th. metric tons	Th. metric tons	Per cent.
United Kingdom	11,507.6	10,864.0	- 643.6	- 5.6
Germany	8,248.4	6,137.9	- 2,110.5	- 25.6
Poland	2,645.0	3,680.0*	+ 1,035.0	+ 39.1
Holland	898.7	920.5	+ 21.8	+ 2.4
France	180.5	265.6	+ 85.1	+ 47.1
Belgium	851.2	1,116.2	+ 265.0	+ 31.1
	24,331.4	22,984.2	- 1,347.2	- 5.5

* Including 876,000 tons from the Karwin mines.

The total production of the United Kingdom, Poland, Germany, France, Belgium and Holland in this period closely approximated the output in the same quarter of 1938. There was a decrease of 1.6 million metric tons in the United Kingdom, an increase of 900,000 tons in France, and the inclusion of the Karwin mines improved the figures for Poland by about 1,940,000 tons at the cost of a corresponding decrease in the production of Czechoslovakia; but in Germany, Belgium and Holland production was maintained at practically the same level as a year ago. Continental import restrictions (particularly in France and Belgium) and a reduced world demand were responsible for a decrease in the volume of international trade, while a less active demand in France, Belgium and Holland for metallurgical coals, and alterations in competitive price relations, led to some changes in the direction of demand

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PRIVATE PLACING

Kenward and Court, Ltd.—There have been issued £50,000 of 4½ per cent. first mortgage debenture stock, of which part in conversion of £19,400 5 per cent. stock, and balance placed privately.

BONUS SHARES

British and Colonial Furniture.—This company proposes a scrip bonus of 400 per cent. to ordinary shareholders by capitalising £440,000 of undivided profits and distributing 1,760,000 5s. ordinary shares.

East End Dwellings.—This company proposes to capitalise £169,440, part of general reserve, and to distribute a scrip bonus of one new £10 ordinary for each £10 share held.

CONVERSIONS AND REPAYMENTS

Brazil 4 Per Cent. Sterling Stock 1936.—All outstanding amounts of this stock (£365,900) will be repaid at par plus interest on July 1st. No transfer registered after June 9th. (Service of this loan was excluded from suspension of foreign debt payments).

Bombay Port Trust.—The £500,000 4 per cent. sterling debentures, 1909, outstanding will be repaid July 1, 1939.

SHORTER COMMENTS

Company Results of the Week.—WHITEHALL ELECTRIC INVESTMENTS have experienced a moderate fall in net profits from £228,680 to £210,073, and again add the profit to the balance carried forward. Consolidated profits amount to £306,005, against £348,027.

away from Germany and the United Kingdom to Poland and Belgium. Among the principal Continental coal-importing countries Germany and Holland increased their foreign purchases by 155,000 tons, but France reduced hers by 1½ million tons, or 25.4 per cent.; Belgium by 296,000 tons, or 23.2 per cent.; and Italy by 374,000 tons, or 12.5 per cent. Among the exporting countries Poland, Holland, Belgium and France improved upon their position in the March quarter of 1938, but British trade declined by 5.6 per cent. and that of Germany by more than 25 per cent. The decrease in British exports was due primarily to a reduction of 727,000 tons in our supplies to France, while the loss in German trade was accounted for by shortages of 722,000 metric tons in deliveries to France, of 484,000 tons to Italy, of 422,000 tons to Holland, and of 401,000 tons to Belgium.

Cloth Orders for Lancashire.—At a meeting in Manchester on Tuesday attended by 160 representatives of the cotton trade, Sir Frederick Marquis, the honorary adviser to the Government on textile supplies for the defence forces, explained the procedure to be followed and emphasised the necessity for speeding-up production. The meeting decided to set up a committee, comprising representatives of every section of the cotton industry, to advise the Government on the question of fixing prices for new business. It was announced that further Government contracts totalling 20 million yards of cotton fabrics were to be placed immediately with Lancashire firms. It was also officially announced that the dyeing prices of cotton fabrics affecting most of these Government

dividend is being paid. As a result mainly of higher wages costs, MILLARS' TIMBER AND TRADING COMPANY net profits have fallen from £131,250 to £98,652, and the dividend is reduced from 10 per cent. to 7½ per cent.

MISCELLANEOUS

Coast Lines, Ltd.—Net earnings, 1938, £287,869 (£299,590). Tax and N.D.C., £17,000 (£8,000). Preference dividends, £194,250 (£194,250). Ordinary dividend, 3 per cent., absorbing £60,000, against 4½ per cent., absorbing £90,000. To reserve £70,000 (£100,000). Special credits £66,117 (£110,127). Special debits, nil (£15,875). Carry forward raised from £105,204 to £116,540.

Thames Grit and Aggregates, Ltd.—Net profit year to March 31, 1939, £18,663, a fall of £6,205. To investment depreciation reserve £3,000. Last year £5,500 was placed to a special reserve. Ordinary dividend reduced from 10 to 7½ per cent.

Chloride Electrical Storage.—Profit for year to March 31, 1939, £324,995 (£435,724). To depreciation £12,024 (£10,260). Staff pensions £12,000 (£12,000). To tax £29,000 (£65,000). Preference dividend £3,720 (£3,720). Ordinary dividend 15 per cent. (£163,306), against 20 per cent. (£217,390). To general reserve £100,000 (£100,000). Subsidiaries' staff pensions £10,000 (£15,000). Carry forward reduced from £89,149 to £80,669.

Associated Biscuit Manufacturers.—Total income year to March 31, 1939, £57,546 (£50,065). Ordinary dividend 3 per cent., against nil. Carry forward reduced from £21,881 to £20,687. Cash £18,198 (£22,871).

Olympia, Ltd.—Net revenue, 1938, £94,236 (£101,552). Tax £17,095 (£21,424). N.D.C. £2,800 (£2,150). Dividends have been paid on preference shares to October 31, 1938. Carry forward raised from £47,998 to £49,236.

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contracts had been advanced by 10 per cent. as from Thursday, June 1st. The increase, which is designed to cover the higher costs of production caused by the Factory Act and the Civil Defence Bill, was arranged before it was known that additional Government contracts would be placed. The Cotton Manufacturers' Association recently advanced their weaving prices by 8½ per cent. to cover expenditure under these two Acts, so that tenders for the new batch of Government orders are likely to be at a considerably higher level than in the past.

The Higher Zinc Duty.—The announcement of the increase in the duty on import of foreign zinc from 12s. 6d. to 30s. per ton was made too late last week to be given more than a brief notice in *The Economist*. The decision of the Import Duties Advisory Committee has confirmed the arrangements proposed by the Empire zinc producers and the Imperial Smelting Corporation some months ago, to which reference was made on page 230 of *The Economist* of October 29, 1938. The main object of the rise in imports duties is to improve the financial position of the Corporation, whose profits in the twelve months ending June 1938 barely exceeded £100,000, compared with £257,000 in the previous year. This object has been secured by the agreement of the Empire zinc producers to pay to the Corporation 10s. for each ton of Empire zinc imported into this country, and as imports of Empire zinc amounted in 1938 to 108,000 tons, the Corporation stands to gain about £54,000 per annum. In addition, the Corporation will obtain a further £55,000 per annum from the higher price which it will be able to charge for its own production, which is now limited to 60,000 tons per annum. It will, however, contribute together with the Empire producers to a fund from which exporters of zinc manufactures will obtain a rebate of 17s. 6d. per ton of zinc content. This very large increase in the preferential duty is likely to complicate dealings on the London Metal Exchange, since in 1938 one-third of the total zinc imports came from foreign sources, mainly Belgium. In order to avert any pressure on the London Exchange, the British zinc producers have given the Government an undertaking that they will make every attempt to revive the international zinc cartel which came to grief at the end of 1934. The new scheme seems a cumbersome method of ensuring dividends to the holders of ordinary and preference shares in the Imperial Smelting Corporation. If the continuation of zinc smelting in this country is considered desirable for defence purposes, and if it cannot pay its way without economic support, an annual grant from the Treasury seems a more logical method than a combination of discriminatory import duties and high rebates.

Diamond Difficulties.—Sir Ernest Oppenheimer, the leader of the international diamond trade, has made two important speeches on the diamond position in the last few days. At the De Beers meeting at Kimberley he pointed out that, in the absence of war, the volume of the world diamond trade should show a considerable improvement this year. In 1938, the world turnover was only slightly in excess of £4 millions compared with £9.3 millions in the preceding year. In the second half of last year, however, there was a certain rally, which made headway in the first months of 1939. Total sales so far this year are in the vicinity of £2.5 millions and, if the political tension in Europe does not increase, the full

year's sales may exceed £6 millions. This prospective rise in sales, however, does not justify the maintenance of mining at last year's rate, as the producers have accumulated substantial stocks. In 1938, South Africa's production totalled 1,238,608 metric carats, while sales amounted to only 518,744 carats, the lowest level since 1911. Consequently, at the annual meeting of the Consolidated Diamond Mines of South-West Africa this week, Sir Ernest announced that the activities at Bogenfels had been discontinued since the end of 1938 and that a complete stoppage of mining will be effected in the near future. In spite of political uncertainties and the trade depression, however, the international sales organisation set up since 1933 has enabled the diamond syndicate to maintain prices without much difficulty.

Retail Sales in London.—For the last eighteen months, the value of retail sales in Central and West London has been steadily falling, while in other districts of Great Britain the trend in value has been upward. This divergence is illustrated in the table below, taken from the statistics of the value of retail trade compiled by the Bank of England and the Retail Distributors' Association:—

	VALUE OF RETAIL SALES (Average Daily Sales in 1937=100)				
	1938	1939			
	Av.	Jan.	Feb.	Mar.	Apr.
Great Britain—					
All departments.....	102	98	91	96	108
Food	104	98	103	105	113
Non-food	100	98	79	86	103
London: Central & West					
All departments.....	93	100	65	79	88
Food	96	92	79	85	93
Non-food	93	101	63	78	88
London: Suburban—					
All departments.....	103	98	98	98	109
Food	106	100	107	107	115
Non-food	100	93	84	84	100

The latest figures for April, which were published in this week's *Board of Trade Journal*, show the same divergence; in Great Britain as a whole, the daily value of retail trade in April was 1.3 per cent. greater than in April 1938, while in Central and West London, there was a fall of 7 per cent. compared with a year ago. In suburban London, on the other hand, retail sales have increased slightly more than the average for the country as a whole.

Improving Timber Market.—During the greater part of 1938 the large stocks of timber accumulated in this country during the boom of 1937 combined with the falling demand for building timber to produce a very depressed market. The low levels to which prices sank in the summer of 1938 in this country—the largest importer of timber—led the European Timber Exporters Convention (which was formed at the end of 1935 by the principal suppliers of softwoods) to introduce in September, 1938, a further cut in exports; an even lower level was arranged for 1939, as is shown in the table below:—

	EXPORT QUOTAS ARRANGED BY E.T.E.C. (000 standards)			
	1937	1938	1939	
Sweden	820	Feb. 739	Sept. 691	656
Finland	1,005	904	845	804
Russia	950	901	842	760
Poland	313	276	258	250
Latvia	127	110	103	102
Czecho-Slovakia ..	96	82	77	...
Austria	275	235	...	...
Jugoslavia	168	144	134	134
Roumania	246	229	214	197
Total	4,000	3,620	3,164	2,002

Supplies on world markets were also diminished by the political changes of the last twelve months, since the exports of Austria and Czecho-Slovakia have now been absorbed into the internal trade of Germany. For 1939, therefore, a much closer balance between supplies and demand was possible, but the political uncertainties of the early months of 1939 damped down the British demand for imported timber. But the low level of imports in 1938 led to a gradual absorption of stocks; the Timber Trade Federation estimated that stocks of sawn and planed softwoods in first hands fell from 880,000 standards on January 1st to 625,000 standards on May 1st, while stocks in the London docks fell from 103,224 standards to 91,702 standards in the same period. Consequently, the revival even on a small scale of commercial buying at the end of March led immediately to a hardening in timber prices. In the last few weeks, a very considerable volume of orders has been placed by the Government for Army huts and by other authorities for civil defence purposes, with the result that importers have run short of the timbers required for these purposes. Prices of good Finnish whitewood (2½ by 7 u/s), for instance, rose by £1 to £14 15s. per standard between January and May and prices for similar specifications have risen accordingly. Current prices are still below those ruling a year ago, and it is to be hoped that they will not be pushed up so rapidly or so far as to bring about another speculative boom on the lines of that in 1937.

Rise in Wholesale Prices.—The upward trend in wholesale prices noticed early in May was continued in the past fortnight. The rise was not evenly spread; movements in wheat and cotton prices have been irregular and the rise in *The Economist* wholesale price index, given in the next column, from 116 to 116.7, is largely due to the increase in the prices of non-ferrous metals.

* * *

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INDUSTRIAL REPORTS

ALTHOUGH business has been interrupted by the Whitsuntide holiday, activity was maintained at a fairly high level. Most of the coalfields report quieter conditions owing to the warm weather, but industrial demand is still on a large scale, and the quantity of coal raised during the week ended May 20th was 4,904,600 tons, compared with 4,496,300 tons in the corresponding week last year. Iron and steel works are becoming increasingly busy, and it is now difficult to obtain supplies of many materials at the required delivery dates.

The Lancashire cotton trade has benefited from a further large Government order for cloth to be delivered by the end of August. The returns of the daily value of retail sales in April, discussed on page 564 of this week's *Economist*, show a seasonal increase over the figures for March.

Coal

Sheffield.—With industry making but a brief stoppage over the holiday, the demand for coal is fully maintained, and the outlook is satisfactory. All industrial steams are in request on inland account, but household demand has eased. Small coal is not easily disposed of in full, and gas coal is quieter

than of late. Some revival of demand for coking qualities is noted. Blast-furnace coke is a stronger market, but the call for central heating coke is irregular. Export inquiry continues on a satisfactory scale, and best steams and screened gas coal are well taken up. Forward buying is improving, but exporters express the view that business would be still more active if prices, especially of small coal, were lower. Rather better demand exists for bunkers. Prices generally are unaltered.

Newcastle-on-Tyne.—Inquiry for Durham coking coal continues to be the feature of this market. Belgium is a keen buyer, but with most collieries already fully booked for this class of fuel it is not easy to obtain offers. Other grades of fuel are steady, but there is not the persistent inquiry which was experienced some weeks ago, and certain brands of unscreened steam offer more freely. The patent oven coke market is firm, but the International Coke Cartel have decided to reduce f.o.b. prices by 1s., thus making ordinary grades 26s. per ton.

Glasgow.—The market has been quieter this week. Home trade has been affected by the warmer weather, and in the household trade there has been a

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Date	The Economist Indices		Price of Gold (sterling)	U.S.A., Irving-Fisher	France, Statistique Generale	Italy, Milan Chamber of Commerce	Germany, Statistisches Reichsanstalt
	British Complete Index (sterling)	Primary Products (sterling)					
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							
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	175.9	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	145.1
Mar. 15	114.4	135.3	125.0	174.9	116.3	153.1	145.1
Mar. 29	114.4	133.9	123.5	174.9	115.4	153.5	144.9
Apr. 19	114.5	134.4	129.0	174.9	116.4	152.3	145.4
May 3	116.2	134.4	123.4	174.8	115.9	155.5	146.4
May 17	116.0	134.7	123.4	174.9	115.6	157.3	146.2
May 31	116.7	134.4	125.0	174.9	115.6*	...	...

* These figures refer to May 27th.

† Monthly average.

Prices of primary products in America have risen more sharply, owing mainly to the improvement in grain prices in the last few days on reports of further crop deterioration, but the Irving-Fisher complete index has remained unaltered. Details of the component series of *The Economist* complete index are given below:—

	Sept. 18, 1931	May 25, 1938	May 17, 1939	May 31, 1939
(1927=100)	1931	1938	1939	1939
Cereals and meat...	64.5	88.3	70.6	70.6
Other foods	62.2	58.1	62.4	62.1
Textiles	43.7	52.1	54.3	54.2
Minerals	67.4	89.0	91.2	92.1
Miscellaneous	65.8	75.0	74.6	76.0
Complete index	60.4	72.2	70.1	70.5
1913 = 100	83.1	99.4	96.5	97.0
1924 = 100	52.2	62.4	60.6	61.0

All the four main non-ferrous metals were dearer than a fortnight ago, and in the miscellaneous group prices of linseed, linseed oil and rubber also showed a rise.

*

Cardiff.—On Monday work was suspended at the collieries and loading operations at the docks, and there was considerable absenteeism on Tuesday. There has been a lull in current business, but the collieries are well sold, and with a favourable tonnage position active shipments were expected in the latter part of the week. Exports in the foreign and coastwise trades last week totalled 410,100 tons, compared with 394,598 tons in the corresponding week last year, and since the week ended April 16th there has been an increase of nearly half a million tons in the volume of trade compared with the same period last year. There is very little spot coal available, with the exception of certain classes of smalls, and dry sized grades are exceptionally strong. The pig iron furnaces are absorbing practically all the available supply of colliery coke, while the recent improvement in the patent fuel trade has been firmly maintained. Prices are unaltered.



Iron and Steel

Sheffield. — The market has been less active after the holiday, but the undertone is strong, and full activity is certain within a few days. In the iron section the heaviest pressure is for basic pig, consumption of which is expanding very rapidly. Substantial forward contracts are being arranged. Forge and foundry are rather quiet, users covering only their known requirements. So far the cut in the quotation for hematites has done little to expand demand, although there is a steady call for special qualities. Finished iron continues rather dull.

A shortage of basic steel billets exists, and users are unable to place business for early delivery. Acid qualities are also active, structural steel business is good, and makers of wire rods have good orders.

The scrap market is very firm for most classes of material. Supplies of heavy basic steel are becoming more difficult, and the position will not be eased until imported material becomes available. Heavy cast iron for foundry use is in active demand, and there is steady buying of wrought iron for shearing.

★

Middlesbrough. — Although no market was held this week owing to the Whitsuntide holidays, most of the steel-makers have kept their plant working. Users of semi-manufactured steel are calling for increased supplies, and deliveries are expected to arrive in this area very shortly from Australia. The sheet mills are employed at capacity, and specifications for shipbuilding material are coming in more freely. Shipments of pig iron from the Tees tend to increase.

Blast-furnace coke is on offer at 24s. 2d. per ton f.o.t. at the ovens in Durham, and it is not expected that the recent announcement of the reduction in the export price will affect the home market. The demand for heavy steel melting scrap is maintained, with supplies scarce.

★

Glasgow. — Clyde shipyards have now a very heavy tonnage on their books, while work is in progress on a number of vessels, and the shipbuilders are looking forward to a long period of great activity and steady employment for their workers. Marine engineers and boiler-makers in this district have work on hand for vessels being built at yards in all parts of the United Kingdom. At the steel plants demand for many kinds of material continues to expand. Sheet makers are utilising a very large proportion of their output for sheets for air-raid shelters and for huts, but there is much business being done in other sheets, although makers find it impossible to give the deliveries required by users. Engineering shops of all types in the West of Scotland are busy and are absorbing considerable quantities of sheet material.

★

Cardiff. — Work was suspended on Monday at the steelworks and the re-rolling branches of the iron and steel

industry, and owing to the exceptionally fine weather there was only a partial resumption on Tuesday. Of the existing melting furnaces 96 per cent. are now in operation, and in the week ended May 20th the tin works were operating at nearly 68 per cent. of capacity, compared with only 35.5 per cent. in the corresponding period last year. Shipments of tinplates in the twenty weeks ended May 20th were nearly 25,000 tons less than a year ago, but they are expected to improve substantially when the restrictions imposed some time ago by the Cartel, owing to the export of supplies in excess of the quota in the December quarter of 1938, have been removed. In recent weeks there has been a substantial increase in the volume of the world export trade. Prices show no change.

★

News from Abroad. — It seems that the buying movement on international steel markets has reached its climax for the time being. Demand has remained very keen, but in several cases the inquiries are not as genuine as before, as it is obvious that the quotations and delivery times offered by the producers would not suit the buyers.

An unusually high percentage of the turnover is at present taken up by semi-products, as the British works are in the market for record tonnages. The demand for several finished products, such as sections and merchant bars, is comparatively quiet, so that sellers frequently grant concessions on these products in order to attract buyers. Generally, however, unofficial price concessions are very few, and even reductions against American competition are less conspicuous than before. The Cartel is exercising a strict control of the American offers so as to ensure a smooth working of the prolonged agreement with the American exporters. This provides for a stricter application of the system of fines against quota excesses than under the old agreement. On the market for thin sheets the position is very tight, many consumers being unable to secure urgent requirements at reasonable delivery times.

The Comptoirs are occupied with quota adjustments and clearing. Special quota problems have arisen as British producers, being extremely busy for the domestic demand, have cut down their export business in several instances and claimed the compensations provided for in the Cartel agreement. General price questions will probably be discussed, too, but an all-round increase is thought to be unlikely, although it has been demanded by several producers in view of the favourable situation.

Textiles

Cotton (Manchester). — Business has been upset by the Whitsuntide holidays, but the feature of interest has been the decision of the Government to place further cloth contracts, totalling 20,000,000 yards. These fabrics have to be delivered by the end of August, and should result in the re-starting of idle looms. Some nervousness has been caused by the slightly easier tendency in raw cotton prices. The shortage of desirable grades and qualities in Liverpool and Manchester

has caused further embarrassment, and complaints have tended to increase.

The yarn section has been very quiet. Both American and Egyptian spinners have reported a comparatively small turnover, with the exception of coarse and medium qualities, which are being used for the manufacture of fabrics under the defence programme.

In the cloth section there has been some price-testing for export, but sales have been isolated. India has purchased limited lots, and South America has provided a fair business, but Egyptian turnover has been poor. Little support has come from the Continent. Fancies and standard goods have been in request for the Dominions. In the home trade section there have been larger clearances from the retail establishments; light summer fabrics and made-up goods have been sold on a big scale.

★

Jute (Dundee). — "Bulls" and "bears" in the raw jute market in Calcutta are still pulling against each other, but the latter are gradually gaining and prices for both old and new crop are easing. The prospects for the next crop are very favourable from all districts, and there should be a good supply to meet all requirements. It is likely that the Indian jute mills will restrict their production from August 1st next in order to reduce the huge stocks of hessians in Calcutta. At the end of April stocks were 481,000,000 yards, and it is hoped to reduce them to about 150,000,000 yards by scaling up a percentage of looms. In spite of this announcement, prices for Calcutta hessians have declined in the past fortnight. It is stated that no further orders for sandbags are likely to be placed with Calcutta mills.

The value of new crop full group Daisee-2/3 has been reduced to £23 17s. 6d. for October/November shipment. Old crop Daisee-2/3 is quoted at £30 7s. 6d. The quality of the jute arriving here is very poor on the whole and many arbitrations are being held, with fairly heavy allowances given for inferior quality. Yarns are quiet at 2s. 9d. for common 8 lb. cops, but cloth is maintained at 3½d. for 10 oz. 40 in., and 2½d. for 8 oz.

THE COMMODITY MARKETS

THE improved tone on the stock exchanges during the earlier part of the week was responsible for upward movements in some commodity markets. The four main non-ferrous metals were all dearer; the decision to raise the British duty on imports of foreign zinc has removed one uncertainty from that market, and steps are being taken in America to restrict the output of copper. The rubber market has also been firm, and prices of linseed and linseed oil were marked up. Cotton price movements have been irregular, and in spite of reports of crop deterioration in the American hard wheat belt, wheat prices on the international market were barely changed on the week.

(Continued on page 572)

COMPANY MEETINGS

EDMUNDSONS ELECTRICITY CORPORATION, LIMITED

BENEFITS OF CO-ORDINATED CONTROL

INCREASING SALES AND NUMBER OF CONSUMERS

SIR THOMAS ROYDEN ON THE GROUP'S PROGRESS

The forty-second ordinary general meeting of Edmundsons Electricity Corporation, Limited, was held on the 31st ultimo, at Thames House, Millbank, London, S.W.

Sir Thomas Royden, Bt., C.H., the chairman, in the course of his speech, said:—Ladies and gentlemen,—You may recall that last year I mentioned to you the policy of co-ordinated control of all the companies in the Edmundsons' Group, which had been initiated two years earlier. On that occasion I explained to you that this policy was predicted upon "three basic principles of physical integration, corporate simplification, and a fixed objective of commercial achievement and physical growth." I will not repeat what I have previously said to you regarding the obvious advantages to be derived from this policy, but I am pleased to inform you that its application has been continued during the past year as rapidly as has been consistent with orderly procedure and an exact compliance with statutory obligations.

During the past year 18 separate subsidiary and sub-subsidiary companies have completed their liquidations, and six subsidiary companies of the Shropshire group are now in process of liquidation. A comparison between the organisation chart appearing in last year's report with that in the report now under consideration will give you in graphic form a complete picture of the changes that have been effected during the past year. This policy of consolidation will, of course, continue until we reach our final objective, when the group will consist of Edmundsons, the parent company, and 10— or possibly less—directly owned operating subsidiaries.

We have continued our intensive commercial and selling activities with objectives and quotas established after careful study, and it is gratifying to be able to report that these objectives have been attained in each of the numerous fields of commercial endeavour.

GROWTH OF THE UNDERTAKING

The following figures will give you an idea of the growth of your company during the past year:—

40,000 new consumers were added, bringing the total number up to 418,100; an increase of 11 per cent.

210,300kw. of additional load was connected, bringing the connected load to 1,270,300kw.; an increase of 20 per cent.

81,658,000 additional units were sold, thereby increasing the total for the year to 817,591,000 units; which represents an increase of output of 11 per cent., after excluding 72,781,000 units exported to the Central Electricity Board.

The increase of 11 per cent. which I have just mentioned compares with an increase of 6.4 per cent. in units generated throughout the United Kingdom during the same period of time.

I am pleased to add that during the first four months of 1939 the increase in number of consumers, connected load, and units sent out shows a highly satisfactory improvement over the corresponding period of 1938. It is, moreover, reasonable to assume that if fairly stabilised political and economic conditions are maintained during the remainder of the current year the final results for the year 1939 should prove to be satisfactory.

Satisfactory progress has been made in the installation of the 225,000kw. of additional generating capacity in our several selected stations, which, as I reported to you last year, had been directed by the Central Electricity Board.

UNCERTAINTY CAUSED BY PENDING LEGISLATION

Unfortunately the prospective legislation relating to the proposed reorganisation of the electrical industry, to which I referred last year

in some detail, has not made any progress. While it is not my desire or intention to be critical of the Government because of its failure to attempt a solution of this highly complex problem, frankness compels me to state that the uncertainties regarding the future are multiplying to a regrettable extent the difficulties that confront us daily in the problem of producing and distributing satisfactorily the electrical supply which is so essential to the economic and social welfare of the country.

A recent attempt at piecemeal, and, in my view, undesirable, legislation through the instrumentality of a Committee of the House of Lords at the moment appears to have hung fire, and the Committee in question has decided to adjourn any further hearing on the matters before it until November 16th next.

In any event, this method of approach to this really vital problem only adds to the confusion. Pending legislation on the subject it would be a help if the Government would give public expression to the view that the present *status quo* of municipal and companies' interests should be maintained. Unfortunately, the authorities concerned have not thus far taken any action on this important phase of the problem and, as a consequence, the disintegration predicted is proceeding. We, and doubtless other companies similarly placed, are losing from time to time valuable and important undertakings, which logically and from every practical point of view should be retained as components of those larger companies of which they have been a part.

CAPITAL REQUIREMENTS OF STATUTORY COMPANIES

As a result of conflicting views between the industry and the Ministry of Transport relating to the exercise by the Electricity Commissioners or the Minister of Control over the terms and form of new capital requirements of all statutory companies, we are confronted with a serious difficulty.

Our Wessex company has been expanding rapidly during the past few years and, as a result of the large expenditure involved, found itself last October in the position of having reached the limit of its authorised capital powers.

Application was made in the usual way to the Commissioners for approval of an extension of the capital of this company in accordance with the terms of what is known as "The Wessex Act." At the time the application was made the Wessex company could have raised, and was prepared to raise, debenture capital at approximately 3½ per cent. The right to raise this capital is still being withheld, and we do not know when, and if, it will eventually be granted. In the meanwhile, owing to changes in market conditions and the price of money, the cost of this capital to-day as compared with the prices ruling last October would be approximately ⅔ of 1 per cent. higher, which means in simple language that over a period of, say, 30 years (the normal life of the debentures in question) the additional cost would be in excess of £150,000. Moreover, we have been advised by eminent counsel that this arbitrary action by the authorities concerned is *ultra vires*.

INCREASED PROFIT

The profit and loss account shows a profit, after providing for income tax, loan interest, debenture stock interest and redemption provisions, of £588,798, which compares with last year's profits of £535,119, an increase of £53,679.

A substantial proportion comes from capital sources, and a very large part arises from the sale of merchandise through the numerous showrooms of our subsidiaries to the general public, and from

trading without outside parties. Capital extensions during the year amounted to approximately £2,500,000, and the merchandise and goods purchased and sold amounted to about £1,750,000. The major part of the management and administration of our subsidiaries is also undertaken by Edmundsons, and it is from all these varied and extensive services that the item of profit in question arises.

In pursuance of the policy announced to you last year of transferring important sub-subsidiaries to direct subsidiaries of Edmundsons, controlling interests have been acquired in the South Wales, Cornwall, East Anglian, and Stroud companies. This was responsible for a considerable increase in the item "Investments in Associated Companies" a year ago, but it was not accompanied by an increase in Edmundsons' income, as the transfers in question were effected ex-dividend. This year the dividends on these new shareholdings are brought into the account, and are the chief cause of the substantial increase in Edmundsons' income from "Dividends and interest receivable from subsidiaries." This increase amounts to £126,000, but, of course, a similar increase cannot be anticipated next year.

"Dividends, interest, and discounts receivable from other sources" of £45,000 shows a considerable increase over last year's figure of £15,000, but you will observe that this year we have included cash discounts which amounted to nearly £26,000. A year ago the corresponding figure was included under the trading profit, but this transfer is not entirely responsible for this year's increase, as our major outside investment last year did not receive the full year's interest while this year it has.

RESERVE AUGMENTED

You will remember that last year the capital was increased to £10,000,000 by the creation of a further 3,000,000 £1 ordinary shares, and you will also remember that 2,250,000 shares were issued to the then shareholders as fully-paid shares by capitalising reserves to that amount. The issued capital has therefore been increased by £2,250,000 and the reserve reduced by a similar amount.

After allowing for the withdrawal from the general reserve of £2,250,000, the reserve has again grown during the past 12 months. It is our recommendation that you should approve the transfer of £30,000 to reserve out of this year's profits.

The investments in subsidiary companies show an increase of nearly £600,000. This is made up of an increase of £1,000,000 in debenture stocks which we have taken, as to a further £250,000 in the B.C. and H. Company and £750,000 in the East Anglian Company. As against this, shareholdings have declined by nearly £420,000 in consequence of the liquidation of subsidiary companies.

The amount owing from subsidiary companies has increased by over £500,000, due to the expansion of the various subsidiary companies' undertakings.

If you refer to the consolidated statement of assets and liabilities as of December 31st last, you will notice the growth of the fixed assets of the associated undertakings from £23,250,000 to £25,500,000. This figure shows graphically the increase in the size and importance of the group which Edmundsons controls.

In conclusion, it is my privilege to give expression to the feeling of real appreciation that we stockholders feel of the valuable services rendered to the association by our managing director, Brigadier-General Wade H. Hayes, and the other members of the staff.

The report and accounts were unanimously adopted.

OFFER TO NEW READERS

Any reader who makes his first acquaintance with this journal with this week's issue is invited to fill up the attached:

To The Publisher, Economist Newspaper Ltd.,

8 Bouverie Street, E.C.4.

In order to test the value of your publication I should like you to forward it to me by post for the next four weeks. If I then decide to become a subscriber, it is understood that there will be no charge for the copies thus received, but otherwise I shall be willing to pay 4s. to cover the cost.

Name

Address

EVER READY

MANUFACTURERS OF BATTERIES

DRY CELLS - ACCUMULATORS - RADIO EQUIPMENT
MOTOR CAR ACCESSORIES - PORTABLE ELECTRIC
LAMPS

Net Trading Profit for year to 31st	
March, 1939	£456,958
Total Reserves and Carry Forward	£1,091,136
Dividends on Ordinary Stock	30%

POINTS from the Speech of MR. MAGNUS GOOD-FELLOW (Chairman) at the Annual General Meeting of THE EVER READY COMPANY (GREAT BRITAIN) LIMITED ON June 1st, 1939

While the Report and Accounts before you show a reduction in the Profits earned and a reduction in the Dividend the Directors propose should be paid to you, yet if the difficulties of the past year and the strength of our position at the end of it be taken into account, we should not be dissatisfied with the result.

COMPETITION

The price competition on the home market has been an important factor in the health and strength of our business, and I shall devote a little time to explaining the happenings during the year under review. We have, for many years, had to meet competition of two kinds, from Companies who sell their goods at reasonable prices equivalent to our own, and from Companies who sell their goods at lower prices, regardless of cost, for the purpose especially of attacking our market. During the first three months of the year under review, this second form of competition interfered considerably with our sales and it became necessary to deal energetically with it. I need not emphasise the care and consideration we gave to the matter, sufficient it is that we reduced the prices of various goods, and with the loyal assistance of our friends in the wholesale and retail trades, we not only arrested the fall in sales, but by the end of the year we had achieved the increase of 5 per cent. in volume referred to in our Report to you. This increase in the volume of our sales would, under normal trading conditions, have earned a total Profit equal, at least, to that of the previous year, but various unforeseen increases in costs and distributing expenses encountered throughout the year, contributed to the fall in Profit already reported to you—when the final accounting came to be made.

PRESENT YEAR'S TRADING

Our competitive policy continues to be successful, sales during April and May—both in volume and value—are substantially in advance of the sales of a year ago, and I am hopeful that we shall not only maintain our present position this year, but that we shall achieve an improvement.

ACCOUNTS

In dealing with the Balance Sheet, the Chairman pointed out that the Issued Capital has remained constant at £1,210,402, and that Reserves and Carry Forward have risen by some £88,000 to £1,091,136. The surplus of Current Assets over Current Liabilities amounts to £351,000 in the Accounts under review, as compared with £284,000 at the end of the previous year.

FUTURE PROSPECTS

The continued threat of war, with the consequent possibility of damage to our manufacturing plants, has caused us not only to participate in the various Governmental A.R.P. plans, but, in addition, to put in hand the re-equipment of two old factories previously closed as obsolete. We hope thereby to be in a position to manufacture and supply our goods during any period of emergency. I think I have conveyed to you to-day the strength of our trading and asset position, and that I view the future of our business with hope and confidence.

IMPERIAL CONTINENTAL GAS ASSOCIATION

RESULTS OF A DIFFICULT YEAR

SIR THOMAS ROYDEN'S REVIEW

At the general meeting of the Association, held on the 2nd instant, the chairman, Sir Thomas Royden, Bt., C.H., said that no reminder was necessary of the way in which his hopes of improved political and trading conditions had been disappointed. The state of uncertainty in which we had been living had proved an effectual obstacle to progress of any sort. Nevertheless, sales of gas by the French and Belgian companies were approximately the same as in 1937, while sales of electricity showed only a very slight decrease. The division of the Association's gas and electricity interests were: Belgium approximately two-thirds gas and one-third electricity; France half gas and half electricity; while in England they were confined solely to electricity. All indications pointed to the progressive development of electricity sales, but the future development of gas was less certain.

THE EXCHANGES

The course of the exchanges between this country and France and Belgium respectively had given less cause for anxiety. During the year, the Belgian franc had shown an appreciating tendency, which in a time of general trade depression had caused some embarrassment to the Belgian exporter. The economic structure in Belgium, however, was sound and would respond very quickly to a definite improvement in world trade; it was still possible to restore equilibrium by a comparatively small reduction in costs, which policy the new Government was apparently determined to pursue. The Belgian Finance Minister had recently stated that to think of devaluing the currency at the present time would not only be a crime, but an absurdity.

It would appear that, if present conditions continued, there was no immediate difficulty in holding the French rate of exchange at around its present figure. The position in France had undergone a remarkable change owing to the measures taken by the present Government as a consequence of the international situation; the 40-hour week had been replaced by one of 45 hours. The 9 per cent. increase in electricity production for the first quarter of 1939 showed from the Association's special point of view the progress France was making.

The Compagnie Continentale du Gaz had carried through a reorganisation of its Lille undertaking, the two sections, gas and electricity, now working more closely together. It had taken a share in a scheme promoted by the French Government for developing the existing inter-connections between electric generating stations, so that Lille would be able ultimately to import hydro-electric current at low cost when there was a surplus and to export current generated from coal when the situation was reversed. The Compagnie Industrielle d'Eclairage had won its lawsuit against the Principality of Monaco, which had been ordered by the Court to reinstate the company in full possession of the gas undertaking.

POSITION IN BELGIUM

In Belgium, additional Communes had adhered to the Inter-communal Scheme of Provinciale, which gave them a participation in the administration and profits. The Coke-Oven Works of the Cokeries du Brabant continued to be operated on lease by a group of coal owners and others. Magec had reported a diminished turnover in the sale of gas and electrical apparatus owing to unsettled political conditions. Interbrabant, the electrical generating company in which the Association held a substantial minority interest, was engaged upon enlarging its plant. Distrigaz, which retailed coke-oven gas in bulk, continued to progress and was now confronted with the problem of obtaining sufficient supplies to meet the growing industrial demand. Contimeter, which manufactured meters and other gas and electrical appliances, had recently placed upon the market a gas water-heater which was being favourably received. The Société Chimique de Selzaete had increased the throughput of its works by an arrangement with one of the leading Belgian gas groups to undertake the distillation of their tar.

Abair Engineering specialised in air conditioning work and held the sole British rights for the Capillary Cell system, the advantages of which were becoming widely known. During 1938 an A.R.P. section was inaugurated to undertake comprehensive schemes of A.R.P. protection in accordance with Home Office recommendations.

Turning to the accounts, the fixed assets of £95,975 consisted entirely of freehold and leasehold premises in London and Belgium, the small gas undertaking at Graslitz having been sold in July last. The Association was now a 100 per cent. holding company, with its investments concentrated in England, Belgium and France. The latest valuation of the investments in subsidiary and allied companies showed a comfortable surplus over the book figure of £9,517,000. There had been an increase in the number of Edmundsons Electricity Corporation shares held owing to a 50 per cent. bonus issue made by that company to bring the issued capital into line with the real asset value. The dividend, however, had been reduced from 9 per cent. to 6 per cent., and it was, therefore, from the previous issue of one new share, at the price of 30s. for each five held that an increase of income was being obtained.

Advances to subsidiary companies showed a decrease of £262,000; deposits by them an increase of £76,000, and one of the Belgian subsidiaries had bought from the Association certain minor Belgian investments to a value of £55,000. The availability of these funds, plus the proceeds of some land sales, had enabled the Association to repay a bank loan of £61,000; to increase its cash by £289,000; to pay out £127,000 in the purchase of its debenture stock for cancellation and to have a surplus for investment as and when opportunities offered. Sterling assets amounted to 27 per cent. of the whole, while sterling liabilities had been reduced by the equivalent of a further 2 per cent.; after deducting the remaining sterling liabilities, £100 stock was represented, at current market values, by £45 of sterling assets. The Association having had cash available for investment, earning on deposit only 1 per cent., decided to make an offer to the debenture stockholders of £100 per £100 stock, which was costing 3½ per cent. This offer was accepted by approximately three-quarters of the stockholders, and there was now practically a clean equity.

Out of the total of £507,000 under sundry creditors and provisions, only £57,000 was actually owing to third parties.

INCOME FROM DIVIDENDS

The Association's income from dividends, etc., had fallen by £25,000. The special distribution from reserves made last year by the Compagnie Continentale through the realisation of French Government and other securities had been brought into this year's revenue to the extent of £58,000. In addition, an ordinary dividend had been received of a sterling value of £85,000. The Belgian investments had yielded £315,000 as against £325,000 last year, the average rates of exchange on the respective dates of payment being Frs. 139 and 147. An extra £7,000 had been received from Edmundsons Electricity Corporation, but the final dividend of 3½ per cent., just declared, would be brought into next year's accounts, the effect of which, if the company maintained the previous interim dividend, would be to increase next year's income from this source by a further £11,000.

The Belgian companies having considered that in the event of war their normal financial relations with the Association might be difficult, thought it proper to reinforce their financial positions; e.g. Contibel had placed to reserve Frs. 19,155,000 (£137,500), as against Frs. 10,535,000 (£71,500) last year. Actually there was a comfortable margin in the consolidated earnings of the group over the amount proposed for dividend, but although the gross franc earnings showed an increase on last year, the net earnings, after providing for depreciation and taxation, declined by approximately £45,000.

PROFIT AND DIVIDEND

The net profit for the year of £415,786, out of which it was proposed that £406,000 should be applied in payment of a 10 per cent. dividend, less tax, would permit the carry forward to be increased by £9,786 to £526,155.

The board regarded a substantial carry forward as a reserve against the interruption of foreign dividends in the eventuality of war.

Possibly a larger distribution would be able to be made from Belgian sources next year, whilst there would be the increased revenue from Edmundsons and the smaller debenture liability.

The report and accounts were adopted.

JOHN SUMMERS AND SONS, LIMITED

PROSPECTUS ESTIMATE EXCEEDED

MR R. F. SUMMERS ON THE OUTLOOK

The annual general meeting of John Summers & Sons, Limited, was held, on the 25th ultimo, at Winchester House, Old Broad Street, London.

Mr R. F. Summers (the Chairman), in the course of his speech, said: Ladies and gentlemen, although this is the forty-second annual meeting of the company it is the first one of a public nature. It is also the first annual meeting since my appointment as chairman of the company. My father, Mr Henry Summers, owing to his advancing years, asked to be relieved of the burden of his office at the end of last year. He is still as keenly interested as ever and his experience and advice are still readily available to us in his capacity as President.

Having dealt in detail with the accounts, he continued: If depreciation and Bank interest be added to the net profit before provision for taxation, the total is £599,426, which compares very favourably with the estimate of £500,000 which the directors gave in the circular dated January 9, 1939, and the estimate of £570,000 in the debenture prospectus.

The reorganisation of the capital and the issue of £2,000,000 4½ per cent. debenture stock are now virtually completed, and the directors are satisfied that the new money which has been raised will amply cover the cost of the installation of the new strip mill and leave a satisfactory working margin.

ALLIANCE WITH UNITED STEEL COMPANIES

As a result of the arrangements with the United Steel Companies two of their directors were to join your board, and one of your directors was to join their board. Captain R. S. Hilton and Mr J. Ivan Spens have been appointed directors of this company. Your managing director, Mr N. H. Rollason, has been appointed to the board of the United Steel Companies, Limited. I feel that this alliance between the two concerns should have far-reaching results and be of great benefit to your company, and I hope to the United Steel Companies as well, and may be looked upon as a logical development towards increased efficiency and co-operation within the steel trade in this country.

THE STRIP MILL

Your directors felt that in order to maintain the pre-eminent position of your company in the sheet trade it was essential to install the latest type of continuous hot and cold mills, which for some time have been unanimously recognised in America as the only method of producing the quality of sheet which is now being called for by our customers. We have had further confirmation that cold reduction is now almost essential by the results that we have obtained from the cold strip mill which we have now been operating for the last two or three years. The quality of product from this mill is identical with that which we expect to obtain from the continuous cold mill, and our customers who have had the material from this strip mill are extremely pleased with the way in which it behaves in their plants. We anticipate that the mill will be in operation towards the end of the current year.

AIR RAID SHELTERS

On the steel side of the business all our companies are at present working to capacity, and have been doing so now for several months. This position is, however, in certain measure due to the Defence Programme upon which the Government has embarked, and the company is supplying a large proportion of air-raid shelters for the Home Office and other Government Departments. The sheet trade as a whole is working in the closest co-operation with the Home Office in connection with the supply of these shelters, and have willingly agreed that the cost of their production should be the subject of an examination by independent auditors, in order to remove any possibility of criticism that undue profits are being made out of a national emergency. This full-time working has, of course, had a beneficial effect on our costs of production, and the estimated profits for the first quarter of this year show a considerable improvement over the similar period of last year. I am hopeful that the results which will be put before you at the next meeting may be considered satisfactory.

It would appear that whatever may happen in international affairs the programme of re-armament and civil protection must be carried to its conclusion, in which case it seems likely that the steel production of the country will be maintained at a high level for some time to come.

The report was adopted.

GOLD FIELDS AUSTRALIAN DEVELOPMENT COMPANY, LIMITED

SATISFACTORY RESULTS

PROGRESS AT MOONLIGHT

The sixth ordinary general meeting of this company was held, on the 31st ultimo, at the Chartered Insurance Institute, 20 Aldermanbury, E.C.

Mr John A. Agnew (the Chairman), after dealing with the accounts, stated that the chief features of interest in the Moonlight mine had been the deepening of the Adelaide shaft by 271 feet to a total depth of 1,145 feet, the completion of driving on the 830 feet level, and the sinking of two winzes from the latter to the 1,030 feet level. At that horizon some 700 feet had been driven, and in addition a winze to the 1,230 feet horizon had been sunk to a depth of 158 feet.

Development of the main ore-body between the 630 feet and 830 feet levels had continued throughout the year with very satisfactory results. The sub-levels had revealed higher values and greater widths than anticipated, while on the 830 feet level final results on both the main and a branch shear which was disclosed at the north end of the ore-body, showed a length of 650 feet of ore averaging 4.9 dwts. over 118 inches. From that level Nos. 1 and 2 winzes had been sunk to the 1,030 feet horizon. The No. 1 winze had averaged 4.3 dwts. for 200 feet and cross-cutting and sub-level drives therefrom had disclosed values of from 3 dwts. up to 7.6 dwts. per ton over exposed widths of from 42 inches to 162 inches. The No. 2 winze from 29 feet to 213 feet had averaged 5.3 dwts., and there again the values exposed at various sub-levels had varied greatly, averaging from 2.6 dwts. up to 9.2 dwts. per ton. Diamond drilling at the 930 feet horizon had exposed 217 inches of ore averaging 4.1 dwts., which indicated that the width of the ore body at that depth was just as great as that shown in the upper levels.

Wiluna Gold Mines, Limited, had recently been doing a considerable amount of drilling in the Bulletin area which adjoined the Gold Fields Australian company's Horseshoe Wiluna lease. The testing of the Bulletin shear which ran into the Moonlight lease had indicated payable values continuing towards the boundary, and in recent months the Moonlight company had drilled 3 holes to cut the same shear in that property. Those all disclosed payable values ranging from 4.3 dwts. to 5.6 dwts., the latter value being over a true width of 6½ feet, and indicated that that area would be worth exploring more thoroughly at some future date.

ORE RESERVES INCREASED

The ore reserve position again showed a satisfactory increase, the total at the close of the present year being 433,900 tons, averaging 5.45 dwts. per ton. That represented a net increase of 25,000 tons over last year's figure, notwithstanding the fact that over 104,000 tons were extracted during the year. The reserve position was very sound, with over four years' supply of ore at the present rate of milling.

Turning to treatment operations, 104,594 tons averaging 5.8 dwts. per ton had been crushed and selectively floated, and treatment of the gold-bearing arsenical and antimonial concentrates thus produced had resulted in a total recovery of 26,259 ounces of fine gold, the overall extraction of 86.2 per cent. being slightly higher than in the preceding year.

OTHER INTERESTS

They retained their interest of 20 per cent. in Yellowdine Investments, Limited. Its subsidiary, Yellowdine Gold Development Company, Limited, had treated during the year a total of 52,618 tons of ore and 13,765 tons of accumulated residues, for a recovery of 29,559 ounces of fine gold. During the year they had received dividends amounting to 40 per cent. He understood that it was the intention of the management to declare a further dividend in the near future. The total dividends so far received were equivalent to 145 per cent. on their investment.

At their Kintore property they had crushed 4,206 tons of ore for a recovery of 3,241 ounces of fine gold, equal to an extraction of 15.4 dwts. per ton. The working profit had amounted to £19,772, Australian currency, and they had already recovered more than sufficient to repay all their expenditure in connection with that venture.

On the whole the results of the year had been quite satisfactory. At the Moonlight mine they had again increased their ore reserve and although the lowest exposures so far showed a distinct lowering in grade, it was possible that, like the vertical sections immediately above, improved values might be shown on opening up.

The report and accounts were unanimously adopted.

PEASE AND PARTNERS, LIMITED

STRONG FINANCIAL POSITION

The ordinary general meeting of Pease and Partners, Limited, was held on May 26th at Darlington.

Mr J. Frater Taylor (the chairman), in the course of his speech, said that they had now no bank loans at all and he thought that they could claim that, from the viewpoint of finance, their standing was strong.

Profits were down by £45,325. While coal profits showed an increase, coke and iron profits were less. He had expected that profit from the sale of pig iron would show up less favourably and had indicated that at their last annual meeting.

In the case of their mainstay, coal, the reduction in output was negligible, but the outputs of other products were lower. In addition, there had been a weakening in prices—not of coal but of coke, by-products and certain other commodities. Insofar as the price of coke was concerned, he thought that a reduction was necessary, but in his opinion the lowering of the price had been overdone. At the beginning of 1938 blast-furnace coke sold at 32s. 6d. per ton at the ovens, whereas to-day's price was 24s. 3d. per ton. Those responsible had gone to the other extreme.

In reference to the operations of their main subsidiary companies, the Skinningrove Iron Company's results for the year had been disappointing. That was due to a great extent to the somewhat misjudged importations of iron and steel, especially of pig iron, which had taken place from 1937 onwards. In view of the increasing accumulation of unsold pig iron, the Skinningrove company had had no alternative but to blow its blast-furnaces out for approximately five months last year, and that in turn had necessitated the curtailment of coke and limestone production and the closing down of your company's ironstone mines with a good deal of regrettable, and he thought unnecessary, unemployment as a further result. However, the position seemed to be improving.

Insofar as their two important subsidiary coal companies were concerned, Henry Stobart and Company, Limited, and T. and R. W. Bower, Limited, the earnings in both cases had shown only a relatively small decrease. Stobarts for the first time were paying a dividend of 5 per cent., while Bowers were increasing their dividend from 5 per cent. to 8 per cent.

The report and accounts were unanimously adopted.

LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITED

INCREASED RENT ROLL

The twenty-ninth annual general meeting of this company was held, on the 1st instant, in London.

Sir William J. M. Burton (the chairman) moved the adoption of the directors' report, which stated that they felt that in view of the great difficulties with which they had been faced during the period under review the stockholders would consider the results satisfactory. The demand for attractive flats of all grades persisted, although the unsettled state of trade had resulted in a larger number of tenants being unable to continue their tenancies at the expiration of their agreements. That had caused an increase in losses from voids, but the rents generally had been so well maintained that a net increase in rent roll at the rate of £4,732 per annum had been obtained on the renewal of tenancies and re-lettings during the year.

From the year's revenue they had appropriated £20,000 to repairs, redecorations and renewals reserve and £30,000 to general bonus of 1 per cent., making a total distribution to the ordinary stockholders of 11 per cent. for the year as for the previous eight years, carrying forward a balance of £134,042. The properties were maintained in an excellent state of repair; they had spent about £500,000 in recent years out of revenue on reconditioning and improvements. The company was also paying for rates and water rate, Schedule "A" tax and N.D.C. some £492,000 per annum. The reputation of Key-Flats was now world-wide.

Keysign House was now practically completed. Their central Enquiry Bureau would shortly be opened on the ground floor "opposite the clock at Selfridge's." Already the advantage of having the various departments centrally housed under ideal conditions had been proved.

It was said that lack of insurance against war risks was one of the causes of the low price of property shares. They hoped that the Government would soon be able to announce its full proposals. In any event, the company's properties were spread over a wide area and the highest percentage of loss should be small compared with that which would be sustained by a commercial concern if its main factory or warehouse were hit.

The report was unanimously adopted.

UNITED SUA BETONG RUBBER ESTATES, LIMITED

SIR JOHN HAY'S REVIEW

The annual general meeting of the United Sua Betong Rubber Estates, Limited, was held, on the 30th ultimo, in London.

Sir John Hay (chairman of the company) presided, and in the course of his speech said: The manner in which we propose to deal with the profits is that in addition to providing for taxation, depreciation, etc., we have placed to Estates reserve £30,000, and we are recommending a final dividend of 6 per cent., making a total of 12 per cent. for the year.

I should emphasise a point which I made last year—namely, that a distinction should be drawn between the rate of dividend that we pay on our nominal issued capital and the rate of earnings on the actual capital employed in the business. If we make some allowance for obsolescence and depreciation of estates our earnings for the last five years, which is the period so far covered by the regulation scheme, represent an average of 4½ per cent. per annum on the capital employed in the business. While we are grateful for the protection of the regulation scheme, it is quite evident that the powers under the scheme have not been exercised unduly in favour of the producer.

OIL PALMS OF MALAYA'S PROGRESS

Our company holds a substantial interest in Oil Palms of Malaya, Limited. The company has made great progress in productive efficiency, but the difficulties which confront us in finding profitable markets for our produce are formidable. In the United States, which was the principal market, we have to contend with a processing tax of £13 per ton, and the increasing currency difficulties of Germany and Italy, both of which were large consumers, have severely restricted business with those two countries.

Impressed with the example of the United States, the dairy interests in Canada made an application for the imposition of specific duties on the importation of vegetable oils. In virtue of the Ottawa Agreement these proposals could hardly be carried out by the Government of Canada without consultation with the British Government and a request for their views was submitted. We made representations to the British Government in respect of this matter, and I am pleased to say that we have just heard by telegram from America that the British Government has expressed its disapproval of the proposal.

In the course of our representations to the Government we pointed out the seriousness for British producers of this spreading tendency to exclude our product from one market after another. In addition to the virtually prohibitive tax in the United States and the difficulties I have mentioned in respect of Germany and Italy, there is in India a 25 per cent. *ad valorem* import tax, and in France there is a preference which, in effect, reserves that country for producers in the French Colonies.

I sincerely trust that in view of all these circumstances, which are all within the knowledge of the British Government, they will omit no opportunity of affording us their fullest support. That is said not as implying any less reliance on our own efforts, but in countering the actions of other Governments, the support of our own Government is essential.

RUBBER REGULATION

Since we last met the legal formalities incidental to the renewal of rubber regulation for a further period of five years have been completed, but experience in a wider sphere should have taught us to rest our faith in the fulfilment of any treaty not on its legal basis but on the good faith of the parties concerned. Our own scheme can only function smoothly and efficiently if each of the parties to it is animated by the true spirit of partnership. Happily, in this instance these conditions do exist and in a measure sufficiently strong to repel any attacks against the scheme whether coming from within or without.

Perhaps it is appropriate I should remind you that the scheme exists to keep the world at large supplied in a regular and orderly manner with all the rubber it may require, and to make these supplies available to every country on the same terms and on the same conditions, irrespective of their different forms of Government. Thus, in one of its most fundamental provisions the scheme upholds the principle of making freely available to all countries an essential raw commodity and we could not, without offending against the principle, extend a favour to any one country and withhold it from another (hear, hear). Subject to these essential conditions, we are ready to welcome and to fulfil promptly any demand for our commodity which may come from any country.

The report and accounts were unanimously adopted.

BATANG CONSOLIDATED RUBBER ESTATES, LIMITED

CAPITAL REORGANISATION SANCTIONED

The nineteenth ordinary general meeting of this company was held, on the 31st ultimo, in London.

Mr E. F. Slade, who presided, in the course of his speech said:—The actual crop harvested for the year 1938 was 609,700 lb., as compared with 805,739 lb. in the previous year. The average gross price received was 7.679d., as against 8.650d. in 1937. These are the two factors which caused the profit to fall from £12,071 to £3,297.

The standard assessment for 1938 was 840,000 lb. For the current year it is 921,100 lb. In our considered opinion, we are entitled to a much larger increase.

When we met about a year ago, I foreshadowed the probability of our formulating a scheme for the writing down of the capital of the company. It at present stands at about £92 per acre and the market quotation for the shares is somewhere between 5d. and 6d. In 1920, shareholders received on bonus terms 2½ shares for every one share held. This generous valuation of rubber land was justified in those days, but if this company is to put itself in line with other progressive concerns, it must write down its capital to an equivalent price per acre, so that it may have its shares standing at a premium when world conditions become sane and normal.

The aim of the directors is to acquire an area of young vigorous rubber, which will not only be of immediate benefit but will safeguard future years. When the time is ripe for this, most certainly the offer of new capital would be made in the first place to the shareholders. It should prove a good investment, but if shareholders are not able or do not desire to participate, they will have the knowledge that their old shareholding has been vastly improved by any such new issue.

The report was unanimously adopted.

At a subsequent extraordinary general meeting resolutions were passed reducing the capital from £300,000 to £115,587 by writing off 1s. 6d. of each of the 2,458,840 issued 2s. shares; consolidating every four of the 6d. shares into one 2s. share; increasing the authorised capital to £300,000 by the creation of 1,844,130 shares of 2s.; and amending the articles of association.

(Continued from page 566)

Moody's index of the prices of sensitive commodities in the United States, after minor fluctuations, stood on Wednesday at 144.4 (December 31, 1931 = 100), compared with 144.9 a week ago and 131.8 a year ago.

Metals

Copper.—It became known this week that the Anaconda concern has closed its Stewart mine in Montana, and similar steps are being taken by Kennecott and Phelps-Dodge. As the excess supply of copper on the American market has been the chief depressing influence on copper prices, this news brought a sharp revival on the London market, and the price of standard cash closed on Wednesday at £42 15s. per ton, a rise of £1 12s. 6d. per ton on the week.

★

Tin.—The London market was supported by the improved tone on the stock exchanges, and standard cash closed at £227 5s. per ton, the highest price since 1937. According to Messrs A. Strauss and Co., Ltd., visible supplies declined in May by 2,631 tons to 29,945 tons, due chiefly to the fall in supplies by 1,428 tons to 8,207 tons; deliveries increased by 611 tons to 10,031 tons, the highest level since January.

HOLYROOD RUBBER, LIMITED

SALE OF PLANTING RIGHTS

The twenty-sixth annual general meeting of Holyrood Rubber, Limited, was held, on May 25, at 7 Martin's Lane, London.

Mr W. Arthur Addinsell (the chairman) said, *inter alia*: Although the net profit has declined from £16,367 to £5,138, I do not regard it as a matter for great concern, having regard to the conditions which have prevailed. Indeed, we should count ourselves fortunate that the results fully justify a dividend of 5 per cent. The two responsible factors for the lower profit—the decrease in output and the average net price realised—need no exhaustive explanation.

Our standard production for 1939 has been increased by 14,500 lbs. If we estimate that the quota release for this year averages 55 per cent., the estate will be allowed to export 605,275 lbs., which is again less than for the past year, but there are good prospects of a higher price. The quantity shipped and sold under export licence this year to date has realised approximately 8d. per lb. net, which compares with 6½d. per lb. last year.

The planted area, including the 50 experimental acres, is now 2,459 acres. Under the Rubber Regulation Agreement the company was entitled to planting rights on 115 acres; but there is no suitable land available for economic extension within our present boundaries. We are interested in the Edensor Rubber Estate, and, in common with other companies in this group who are co-shareholders in Edensor, have agreed to transfer planting rights to that company, which will allow of an extension in total of some 650 acres. It has been agreed that the consideration should be about £3 per acre.

Were it not for the obscurity surrounding the international political outlook, it would be justifiable to regard the prospects of the rubber producing industry in a favourable light. The International Control Committee appear to have the situation well in hand, and, despite captious criticism from certain quarters, the regulation scheme is working in the best interests of those whom it directly concerns. The announcement last week increasing the quota for the July-September quarter by 5 per cent. was welcomed, and has caused no dislocation in any section of the industry.

The report was adopted.

Lead and Spelter.—The final settlement of the zinc duty removed a weight of uncertainty from the market, though the prospects of a renewal of the cartel are not altogether favourable. Both these markets, however, shared in the upward trend; the price of lead rose by 7s. 6d. to close on Wednesday at £14 13s. 9d. per ton, and that of spelter by 6s. 3d. to £14 3s. 9d. per ton.

Grains

In the United States the spring wheat in the North-West has received a good rainfall, but the hard winter wheat belt is still short of moisture. American prices rose during the last week in view of further crop deterioration in this area, but a slow demand in the international market offset any upward tendency in prices. Some rain has also fallen in Canada, but reports from the wheat area there indicate a serious deficiency in moisture. Little business has been transacted in maize, and the market for feeding barley has also been quiet.

Other Foods

Provisions.—Dominion butter prices continued to rise in price during the past week, and New Zealand was quoted on the London Provision Exchange at 114s. per cwt. Demand for meat continues to be concentrated on chilled and frozen beef and lamb.

★

Colonial Produce.—The sugar market has been considerably steadier

in the past week, though little business has been transacted in the futures market and some prices are only nominal. In the cocoa market Accras improved slightly in price.

★

Fruit and Vegetables.—The hot weather over the Bank Holiday helped the sales of all salads, and a brisk business took place, both before and after the week-end. Increasing supplies of English fruits, such as strawberries and gooseberries, have sold well, and prices of imported fruits, such as oranges and grapefruit, have tended to fall.

Miscellaneous Commodities

Oils and Oilseeds.—These markets are steady to firm, although the volume of business is not extensive. Plate linseed is dearer, on the confirmation of reports that the balance remaining to be shipped, now estimated at 550,000 tons, is some 140,000 tons less than the original estimate. Egyptian cottonseed has also improved in price, but little business has been transacted at the higher level, and forward positions are at a good premium. In sympathy with linseed, linseed oil has advanced in price by 5s. per ton.

★

Rubber.—In spite of the Whitsun holiday, the rubber market has shown a firm tendency, and the price of standard sheet on the spot closed ½d. higher at 8½d. per lb.

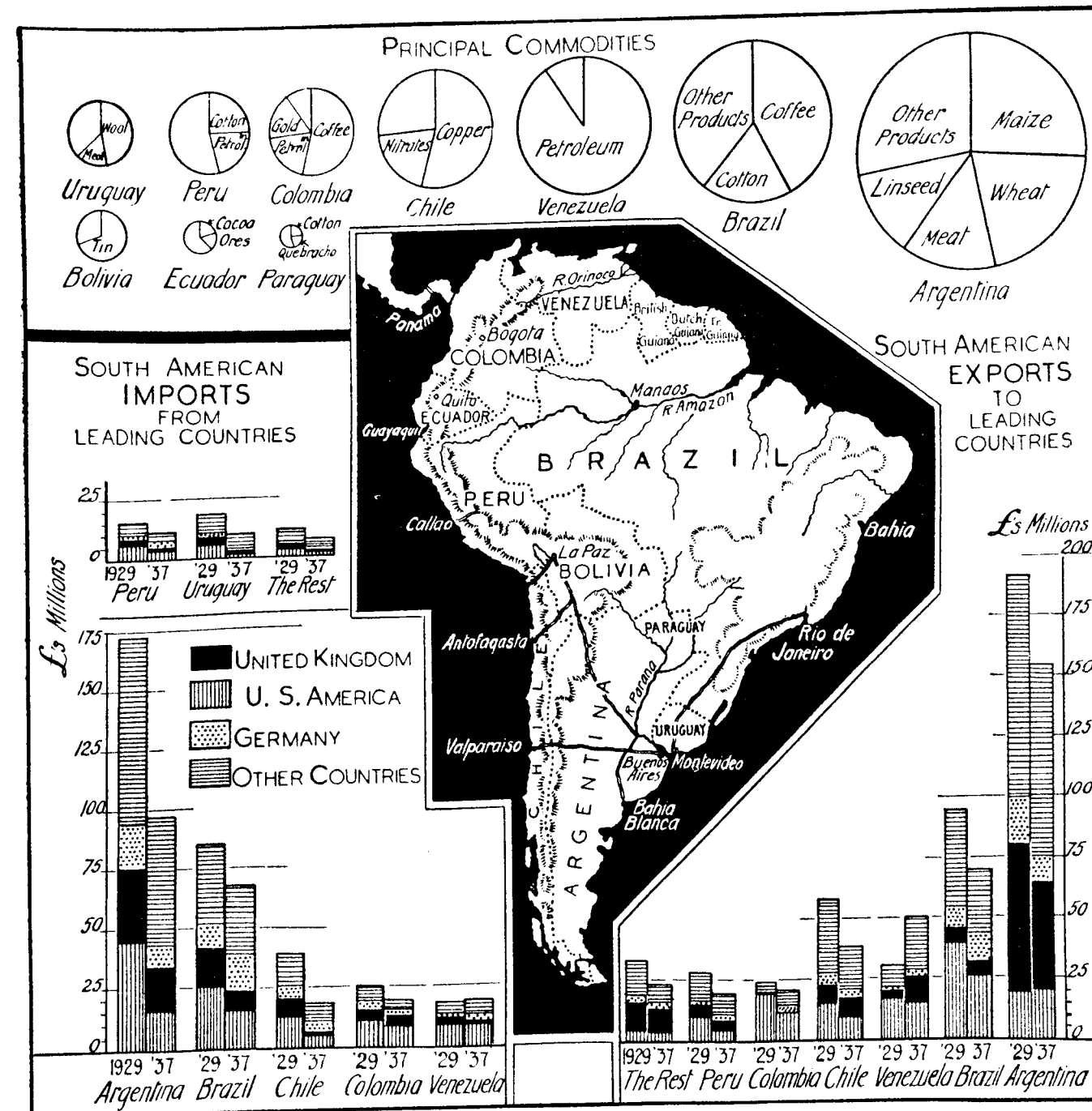
CURRENT STATISTICS

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The Trade of South America



Finance

GOVERNMENT RETURNS

For the week ended May 27, 1939, total ordinary revenue was £7,241,000, against ordinary expenditure of £16,984,000. Thus, including sinking fund allocations, the deficit accrued since April 1, 1939, is £73,801,000, against £43,892,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	Apr. 1, 1938	Apr. 1, 1939	Week ended May 27, 1938	Week ended May 27, 1939
ORDINARY REVENUE				
Income Tax	10,376	10,180	7	6
Sur-tax	5,020	5,140	340	190
Estate, etc., Duties	11,320	10,280	1,880	600
Stamps	2,120	2,500	270	400
Nat. Defence Cont.	1,070	2,870	140	240
Other Inland Rev.	70	190	...	...
Total Inland Rev.	29,976	31,160	2,637	1,436
Customs	34,498	38,772	4,878	5,534
Excise	17,804	17,739	704	839
Total Customs and Excise	52,302	56,511	5,582	6,373
Motor duties	4,139	4,151	...	...
P.O. (Net Receipt)	4,000	4,530	Dr 750	Dr 750
Crown Lands	240	290	90	90
Receipts from Sundry Loans	275	287	...	...
Misc. receipts	756	821	...	92
Total Ordinary Rev. SELF-BAL. REVENUE	91,688	97,730	6,709	7,241
P.O. and Broadcasting	10,800	10,720	2,800	2,450
Total	102,488	108,450	9,509	9,691

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	Apr. 1, 1938	Apr. 1, 1939	Week ended May 27, 1938	Week ended May 27, 1939
ORDINARY EXPENDITURE				
Interest & Management of National Debt	39,329	39,843	309	375
Payts. to N. Ireland	770	957	257	402
Other Consol. Fund Services	359	363	14	...
Total	40,458	41,163	580	777
Supply Services	91,337	129,562	9,833	16,207
Total Ord. Expend. SELF-BALANCING EXPENDITURE	134,795	170,725	10,413	16,984
P.O. and Broadcasting	10,800	10,720	2,800	2,450
Total	145,595	181,445	13,213	19,434

After raising Exchequer balances by £128,208 to £2,669,435, the other operations for the week (as shown below) raised the gross National Debt by £9,871,000 to about £8,361 millions.

WEEK'S CHANGES IN DEBT

(£ thousands)		(£ thousands)	
NET INCREASES		NET REPAYMENTS, ETC.	
Treasury Bills	9,413	Nat. Sav. Certs.	50
Pub. Dept. Adv.	850	P.O. and Teleg.	300
		N. At. Shipping	42
	10,263		392

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to May 27, 1939, are shown below:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	170,726	Ordinary Rev.	97,730
Increases in bal.	170	Gross borr.	73,971
		Less:	
		Sinking Funds	805
		Net borrowing	73,166
	170,896		170,896

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Ten-der	Tap	Public Depts.	Bank of Eng-land		
1938						
May 28	570.0	281.4	40.8	...	892.2	322.2
1939						
Feb. 4	396.0	520.1	36.7	...	952.8	556.8
" 11	381.0	502.4	38.9	...	922.2	541.2
" 18	366.0	498.6	38.9	...	903.5	537.5
" 25	351.0	500.0	40.2	...	891.2	530.2
Mar. 4	346.0	509.8	39.8	...	902.0	540.0
" 11	351.0	503.2	45.9	...	900.2	539.1
" 18	356.0	505.7	41.8	...	903.5	547.5
" 25	366.0	502.2	43.4	...	911.6	545.6
" 31	892.4*	27.9	...	...	920.3	...
Apr. 8	387.0	510.8	34.4	...	932.2	545.2
" 15	394.0	511.7	35.4	...	941.2	547.2
" 22	402.0	498.0	39.8	...	939.1	537.1
" 29	409.0	498.7	39.8	...	938.5	549.5
May 6	419.0	513.0	42.1	4.5	978.6	555.1
" 13	429.0	510.2	44.6	...	983.8	554.8
" 20	439.0	506.2	43.8	...	999.0	550.0
" 27	449.0	505.6	44.7	...	999.3	550.3

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

TREASURY BILLS

Date of Tender	Amount			Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted	
1938				
May 27	45.0	69.0	45.0	10 9 37
1939				
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
" 17	40.0	77.8	40.0	10 1 32
" 24	45.0	57.9	45.0	10 1 74
" 31	45.0	55.8	42.0	25 6 72
Apr. 6	35.0	58.0	35.0	26 2 83
" 14	30.0	51.3	30.0	31 2 37
" 21	30.0	66.0	30.0	26 10 35
" 28	30.0	63.5	30.0	26 10 37
May 5	30.0	60.7	30.0	15 11 77
" 12	30.0	58.3	30.0	13 4 61
" 19	30.0	60.8	30.0	13 3 63
" 26	41.0	58.3	40.0	13 1 91

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On May 26th applications at £99 16s. 8d. per cent. for bills to be paid for on Tuesday, Wednesday, Thursday and Friday of following week were accepted at about 74 per cent. and applications at higher prices in full. Applications at £99 16s. 9d. for bills to be paid for on Saturday were accepted in full. £45.0 millions of Treasury bills are being offered on May 26th.

NATIONAL SAVINGS

CERTIFICATES

Sales in	Number	Purchase Price
Nineteen weeks to:—		
May 14, 1938	12,901,465	9,676,097
May 13, 1939	11,988,579	8,991,398
Week to:—		
May 14, 1938	694,458	520,843
May 6, 1939	673,702	505,276
May 13, 1939	641,145	480,859

BANK OF ENGLAND RETURNS

MAY 31, 1939

ISSUE DEPARTMENT

(£ thousands)		(£ thousands)	
Notes Issued:		Govt. Debt	11,015,100
In Circulation	499,775,774	Other Govt.	287,105,313
In Bank Dept.	26,384,231	Securities	967,115
		Silver Coin	912,472
		Amt. of Fid.	300,000,000
		Issue	300,000,000
		Gold Coin & Bullion (at 148s. 5d. per oz. fine)	226,160,005
			526,160,005
			526,160,005

BANKING DEPARTMENT

(£ thousands)		(£ thousands)	
Props. Capital	14,553,000	Govt. Secs.	118,966,164
Rest	3,253,758	Disct. etc.	7,999,441
Public Depts.*	38,340,139	Securities	21,714,419
Other Depts.:			
Bankers	82,391,149		
Other Accts.	37,085,193		
		Notes	26,384,231
		Gold & Silver Coin	558,984
			175,623,239
			175,623,239

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

THE WEEK'S CHANGES

Both Departments	Amt. May 31, 1939		Compared with	
	Last Week	Last Year		
COMBINED LIABILITIES				
Note circulation	499,776	+ 5,211	14,855	
Deposits: Public	38,340	+ 12,854	13,472	
Bankers	82,391	+ 12,956	20,412	
Others	37,085	+ 720	1,623	
Total outside liabilities	657,592	+ 5,828	9,539	
Capital and rest	17,807	+ 29	27	
COMBINED ASSETS				
Govt. debt and securities	417,087	+ 5,026	108,020	
Discounts and advances	7,999	+ 903	935	
Other securities	22,682	+ 51	2,105	
Silver coin in issue dept.	913	+ 21	903	
Gold coin and bullion	226,719	+ 45	100,530	
RESERVES				
Res. of notes & coin in banking department	26,913	+ 5,256	15,383	
Proportion of reserve to outside liabilities	17.0%	+ 3.4%	8.9%	
(a) Bankers' dept. only ("proportion")	34.5%	+ 1.3%	16.0%	
(b) Gold stocks to deposits and notes ("reserve ratio")				

† Revalued from Mar. 1, 1939, in accordance with the Currency and Bank Notes Act, 1939.

COMPARATIVE ANALYSIS*

	1938					1939				
	June 1	May 10	May 17	May 24	May 31	June 1	May 10	May 17	May 24	May 31
Issue Dept.:										
Notes in circ.	484.9	495.9	493.6	494.6	499.8					
Notes in bank- ing dept.	41.5	30.3	32.5	31.6	26.4					
Govt. debt and securities	199.4	298.6	298.1	298.1	298.2					
Other sec.	0.6	0.5	0.9	0.9	1.0					
Silver coin	0.0	0.0	0.0	0.0	0.0					
Gold, valued at s. per f. oz.	326.4	226.2	226.2	226.2	226.2					
Deposits:										
Public	24.9	19.0	16.8	25.5	38.3					
Bankers	102.8	101.4	107.3	95.4	82.4					
Others	35.4	36.3	36.2	36.3	37.1					
Total	163.1	156.7	160.3	157.2	157.8					
Bkg. Dept. Secs.										
Government	109.7	114.2	113.5	114.0	119.0					
Discounts, etc.	8.9	8.1	10.1	7.1	8.0					
Other	20.0	21.2	21.3	21.7	21.7					
Total	138.6	143.4	144.9	142.8	148.7					
Banking dept. reserve	42.3	31.0	33.2	32.2	26.9					
"Proportion"	25.9	19.7	20.6	20.4	17.0					
Reserve ratio†	50.5	34.8	34.5	35.8	34.5					

* 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—The latest returns of the Bank of Greece appeared in The Economist of May 6th; Denmark and International Settlements, of May 13th; Argentina, of May 20th; Australia, Danzig, Egypt, Hungary, Iran, Java, Jugoslavia, Lithuania, Roumania, South Africa and Sweden of May 27th.

U.S. FEDERAL RESERVE BANKS

Million \$'s		Million \$'s	
12 U.S.F.R. BANKS		June 1, 1938	June 1, 1939
RESOURCES			
Gold certifi. on hand and due from Treas.	10,639	13,120	13,318
Total reserves	11,036	13,491	13,673
Total cash reserves	389	364	382
Total bills discounted	8	3	4
Bills bt. in open mkt.	1	1	1
Total bills on hand	9	4	5
Industrial advances	17	13	12
Total U.S. Govt. sec.	2,564	2,564	2,564
Total bills and sec.	2,590	2,581	2,581
Total resources	14,320	16,795	16,965
LIABILITIES			
F.R. notes in circ.	4,157	4,465	4,446
Aggregate of excess m. bank res. over reqts.	2,640	4,080	4,300
Deposits — Member-bank reserve account	7,745	9,872	10,097
Govt. deposits	1,093	936	915
Total deposits	9,231	11,362	11,570
Cap. paid in and surplus	309	311	311
Total liabilities	14,320	16,795	16,965
Reserve to depts. and F.R. notes	82.4%	85.2%	85.4%
U.S.F.R. BANKS AND TREASURY COMBINED RESOURCES			
Monetary gold stock	12,918	15,801	15,927
Treasury and Nat. Bk. currency	2,703	2,851	2,859
LIABILITIES			
Money in circulation	6,469	6,915	6,893
Treasury cash and de- posits with F.R. Bks.	3,347	3,627	3,561

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

Million \$'s		Million \$'s	
June 1, 1938	June 1, 1939	June 1, 1938	June 1, 1939
Total gold reserves	4,744	6,555	7,651

BANK CLEARINGS

LONDON

(£ thousands)

	Month of May		Week ended Wednesday		Aggregate from January 1 to	
	1938	1939	June 1, 1938	May 31, 1939	June 1, 1938	May 31, 1939
Number of working days:	26	26	6	5	128	126
Town	2,853,182	2,410,446	-15.5	645,431	485,677	14,230,832
Metropolitan	172,562	174,938	+1.4	36,909	31,075	899,974
Country	311,262	318,626	+2.4	60,348	53,624	1,579,607
Total	3,337,006	2,904,010	-13.0	742,688	570,376	16,710,413

† Based on clearings per working day.

PROVINCIAL

(£ thousands)

	Month of April			Week ended Saturday		Aggregate from January 1 to	
	1938	1939	Change	May 28, 1938	May 27, 1939	May 28, 1938	May 27, 1939
No. of working days:	24	23	%	6	6	126	125
BIRMINGHAM	9,051	9,054	+4.4	1,802	1,867	51,249	50,395
BRADFORD	3,623	3,382	-2.6	934	974	17,597	17,845
BRISTOL	4,921	4,865	-3.2	1,207	1,320	27,260	27,779
LEEDS	3,435	3,214	-2.3	689	652	18,569	17,075
LIVERPOOL	19,737	19,449	-2.8	5,004	4,443	113,083	103,589
MANCHESTER	38,201	38,600	+5.3	7,589	8,195	206,336	201,826
NEWCASTLE	6,374	5,744	-6.0	1,426	1,380	33,790	32,492
NOTTINGHAM	2,043	1,966	-0.4	409	406	11,076	10,596
SHEFFIELD	4,551	4,232	-3.0	714	784	24,455	22,782
Total: 11 Towns	98,936	97,439	-2.8	21,130	21,530	540,507	521,376
DUBLIN	...	...	...	6,438	4,746	126,259†	132,921†

† Based on clearings per working day.

‡ 21 calendar weeks.

MONEY RATES

LONDON

	May 25, 1939	May 26, 1939	May 27, 1939	May 29, 1939	May 30, 1939	May 31, 1939	June 1, 1939
Bank rate (changed from 2½% June 30, 1932)	2	2	2	2	2	2	2
Market rates of discount	5½-11½	10½-5½	5½	5½	5½	5½	5½
60 days' b/nks' drafts	11½	11½-3½	11½-3½	11½-3½	11½-3½	11½-3½	11½-3½
3 months' do.	11½	11½-3½	11½-3½	11½-3½	11½-3½	11½-3½	11½-3½
4 months' do.	11½	11½-3½	11½-3½	11½-3½	11½-3½	11½-3½	11½-3½
6 months' do.	11½	11½-3½	11½-3½	11½-3½	11½-3½	11½-3½	11½-3½
Discount Treasury Bills	9½	10½-5½	5½	5½	5½	5½	5½
3 months'	9½	10½-5½	5½	5½	5½	5½	5½
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 allowances: 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
1939	%	%	%	%	%	%	%
May 4	12-1	1-11½	15½-11½	15½-2	3-3½	3½-3½	3½-4
" 11	12-1	9½	11½-5½	7½-11½	3-3½	3½-3½	3½-4
" 18	12-1	9½	11½-5½	7½-11½	3-3½	3½-3½	3½-4
" 25	12-1	11½	11½	11½	3-3½	3½-3½	3½-4
June 1	12-1	5½-11½	11½-3½	11½	3-3½	3½-3½	3½-4

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:

	June 1, 1938	May 3, 1939	May 10, 1939	May 17, 1939	May 24, 1939	May 31, 1939
Call money	1½	1½	1½	1½	1½	1½
Time money (90 days' mixed coll.)	11½	11½	11½	11½	11½	11½
Bank acceptances	11½	11½	11½	11½	11½	11½
Members—eligible, 90 days	12	12	12	12	12	12
Non-mem.—eligible, 90 days	12	12	12	12	12	12
Commercial accept., 90 days	12	12	12	12	12	12

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges

(Range of the day's business)

London on	Par of Exch. per £	May 26, 1939	May 27, 1939	May 29, 1939	May 30, 1939	May 31, 1939	June 1, 1939
New York, \$.	1.86	4.68½	4.68½	4.68½	4.68½	4.68½	4.68½
Montreal, \$.	4.86½	4.69½	4.69½	4.69½	4.69½	4.69½	4.69½
Paris, Fr.	124.21	176½	176½	176½	176½	176½	176½
Brussels, Bel.	35.00a	27.49-51	27.49-51	27.49-51	27.49-51	27.49-51	27.49-51
Milan, L.	92.46	88½	88½	88½	88½	88½	88½
Zurich, Fr.	25.22	20.76-80	20.76-80	20.76-80	20.76-80	20.76-80	20.76-80
Athens, Dr.	375	540-555	540-555	540-555	540-555	540-555	540-555
Amst'd'm, Fl.	12.107	8.70½	8.71-72	8.70½	8.71-72	8.71-72	8.71-72
Berlin, Mk.	20.43	11.65-69	11.65-69	11.65-69	11.65-69	11.65-69	11.65-69
Registered Marks	c	59½	60-65	Whit	60-65	64½	64½
Br. India Rup.	†18d.	17½	17½	Monday	17½	17½	17½
Hong Kong, \$	†...	14½	14½	14½	14½	14½	14½
Shanghai, \$.	†...	8-8½	8-8½	8-8½	8-8½	8-8½	8-8½
Rio, Mil	†5-899d.	22½	22½	22½	22½	22½	22½
B. Aires, \$	11.45	17.13½	17.13½	17.13½	17.13½	17.13½	17.13½
Valparaiso, \$.	40	117½	117½	117½	117½	117½	117½
Montevideo, \$	†51d.	17½	17½	17½	17½	17½	17½
Lima, Sol.	17.38	24½	24½	24½	24½	24½	24½
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.	...	24.81½	24.81½	24.81½	24.81½	24.81½	24.81½

Usance: T.T., Rio de Janeiro, Lima, Valparaiso (90 days). * Sellers. † Pence per unit of local currency. ‡ Par 8.23½ since dollar devaluation on February 1, 1934. (a) Prior to devaluation on April 2, 1935. (c) Per cent. discount. (d) Latest "export" rate. (e) Official rate is \$15 sellers. (f) Average remittance rate for importers. (g) Rate for payments to the Bank of England, for account Controller of Anglo-Italian debts. (h) Nominal.

(b) Other Exchanges

London on	Par of Exch. per £	May 26, 1939	May 31, 1939	June 1, 1939
Helsingfors, M.	193.23	226½-227½	226½-227½	226½-227½
Madrid, Pt.	25.22½	42½	42½	42½
Lisbon, Esc.	110	110-110½	110-110½	110-110½
Budapest, Pen.	27.82	23½-24½	23½-24½	23½-24½
Prague, Kc.	\$164½	136½	136½	136½
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	205-215	205-215	205-215
Kyovo, 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	19.35-45	19.35-45	19.35-45
Copenhagen, Kr.	18.159	22.35-45	22.35-45	22.35-45
Alexandria, Pst.	97½	97½-98	97½-98	97½-98
Kobe, Yen	†24.58d.	13½-14½	13½-14½	13½-14½
Singapore, \$	†28d.	27½-28	27½-28	27½-28
Batavia, R.	12.11	8.68-72	8.68-72	8.68-72
Bangkok, Baht	†21.82d.	22½-23½	22½-23½	22½-23½

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

LONDON—FORWARD

(Closing quotations)

London on		May 26, 1939	May 27, 1939	May 29, 1939	May 30, 1939	May 31, 1939	June 1, 1939
		Per £	Per £	Per £	Per £	Per £	Per £
New York cent.	1 Month	(p)	(p)	(p)	(p)	(p)	(p)
	2 "	7½-8	7½-8	7½-8	7½-8	7½-8	7½-8
	3 "	15½-16	15½-16	15½-16	15½-16	15½-16	15½-16
Paris, francs	1 Month	(d)	(d)	(d)	(d)	(d)	(d)
	2 "	Par-1½	Par-1½	Par-1½	Par-1½	Par-1½	Par-1½
	3 "	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Amsterdam, cent.	1 Month	(p)	(p)	(p)	(p)	(p)	(p)
	2 "	1½-Par	1½-Par	1½-Par	1½-Par	1½-Par	1½-Par
	3 "	1½-7½	1½-7½	1½-7½	1½-7½	1½-7½	1½-7½
Brussels, cent.	1 Month	(d)	(d)	(d)	(d)	(d)	(d)
	2 "	3-5	3½-5½	3-5	3-5	3-5	3-5
	3 "	9-13	10-14	9-13	9-13	9-13	9-13
Geneva, cent.	1 Month	(p)	(p)	(p)	(p)	(p)	(p)
	2 "	3-1	3-1	3-1	3-1	3-1	3-1
	3 "	5-3	5-3	5-3	5-3	5-3	5-3

(p) Premium.

(d) Discount.

EXCHANGE RATES—cont.

NEW YORK

New York on	May 25, 1939	May 26, 1939	May 27, 1939	May 29, 1939	May 30, 1939	May 31, 1939
London:—	Cents	Cents	Cents	Cents	Cents	Cents
60 days	467½	467½	467½	467½	467½	467½
Cables	468½	468½	468½	468½	468½	468½
Demand	468½	468½	468½	468½	468½	468½
Paris, Fr.	2.64½	2.64½	2.64½	2.65	2.65	2.65
Brussels, Bel.	17.02½	17.02½	17.02½	17.03	17.03	17.03
Switzerland, Fr.	22.52½	22.52½	22.52½	22.53	22.53	22.53
Italy, Lira	5.26½	5.26½	5.26½	5.26½	5.26½	5.26½
Amsterdam, Guilder	40.12	40.12	40.12	40.12	40.12	40.12
Copenhagen, Kr.	53.73	53.72	53.72	53.72	53.72	53.72
Oslo, Kr.	24.12	24.12	24.12	24.12	24.12	24.12
Stockholm, Kr.	0.857½	0.857½	0.857½	0.857½	0.857½	0.857½
Athens, Dr.	99.710	99.695	99.695	99.695	99.695	99.695
Montreal, Can. \$	27.32	27.32	27.32	27.31	27.31	27.31
Yokohama, Yen	16.15	16.15	16.15	16.15	16.15	16.15
Shanghai, \$	29.05	29.05	29.05	29.05	29.05	29.05
B. Aires, Peso	5.50	5.50	5.50	5.50	5.50	5.50
Rio, Milreis†	5.50	5.50	5.50	5.50	5.50	5.50

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	101 0 0	101 5 3	101 13 6	102 1 9	102 10 0

(SELLING RATES PER £100 STERLING)

	Sight	Telegraphic
London on:—	£ s. d.	£ s. d.
Rhodesia	99 15 0	99 15 0
South Africa	100 5 0	100 5 0

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 ³ / ₈	125	124 ⁵ / ₈	125 ¹ / ₂	125
	(+)	(+)		Air Mail	Ord. Mail			
Sight	126 ¹ / ₈	125 ⁷ / ₈	125 ¹ / ₁₆	124 ¹ / ₁₆	124 ¹ / ₁₆	123 ⁴ / ₈	125 ¹ / ₂	124 ²⁹ / ₃₂
30 days	126 ⁵ / ₈	126 ³ / ₈	...	124 ¹ / ₂	124 ⁹ / ₈	123 ⁸ / ₈	125 ⁷ / ₈	124 ⁷ / ₈
60 days	127 ¹ / ₈	126 ⁷ / ₈	...	124 ¹ / ₄	124 ¹ / ₈	123 ⁵ / ₈	125 ¹ / ₈	124 ¹⁷ / ₁₆
90 days	127 ⁵ / ₈	127 ⁵ / ₈	...	124	123 ⁷ / ₈	123 ⁸ / ₈	125 ¹ / ₁₆	124 ¹¹ / ₁₆

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended May 28 (£'000)				Aggregate Gross Receipts, 21 weeks (£'000)			
	Passenger	Merchandise	Coal & Coke	Total	Passenger	Merchandise	Coal & Coke	Total
L.M. & S.—								
1938	469	455	224	1,148	9,074	10,010	5,730	24,814
1939	667	481	245	1,393	9,088	9,658	5,951	24,697
L. & N.E. (a)—								
1938	302	315	215	832	5,922	7,061	5,356	18,339
1939	380	333	232	945	5,909	6,660	5,460	18,029
Great Western—								
1938	199	191	100	490	3,803	4,054	2,411	10,268
1939	274	229	116	619	3,843	4,120	2,427	10,390
Southern—								
1938	302	64	26	392	5,898	1,231	683	7,812
1939	415	68	28	511	5,996	1,245	704	7,945
Total—								
1938	1,272	1,025	565	2,862	24,977	22,416	14,180	61,573
1939	1,736	1,111	621	3,468	24,836	21,683	14,512	61,031

(a) Week ended May 27.

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—				
21 weeks to May 28, 1939	— 117	— 310	+ 112	+ 83
Av. weekly decrease, 1st half 1939	— 5.57	— 14.76	+ 5.33	+ 3.95
Latest week compared with 1938—	+ 245	+ 113	+ 129	+ 119
Latest week compared with average 1927-30	+ 129	— 39	+ 83	+ 46

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended May 26, 1939 (£'000)			Aggregate Gross Receipts, 21 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1938	2.0	0.5	2.5	38.7	9.1	47.8
1939	2.1	0.4	2.5	39.1	9.0	48.1
Great Northern—						
1938	9.6	9.0	18.6	181.2	181.8	363.0
1939	10.1	10.3	20.4	185.9	210.0	395.9
Great Southern—						
1938	32.6	37.8	70.4	631.6	839.5	1,471.1
1939	32.9	39.9	72.8	629.0	856.8	1,485.8

AMERICAN RAILROADS

Company	Month of March, 1939	Compared with March, 1938	3 Months 1939	Compared with 3 Months, 1938
Baltimore and Ohio	12,523,000	+ 1,974,000	35,313,000	+ 4,812,000
New York Central	2,026,000	+ 1,605,000	4,957,000	+ 5,160,000
Pennsylvania	27,777,000	+ 3,575,000	80,108,000	+ 10,051,000
Railroad	1,822,000	+ 1,859,000	4,531,000	+ 6,330,000
Southern Pacific	33,321,000	+ 4,402,000	95,691,000	+ 12,786,000
Union Pacific	13,292,000	+ 1,292,000	37,290,000	+ 4,509,000
	17,236,000	+ 1,487,000	47,201,000	+ 6,002,000
	1,750,000	+ 1,975,000	2,947,000	+ 4,405,000
	12,070,000	+ 1,812,000	34,222,000	+ 3,940,000
	920,000	+ 251,000	2,470,000	+ 388,000

† Net operating income.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks Ending	Gross Receipts for Week		Aggregate Gross Receipts	
		1939	+ or -	1939	+ or -
Benzal & N. Western	5 May 10	Rs. 11,79,057	Rs. 15,758	Rs. 13,09,012	Rs. 5,95,860
Benzal-Nagpur	5 May 10	Rs. 10,16,000	Rs. 2,87,771	Rs. 1,20,90,000	Rs. 8,77,206
Bombay, Bar. & C.I.	5 May 10	Rs. 15,14,000	Rs. 85,000	Rs. 1,76,71,000	Rs. 6,81,000
Madras & S. Mah.	5 May 10	Rs. 21,76,000	Rs. 2,53,917	Rs. 95,32,000	Rs. 6,02,629
S. Indian	5 May 10	Rs. 15,63,267	Rs. 2,14,148	Rs. 61,17,481	Rs. 62,999

CANADIAN

Name	Weeks Ending	Gross Receipts for Week		Aggregate Gross Receipts	
		1939	+ or -	1939	+ or -
Canadian National	20 May 21	\$ 3,913,259	\$ 698,115	\$ 66,962,866	\$ 2,269,821
Canadian Pacific	20 May 21	\$ 2,811,000	\$ 418,000	\$ 47,508,000	\$ 204,000

SOUTH & CENTRAL AMERICAN

Name	Weeks Ending	Gross Receipts for Week		Aggregate Gross Receipts	
		1939	+ or -	1939	+ or -
Antofagasta	21 May 28	\$ 11,060	\$ 7,430	\$ 280,790	\$ 81,240
Argentine N.E.	47 27	\$ 170,700	\$ 2,400	\$ 7,521,000	\$ 475,400
B.A. and Pacific	47 27	\$ 1,132,000	\$ 58,000	\$ 68,507,000	\$ 114,000
B.A. Central	46 13	\$ 114,000	\$ 3,598	\$ 4,249,818	\$ 7,070
B.A. Gt. Southern	47 27	\$ 1,108,000	\$ 4,000	\$ 11,028,000	\$ 4,237,000
B.A. Western	47 27	\$ 1,130,769	\$ 218	\$ 6,887,593	\$ 262,839
Central Argentine	47 27	\$ 810,000	\$ 150,000	\$ 39,927,000	\$ 935,000
Central Uruguay	47 27	\$ 1,106,695	\$ 37,616	\$ 5,683,802	\$ 58,002
Leopoldina	21 27	\$ 1,132,000	\$ 59,000	\$ 33,826,000	\$ 274,000
Mexican Railway	20 21	\$ 1,132,000	\$ 59,000	\$ 33,826,000	\$ 274,000
Nitrate	19 15	\$ 1,132,000	\$ 59,000	\$ 33,826,000	\$ 274,000
United of Havana	47 27	\$ 1,132,000	\$ 59,000	\$ 33,826,000	\$ 274,000

* 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	Weeks Ending	Gross Receipts for Week		Aggregate Gross Receipts	
		1939	+ or -	1939	+ or -
Transit Receipts	20 May 20	\$ 254,100	\$ 16,100	\$ 3,623,300	\$ 214,000

† 10 days.

LONDON TRANSPORT BOARD

Week ending	May 27, 1939, before pooling	Receipts		Compared with prev. year
		1939	+ or -	
Total, 48 weeks to date		£ 602,400	£ 21,400	+ 21,400
L.P.T.B. receipts, 52 weeks to June 25, 1938		£ 27,340,700	£ 304,800	+ 304,800
L.P.T.B. receipts, 52 weeks to June 26, 1937		£ 29,388,200	£ 657,100	+ 657,100
L.P.T.B. receipts, year to June, 1938, after pooling		£ 30,923,828	£ 676,450	+ 676,450
London Transport Pool receipts, year to June 30, 1938		£ 42,120,179	£ 742,250	+ 742,250

MONTHLY TRANSPORT & POWER RETURNS

Company	Months Ending	Receipts for Month		Aggregate Receipts	
		1939	+ or -	1939	+ or -
Canadian National	4 Apr. 30	Gross 14,452,302	+ 527,647	55,649,743	+ 502,106
Canadian Pacific	4 Apr. 30	Gross 10,114,000	+ 299,000	39,460,000	+ 1,120,000
Int. Rlys. Cent. Am.	4 Apr. 30	Gross 913,000	+ 414,000	2,381,000	+ 633,000
		Net 534,509	+ 10,645	2,284,653	+ 227,868
		Net 120,211	+ 38,999	634,475	+ 80,691

* Decrease in deficit.

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					Corresponding Period Last Year	
					Dividend			Carried to Reserve, Deprecia-tion, etc.	Balance Forward	Net Profit	Divi-dend
					Prefce. Amount	Ordinary Amount	Rate				
Banks		£	£	£	£	£	%	£	£	£	%
Bank of Roumania	Dec. 31	Dr. 16,834	Dr. 6,896	Dr. 23,730	...	...	...	...	Dr 23,730	Dr. 8,278	Nil
Breweries											
Booth's Distilleries	Mar. 31	29,637	54,490	84,127	38,253	10,875	2½	...	34,999	46,089	Nil
Financial Land, etc.											
Texas Land and Mortgage .	Mar. 31	9,673	14,641	24,314	...	9,900	6†	5,000	9,414	15,570	6†
Oil											
Whitehall Electric Invest.	Mar. 31	358,053	210,073	568,126	187,500	...	...	Dr. 8,875	389,501	228,680	Nil
Burmah Oil											
Burmah Oil	Dec. 31	637,271	4,015,246	4,652,517	300,000	2,884,668	21	765,695	702,154	4,162,285	30b
Rubber											
Allied Sumatra	Dec. 31	58,191	56,221	114,412	...	56,000	4	...	58,412	88,693	6
Badek	Dec. 31	12,718	12,290	25,008	...	9,155	10	3,358	12,495	18,144	10
Malacca	Dec. 31	31,979	41,723	73,702	8,625	...	...	23,000	42,077	88,069	7½
Pahi	Dec. 31	1,096	1,335	2,431	900	...	...	...	1,531	2,209	Nil
Shipping											
Coast Lines	Dec. 31	105,204	269,469	374,673	194,250	60,000	3	3,883	116,540	290,190	4½
Indo-China Steam	Dec. 31	9,568	266,605	276,173	14,877	...	...	241,244	20,052	247,669	Nil
Shops and Stores											
Boots Pure Drug	Mar. 31	346,730	950,699	1,297,429	96,750	464,000	29m	487,955	248,724	942,974	(v) 29m
Burton (Joseph) and Sons	Apr. 15	24,289	17,806	42,095	12,500	2,500	5	2,500	24,595	16,500	5
Peacock's Stores	Dec. 31	24,257	36,266	60,523	11,601	5,800	8	19,597	23,525	43,909	8
Waring and Gillow	Jan. 31	6,415	1,845	8,260	...	...	...	7,945	315	4,073	(a)
Woodlands Chemists	Dec. 31	...	1,594	1,594	...	...	...	396	1,198	(a)	Nil
Tea											
Deamoolie	Dec. 31	31,728	11,745	43,473	...	10,500	17½	1,000	31,973	10,893	17½
Derby	Dec. 31	11,916	7,188	19,104	691	3,876	12½	3,000	11,537	7,461	15
Isa Bheel	Dec. 31	5,741	7,880	13,621	600	4,746	15	4,000	4,275	10,844	25
Pabbajan	Dec. 31	28,927	17,744	46,671	...	18,750	15	...	27,921	21,404	17
Rupai	Dec. 31	25,175	11,041	36,216	...	9,000	15	2,000	25,216	12,189	15
Tara	Dec. 31	39,297	8,512	47,809	600	7,875	15	Dr. 2,500	41,834	11,080	20
Textiles											
Bright (John) and Bros. ...	Mar. 31	10,482	53,373	63,855	...	...	...	54,215	9,640	74,469	Nil
Hart and Levy	Oct. 31	Dr. 6,269	Dr 14,594	Dr. 20,863	...	...	...	...	Dr 20863	(a)	(a)
Vantona Textiles	Mar. 31	Dr. 23,364	Dr. 20,792	Dr. 44,156	...	...	...	...	Dr 44,156	Dr 29,461	Nil
Tramway & Omnibus											
Lisbon Electric Tramways	Dec. 31	30,775	152,516	183,291	25,533	71,328	7½†	55,000	31,430	146,046	7½†
Trusts											
Forward Trust	Apr. 30	4,592	20,906	25,498	4,350	8,700	20	5,000	7,448	30,872	20
Investment Trust Corp. ...	May 1	189,425	230,701	420,126	87,000	138,596	13	...	194,530	259,691	13
Other Companies											
Advance Laundries	Mar. 31	8,970	88,582	97,552	26,520	27,300	7½	33,474	10,258	89,825	7½
Associated Biscuit	Mar. 31	21,881	57,534	79,415	28,275	30,453	3	...	20,687	50,049	Nil
Associated Newspapers ...	Mar. 31	525,131	445,266	970,397	25,000	387,667	12½ & 7	100,000	457,730	785,036	25 & 7
British Bedaux	Mar. 31	556	20,801	21,357	...	17,400	8	3,500	457	26,845	10
Brotherhood (Peter)	Mar. 31	90,917	81,924	172,841	9,075	42,000	24	17,500	104,266	73,481	24
Chloride Elec. Storage	Mar. 31	89,149	291,242	380,391	3,720	163,306	15	132,696	80,669	352,679	20
Cole (E. K.)	Mar. 31	25,044	29,256	54,300	19,331	...	...	20,619	14,350	37,468	10
Cope Brothers	Mar. 31	58,905	37,090	95,995	...	38,062	14	...	57,933	45,940	14
Mason and Burns	Mar. 31	2,727	3,651	6,378	...	2,719	7½	...	3,659	7,732	15
McColl (R. S.)	Apr. 28	5,185	12,690	17,875	8,700	5,438	5	...	3,737	20,549	6½
Millars' Timber	Dec. 31	55,465	98,652	154,117	55,250	17,000	7½	20,000	61,867	131,250	Nil
Morton (C. & E.)	Dec. 31	Dr. 35,274	Dr. 8,200	Dr. 43,474	...	...	...	...	Dr 43,474	12,161	Nil
Olympia, Ltd.	Dec. 31	47,998	36,938	84,936	35,700	...	...	...	49,236	36,742	Nil
Scottish Drapery Corp. ...	Apr. 19	38,066	90,405	128,471	38,062	42,413	9	...	47,996	95,002	9
Scottish Machine Tool	Mar. 31	12,014	55,613	67,627	...	29,000	10	25,000	13,627	48,526	8
Sena Sugar	Dec. 31	22,748	114,984	137,732	22,500	56,000	8	20,000	39,232	148,642	9
Total Profits, 1939, in £000's	No. of Cos	49,965	152,359	202,324	31,086	79,880	...	38,663	52,695	166,201	...
To May 27	1,151	52,944	160,265	213,209	32,342	84,515	...	40,709	55,643	174,914	...
To June 3	1,192										

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		Name of Security	Price, May 31, 1939	Change since May 24, 1939	Yield May 31, 1939	Prices, Year 1939		Name of Security	Price, May 31, 1939	Change since May 24, 1939	Yield May 31, 1939
High	Low	High	Low					High	Low				
79 1/4	64	71 1/8	64 1/4	British Funds	70	+1 1/2	£ s. d.	32 1/2	15 1/2	Brit. Overseas A £5	15 1/2	-2/6	£ s. d.
111 3/4	98	107 1/4	101	Consols 2 1/2% 1927-30	106 1/2	+1 1/2	12 1/2	10 1/2	17 1/2	Chd. of India £5	17 1/2	...	6 1/2
100 3/4	90	96 3/4	90 1/4	Conv. 2 1/2% 1944-49	95 1/2	+1 1/2	12 1/2	10 1/2	17 1/2	Com. Bk. of Aus. 10/-	11 1/2	...	4 17 6 1/2
103 1/4	92	99 1/4	92 1/4	Do. 3% 1948-53	98 1/2	+1 1/2	12 1/2	10 1/2	17 1/2	Dist. Bk. £1 1/2 p.d.	50/-	...	4 0 0
104 3/4	90 1/2	99 1/4	91	Do. 3 1/2% after 1961	96 1/2	+1 1/2	12 1/2	10 1/2	17 1/2	En. S. & Aust. £5 £3 p.d.	70/-	+5/-	6 0 0
105 1/4	100	104 1/4	102	Do. 4 1/2% 1940-44	102 1/2	+1 1/2	12 1/2	10 1/2	17 1/2	Hambros £10 £2 1/2 p.d.	87 1/2	+1 1/2	5 1 6
111 3/4	102	112 1/4	105 1/8	Do. 5% 1944-64	109 1/4	+1 1/2	12 1/2	10 1/2	17 1/2	Hong. & S. £125	£84 1/2	...	6 10 2
97 1/8	85 1/2	87 1/4	81 1/4	Fund. 2 1/2% 1956-61	86 1/4	+1 1/2	12 1/2	10 1/2	17 1/2	Lloyds £5 £1 p.d.	56/-	+1 1/2	4 5 8
99 1/8	90	95 1/8	89	Fund. 2 1/2% 1952-57	92 1/4	+1 1/2	12 1/2	10 1/2	17 1/2	Martins £20 £2 1/2 p.d.	87 1/2	...	4 6 0
114 1/8	98	109 1/2	102 1/2	Fund. 4% 1960-70	94	+1 1/2	12 1/2	10 1/2	17 1/2	Midland £1 1/2 p.d.	83/-	+1 1/2	4 5 0
101 1/8	90	99 1/4	92 1/2	Nat. D. 2 1/2% 1944-48	97 1/2	+1 1/2	12 1/2	10 1/2	17 1/2	Nat. Dis. £2 1/2 p.d.	25 1/4	+1 1/2	5 15 3
100 1/4	93	96 3/4	91 1/2	Nat. D. 3% 1954-58	97 1/2	+1 1/2	12 1/2	10 1/2	17 1/2	N. of Ind. £25 £12 1/2 p.d.	30	...	6 13 3
112 1/8	100	108 3/8	102 3/8	Victory Bonds 4%	108	+1 1/2	12 1/2	10 1/2	17 1/2	N. Prov. £5 £1 p.d.	68/-	...	4 8 0
103 3/8	90 1/2	98 3/4	90 3/4	War L. 3 1/2% af. 1952	96	+1 1/2	12 1/2	10 1/2	17 1/2	Roy. Bk. of Scotland	430	...	3 19 1
90 1/8	78	83 3/4	76 3/4	Local Loans 3%	82 1/2	+1 1/2	12 1/2	10 1/2	17 1/2	St. of S.A. £20 £5 p.d.	14 1/4	-1 1/2	4 18 6
68 1/2	55	64	58 1/2	Austria 3% 1933-53	96	+1 1/2	12 1/2	10 1/2	17 1/2	Union Dist. £1	45/-	...	4 9 10
82 1/4	68	76	66 1/4	India 2 1/2%	74 1/2	+1 1/2	12 1/2	10 1/2	17 1/2	West. £4 £1 p.d.	85/-	+1 1/2	4 5 0
95 3/8	75	90	78	Do. 3 1/2%	79 1/2	+1 1/2	12 1/2	10 1/2	17 1/2				
117 3/8	110	115 1/4	105 1/4	Do. 4 1/2%	109 1/4	+1 1/2	12 1/2	10 1/2	17 1/2				
108 3/8	97	106 1/4	99	Dom. & Col. Govts.	104 1/2	+2 1/2	4 3 6	10 1/2	17 1/2	Alliance £1 fully pd.	25 1/2	...	3 10 6
104 1/8	97	101 3/4	99 3/4	Austr. 5% 1945-75	104 1/2	+2 1/2	4 3 6	10 1/2	17 1/2	Atlas £5 £1 1/4 p.d.	14 1/2	...	2 15 0
115	109 1/2	112 1/2	108 1/2	Canada 4% 1940-60	103 1/2	...	3 17 4	98/-	85/-	Com. Un. £1, fy. pd.	9	+1 1/2	4 9 0
108	95 1/2	103	96 1/2	Nigeria 5% 1950-60	108 1/2	...	4 3 1	29 1/2	25	Gen. Acc. £1 1/2 p.d.	92 1/2	+2 1/2	3 16 9
107 1/2	95	102 3/4	98	N. Zealand 5% 1946	101	...	5 1 6	11 1/8	99 1/8	Lon. & Lanc. £5 £2 p.d.	27 1/2	+1 1/2	3 12 9
112 1/8	97	110	104 1/4	Queens. 5% 1940-60	102 1/2	...	4 17 7	29 1/2	25	N. Brit. & Mer. £1 1/4 p.d.	10 1/4	...	3 1 0
96 1/2	78	85	78 3/4	Foreign Governments	80	+1 1/2	5 12 6	94 7/12	83 1/2	Pearl (£1), fy. pd.	18 1/2	...	3 0 0
102	23	40 1/2	25	Arg. 4 1/2% Ste. Bds.	36 1/2	+2 1/2	11 8 4	99 1/8	83 1/2	Phoenix £1, fy. pd.	14 1/4	+1 1/2	4 1 6
89	38	65 1/2	48	Austria 1930 5%	65 1/2	+2 1/2	8 5 3	81 3/8	72 3/8	Prudential £1 A	35	...	2 16 6
36 1/2	31	31 1/2	28 1/2	Do. 4 1/2% 1934-59	87 1/2	+1 1/2	4 15 3	17 1/2	13 1/2	Do. £1 with 4% pd.	87 1/2	...	3 6 0
37 1/2	31 1/2	31 1/2	28 1/2	Belgian 4% (36) 1970	21	...	11 18 2m	88 3/8	77 1/2	Royal £1, 10/- pd.	9 1/2	+1 1/2	3 18 0
19 1/2	14	16 1/2	9	Bulgaria 7 1/2% 1914...	10 1/2	...	19 15 0	0	0	S. U. & N. £20 £1 p.d.	14	+1 1/2	4 13 0
60 1/2	37	38 1/2	28	China 5% (1929)	34 1/2	+1 1/2	19 15 0	0	0	Sun. Lf. Ass. £1 fy. pd.	7 1/2	+3 1/2	3 5 0
73 1/2	40	55 1/2	44	Do. 5% (1913)	50 1/2	-1 1/2	9 18 0	0	0				
105 1/4	99	100	94 1/2	Czechoslovakia 8%	49	-1 1/2	16 6 8	47 1/2	39 1/2				
104	84 1/2	86 1/4	68 1/2	Denmark 3%	97 1/2	+1 1/2	3 1 6	11 1/2	7 1/2	Anglo-Am. Deb.	210/-	...	5 14 3
13	9 1/4	12 1/2	10 3/4	Egypt United 4%	77 1/2	+1 1/2	5 3 3	15 1/2	10 3/4	Anglo-Celtic Ord.	39 1/2	...	8 17 3
46	20	44	21	French 4% (British)	111 1/2	...	4 17 6	21 1/2	19 5	Brit. Assets Trust 5/-	8 1/2	...	6 3 0
60	15	33 1/2	21 1/4	Gen. Dav. Lm. 5%	38 1/2	...	12 19 8	17 1/2	4 1/2	Charterhouse Inc.	11 1/2	...	5 6 8
34 1/2	25	29 1/2	23 1/4	Do. Young Lm. 4 1/2%	29	+1 1/2	16 15 0	240	107 1/2	Debenture Corp. Sdk.	195 1/2	...	5 2 3
58 1/2	20	35 1/2	24	Greek 6% Stab. Lm.	29	...	15 5 0	225	21 1/2	For. Amer. & Co. Def.	46 1/2	+2	8 12 0
60	38	52	40 1/2	Hungary 7 1/2%	29 1/2	...	11 19 0	15 6	12 1/2	Guardian Investment	107 1/2	...	6 10 3
54 1/2	35	40 1/2	39 1/4	Japan 5 1/2% 1936-65	46	...	13 6 8	237 1/2	21 1/4	Ind. & Gen. Ord.	217 1/2	+7	5 10 0
60	35	40 1/2	39 1/4	Do. 6% (24) red. 1959	45	...	11 19 0	15 6	12 1/2	Invest. Trust Def.	129 1/2	+6 1/2	7 1 0
75 1/2	54	69	50	Peru 7 1/2% 1922	44 1/2	...	8 19 10 1/2	118 1/2	80	Lake View Inv. 10/-	98 1/2	+13 1/2	7 12 0
15 3/4	9 1/4	11 1/2	7	Poland 7%	50	...	11 0 0	217 1/2	188 1/2	Mercantile Inv.	109 1/2	...	6 6 0
92	75	83	74 3/4	Rom. 4% Con. 1922	10 1/2	+1 1/2	19 10 0	168 1/2	152 1/2	Merchants Trust Ord.	98 1/2	...	6 6 0
117 1/2	101	111 1/2	106	U.K. & C. 3%	78 1/2	...	3 16 5	180	164	Metropolitan Trust...	152 1/2	...	6 4 7
117 1/2	101	111 1/2	106	Corporation Stocks	78 1/2	...	3 16 5	180	164	Scottish Mortg. & Co.	152 1/2	...	6 4 7
117 1/2	101	111 1/2	106	Bit'ham 5% 1946-56	108	+1 1/2	3 16 6	180	164	Scottish Mortg. & Co.	152 1/2	...	6 4 7
117 1/2	101	111 1/2	106	Bristol 5% 1948-58	108	...	3 15 11	6	4	Trustee Corp. Ord.	186 1/2	...	5 19 3
97 1/2	90 1/2	93 1/8	78	L.C.C. 3%	79	+2 1/2	3 15 11	6	4	United States Deb.	167 1/2	...	5 19 3
105 1/4	94 3/8	102 3/4	97 1/2	Liverpool 3% 1934-61	90	+1 1/2	3 15 11	6	4				
				Midx. 3 1/2% 1957-62	99	...	3 11 6						

(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) Based on payment of 2 1/2%. (i) Yield worked on 12% basis. (j) Yield worked to average redemption—end 1959. (k) Based on redemption at par in 1946. (l) Yield worked on 22 1/2% basis. (m) Yield worked on 25% of face value. (n) Yield worked on 10% basis. (o) Yield worked on 40% of coupon. (p) Yield worked on 47% of coupon. (q) Yield worked on 14% basis. (r) Yield worked on 2-0925% basis. (s) 1% paid free of income tax. (t) Free of Income Tax.

Prices				Prices				Prices				Prices							
Year 1939		Last two		Name of Security		Price		Yield		Year 1939		Last two		Name of Security		Price		Yield	
Jan. 1 to		Dividends				May		May 31,		Jan. 1 to		Dividends				May 31,		May 31,	
inclusive		(a) (b) (c)				1939		1939		inclusive		(a) (b) (c)				1939		1939	
High-low		%								High-low		%							
45 1/4	34 1/2	Nil	8	Iron, Coal, & Co. cont.	40	£ s. d.	71 1/2	20	Miscellaneous—cont.	5 1/2	...	£ s. d.	4 13 9	...	...	...	...	...	
87 1/4	54 1/4	1 c	Nil	Thornycroft, John £1	54 1/2	-8 1/2	4 9	2 4 1	Nil	Nil	Gaumont-Brit. 10/-	2 1/2	...	Nil	...	...	...	...	
25 3/4	20 7/8	7 1/2	21 1/2	Un. Steel Cos. Ord. £1	24 1/2	-6 1/2	7 14	0	12 1/2	6 1/2	Gen. Relect's 10/-	8	...	Nil	...	...	...	...	
24 1/2	18 10 1/2	4 1/2	6 1/2	Vickers 10/-	20 1/2	-1 1/2	29 1/2	23 1/2	25 1/2	25 1/2	Gestetter (D) 5/-	26 3/4	...	7 12 5	...	...	...	...	
24 1/2	21 1/2	12 1/2	3 1/2	Ward's Thos. W. £1	21	-6 1/2	10 8	0	8 1/2	7 10 1/2	Harrolds £1	56 1/2	...	5 14 0	...	...	...	...	
51 1/2	45 1/2	22 1/2	12 1/2	Whitehead I. & S. £1	5	...	7 0	0	68 1/2	52 1/2	Hawker Siddeley 5/-	20 3/4	...	10 10 0	...	...	...	...	
67 1/2	58 1/2	15 c	20	Yarrow & Co. £1	62 1/2	...	6 8	0	25 1/2	17 1/2	Imp. Airways £1	33 1/2	...	4 4 0	...	...	...	...	
									32 1/2	25 1/2	Imp. Chem. Ord. £1	32	...	5 0 0	...	...	...	...	
									32 1/2	25 1/2	Imp. Smelting £1	12 1/2	...	Nil	...	...	...	...	
									32 1/2	25 1/2	Imp. Tobacco £1	6 1/2	...	3 15 1/2	...	...	...	...	
									32 1/2	25 1/2	Inter. Nickel n.p.	85 1/2	...	3 14 1	...	...	...	...	
									32 1/2	25 1/2	International Tea 5/-	12 1/2	...	4 0 0	...	...	...	...	
									32 1/2	25 1/2	Lever & Unilever £1	36 10 1/2	...	1 5 0	...	...	...	...	
									32 1/2	25 1/2	London Brick £1	42 1/2	...	2 6 0	...	...	...	...	
									32 1/2	25 1/2	Lyons (L) Ord. £1	5 1/2	...	4 2 0	...	...	...	...	
									32 1/2	25 1/2	Marks & Spens, A 5/-	66 3/4	...	3 4 0	...	...	...	...	
									32 1/2	25 1/2	Murex £1 Ord.	81 3/4	...	1 3 4	...	...	...	...	
									32 1/2	25 1/2	Phillips (Godfrey) £1	32 1/2	...	7 6 0	...	...	...	...	
									32 1/2	25 1/2	Pinchin Trust Ord. £1	25	...	1 3 0	...	...	...	...	
									32 1/2	25 1/2	Prices Trust Ord. 5/-	38 9	...	1 10 0	...	...	...	...	
									32 1/2	25 1/2	Radiation Ord. £1	42 1/2	...	5 17 6	...	...	...	...	
									32 1/2	25 1/2	Reekitt & Sons Ord. £1	5 1/2	...	3 12 0	...	...	...	...	
									32 1/2	25 1/2	Sears (J.) Ord. 5/-	12 1/2	...	1 3 4	...	...	...	...	
									32 1/2	25 1/2	Smithfield & Arg. Mt. £1	8 3	...	6 1 0	...	...	...	...	
									32 1/2	25 1/2	Spillers Ord. £1	61 3/4	...	9 4 18 0	...	...	...	...	
									32 1/2	25 1/2	Swed. Match Bkr. 25	26 3/4	...	Nil	...	...	...	...	
									32 1/2	25 1/2	Tate and Lyle £1	65	...	3 17 0 1/2	...	...	...	...	
									3	...	Tilling, Thos. £1	48 1 1/2	...	4 3 0	...	...	...	...	
									3	...	Tob. Secrs. Ord. £1	63 9	...	5 9 0	...	...	...	...	
									3	...	Triplex Safety G. 10/-	36 3	...	1 3 6 18 0	...	...	...	...	
									3	...	Tube Investments £1	90 7 1/2	...	5 18 6	...	...	...	...	
									3	...	Turner & Newall £1	81 3	...	4 10 0	...	...	...	...	
									3	...	United Dairies £1	55 7 1/2	...	1 10 0	...	...	...	...	
									3	...	United Molasses 6 1/2	26 3	...	1 3 4	...	...	...	...	
									3	...	Willpaar Mtns. Det. £1	27 6 1/2	...	8 7 0	...	...	...	...	
									3	...	Wiggins, Pease Ord. £1	35	...	5 14 3 0	...	...	...	...	
									3	...	Woolworth Ord. 5/-	65	...	5 0 0	...	...	...	...	
										</									

Industry and Trade

COMMODITY STATISTICS

Coal

COAL OUTPUT ('000 tons)				
District	Week ended		Jan.-April	
	May 13, 1939	May 20, 1939	1938	1939
Northumberland	297.8	302.8	4,563.7	4,500.3
Durham	686.3	699.6	11,106.5	10,440.9
Yorkshire	920.6	894.9	15,422.2	15,219.2
Lancs, Cheshire and N. Wales	350.5	354.8	5,898.0	5,894.9
Derby, Notts & Leicester	636.3	641.3	11,762.6	12,090.7
Staffs, Worcs, Salop and Warwick	406.8	422.9	6,834.7	7,025.9
South Wales & Monmouth	817.2	831.3	12,768.8	11,616.6
Other English districts*	121.4	125.9	1,910.5	1,832.9
Scotland	642.4	651.1	10,496.4	10,442.5
Total	4,879.3	4,904.6	80,763.4	79,073.9

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton

RAW COTTON delivered to Spinners ('000 bales)				
Variety	Week ended		Total Deliveries	
	May 19, 1939	May 26, 1939	Aug. 1, 1937-1938	Aug. 1, 1938-1939
American	19.2	18.7	1,048	851
Brazilian	7.0	4.9	243	253
Peruvian, etc.	2.9	3.1	99	106
Egyptian	14.2	9.5	312	294
Sudan Sakel	2.8	3.5	117	117
East Indian	7.4	9.5	303	367
Other countries	5.0	5.8	148	150
Total	58.3	52.1	2,264	2,143

Metals

SALES ON LONDON METAL EXCHANGE			
	Week ended		From Jan. 1 to May 31, 1939
	May 24, 1939	May 31, 1939	
Copper	4,350	7,550	126,360
Tin	1,385	950	29,645
Lead	2,900	5,900	120,050
Spelter	2,875	4,050	78,495

U.K. STOCKS		
	May 20, 1939	May 27, 1939
Copper (Br. official w/houses):	Tons 5,985	Tons 5,624
Refined	25,833	25,668
Rough	11,672	11,612
Tin (London and Liverpool):	11,672	11,612

METALS—(cont.)

TINPLATE INDUSTRY			
	Week ended		
	May 21, 1938	May 13, 1939	May 20, 1939
Production—per cent. of capacity	35.51	65.32	67.90
Shipments—Tons	May 26, 1938	May 18, 1939	May 25, 1939
Stocks—warehouse and in vans	4,638	7,382	3,646
Shipments—Tons	May 26, 1938	May 18, 1939	May 25, 1939
Stocks—warehouse and in vans	5,935	3,968	5,068

Foods

WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)

From	Week ended		Season to	
	May 20, 1939	May 27, 1939	May 20, 1938	May 27, 1939
U.K.	825	987	19,643	25,664
Argentina	484	577	7,063	10,305
Uruguay	279	437	13,552	10,432
Russia	252	162	5,046	4,698
Danube and dist.	75	46	1,194	424
Other Countries	75	46	691	1,310
Total	1,915	2,209	53,244	60,849

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

From	Week ended		From Apr. 1 to	
	May 20, 1939	May 27, 1939	May 20, 1938	May 27, 1939
Argentina	357	480	558	2,927
Atlantic America	19	5	3,113	375
Danube Region	50	41	1,351	542
S. & E. Africa	70	69	23	317
Indo-China, etc.	29	33	154	243
Total	525	628	5,195	4,404

OTHER FOODS

	Week ended	
	May 20, 1939	May 27, 1939
BACON: Arrivals in London (bales):		
Danish	13,736	12,247
Canadian	7,647	5,619
Dutch	3,685	4,032
Lithuanian	2,833	2,704
Polish	4,481	4,830
Cocoa: Movement in Lond. (bags):		
Landed	19,123	4,456
D/d for home consumption	15,572	5,635
Exports	83	688
Stocks, end of week	152,527	150,660

OTHER FOODS—(cont.)

	Week ended	
	May 20, 1939	May 27, 1939
Coffee: Movements in Lond. (cwt.):		
Brazilian—Landed	473	263
" D/d for home consn.	27	185
" Exports	18	18
Stocks, end of week	5,055	5,115
Central and S. American: Landed	4,244	3,145
" D/d for home consn.	1,823	1,865
Exports	492	579
Stocks, end of week	105,584	106,285
Other kinds—Landed	2,519	4,150
" D/d for home consn.	3,117	3,244
Exports	2,638	1,888
Stocks, end of week	170,005	169,023
Meat: Supplies at Smithfield (tons):		
Total	9,166	8,486
Beef and veal	4,507	4,507
Mutton and lamb	2,858	2,858
Pork and bacon	660	660
Poultry, etc.	461	461
Sugar: Movements, London and Liverpool (tons):		
Imports	7,884	2,291
Deliveries	15,102	15,085
Stocks, end of week	158,318	145,524
Tea: Sales on Garden A/c. (pkgs.):		
N. India	36,816	42,642
S. India	5,611	4,744
Ceylon	22,306	21,497
Java	1,122	2,723
Sumatra	112	458
Africa	4,487	3,880
Total	71,161	75,934

Miscellaneous Commodities

MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL

	Week ended	
	May 20, 1939	May 27, 1939
Landed	905	875
Delivered	1,949	1,298
Stocks, end of week	64,933	64,510

WORLD SHIPMENTS OF LINSEED ('000 tons)

	Week ended		From Jan. 1 to	
	May 6, 1939	May 13, 1939	May 14, 1938	May 13, 1939
Argentina to—				
U.K. and Orders	2.5	5.3	152.0	162.3
Continent	9.0	5.7	287.0	292.4
U.S.A. and Canada	13.0	6.9	149.3	224.4
Australia, Brazil, etc.	1	...	8.9	8.1
Calcutta to—				
U.K. and Orders	7	1.9	18.2	26.4
Continent	...	...	1	7
Bombay to—				
U.K. and Orders	6.5	4.4	56.7	66.8
Continent	7	2.0	2.8	7.1
Madras to U.K.	...	...	...	...
India to—				
U.S.A., etc.	1.3	4.1	4.1	6.3
Sundries	1	...	...	1.2
Total	36.2	27.5	679.1	795.7

BRITISH WHOLESALE PRICES

CEREALS AND MEAT

	May 24, 1939		May 31, 1939	
	s.	d.	s.	d.
GRAIN, etc.—				
Wheat—				
No. 2, N. Man. 496 lb.	28	9	28	9
Eng. Gaz. av., per cwt.	5	0	5	1
Liv. May, per cental	4	7	4	7
Flour, per 280 lb.—				
Straights, d/d London	24	0	24	0
Manitoba, ex store	22	0	22	0
Barley, Eng. Gaz., av. per cwt.	7	4	6	7
Oats	6	5	6	4
Maize, La Plata, landed, 480 lb.	25	3	25	0
Rice, No. 2 Burma, per cwt.	8	1 1/2	8	1 1/2
MEAT—				
Beef, per 8 lb.—				
English long sides	4	8	4	8
Argentine chilled hinds	4	4	4	5
Mutton, per 8 lb.—				
English wethers	5	4	5	4
N.Z. frozen wethers	3	4	3	4
Lamb, per 8 lb.—				
N.Z. frozen	4	2	4	4
Pork, English, per 8 lb.—				
English	5	2	5	2
BACON (per cwt.)—				
English	88	0	88	0
Danish	90	0	90	0
Dutch	83	0	83	0
Irish	78	0	78	0
HAMS (per cwt.)—				
Canadian	98	0	98	0
United States	92	0	93	0

OTHER FOODS

	May 24, 1939		May 31, 1939	
	s.	d.	s.	d.
BUTTER (per cwt.)—				
Australian	107	0	112	0
New Zealand	108	0	114	0
Danish	119	0	119	0
Dutch	120	0	120	0
CHEESE (per cwt.)—				
Canadian	70	0	73	0
New Zealand	50	0	53	0
English Cheddars	90	0	90	0
Dutch	100	0	100	0
Cocoa (per cwt.)—				
Acra, g.f.	20	9	21	6
Kenya, medium	21	3	22	0
Trinidad	42	0	42	0
Grenada	54	0	54	0
COFFEE (per cwt.)—				
Santos sup. c. & f.	31	6	31	6
Costa Rica, medium to good	68	0	68	0
Kenya, medium	54	0	55	0
N.Z., greasy, half-bred 50-56	70	0	72	0
EGGS (per 120)—				
English (15-15 1/2 lb.)	10	0	10	0
Danish (15 1/2 lb.)	9	0	9	0
FRUIT—				
Oranges, Denia & Valencia (Bloods), 12 cases 1-11	15	6	15	0
" Brazilian (Navels) boxes	12	0	10	3
Lemons, Naples boxes	23	0	31	6
" Sicilian Verdelli pkgs.	17	3	12	3
Apples, N. Zealand (var.) boxes	11	0	11	0
" Australian boxes	14	0	16	0
Grapes, S. Africa boxes	3	10	3	4
Grapefruit, Jaffa	6	6	6	0
" Californian boxes	6	6	6	0
Pears, Australian	5	0	8	0
ARD (per cwt.)—				
Irish, finest bladders	50	0	50	0
U.S.	35	9	36	6
" (Duty paid)	38	3	39	0
PEPPER (per lb.)—				
Black Lampung (in Bond)	0	2 1/2	0	2 1/2
White Muntok (a.a.) (in Bond)	0	3 1/2	0	3 1/2
" (Duty paid)	0	4	0	4
POTATOES (per cwt.)—				
English, King Edward, Siltland	6	6	6	6
Wisbech	7	0	7	0
UGAR (per cwt.)—				
Centrifugals, 96% prpt. shipm.	8	0	8	0
c.i.f. U.K./Cont.	23	6	23	6
Refined London	28	0	28	0
Yellow Crystals	28	6	28	6

MINERALS

	May 24, 1939		May 31, 1939	
	s.	d.	s.	d.
COAL (per ton)—				
Welsh, best Admiralty	19	6	19	6
Durham, best gas, f.o.b. Tyne	22	6	22	6
Sheffield, best house, at pits	24	0	24	0
IRON AND STEEL (per ton)—				
Pigs, 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	41	2	42	15
Three months	41	10	42	6
Tin—				
Standard cash	226	0	227	5
Three months	226	5	227	10
Lead, soft foreign	223	15	225	0
Cash	14	6	14	13
English, pig	16	10	16	15
Spelter, G.O.B.—				
Spot	13	17	14	3
Aluminium, ingots and bars	13	18	14	6
rolling billets	102	0	102	0
Nickel, home and export	185	0	185	0
Antimony, Chinese	55	0	55	0
Wolfram, Chinese	50	0	51	0
Platinum, refined	7	10	7	10
Quicksilver	16	4	16	4

MISCELLANEOUS (per lb.)—cont.

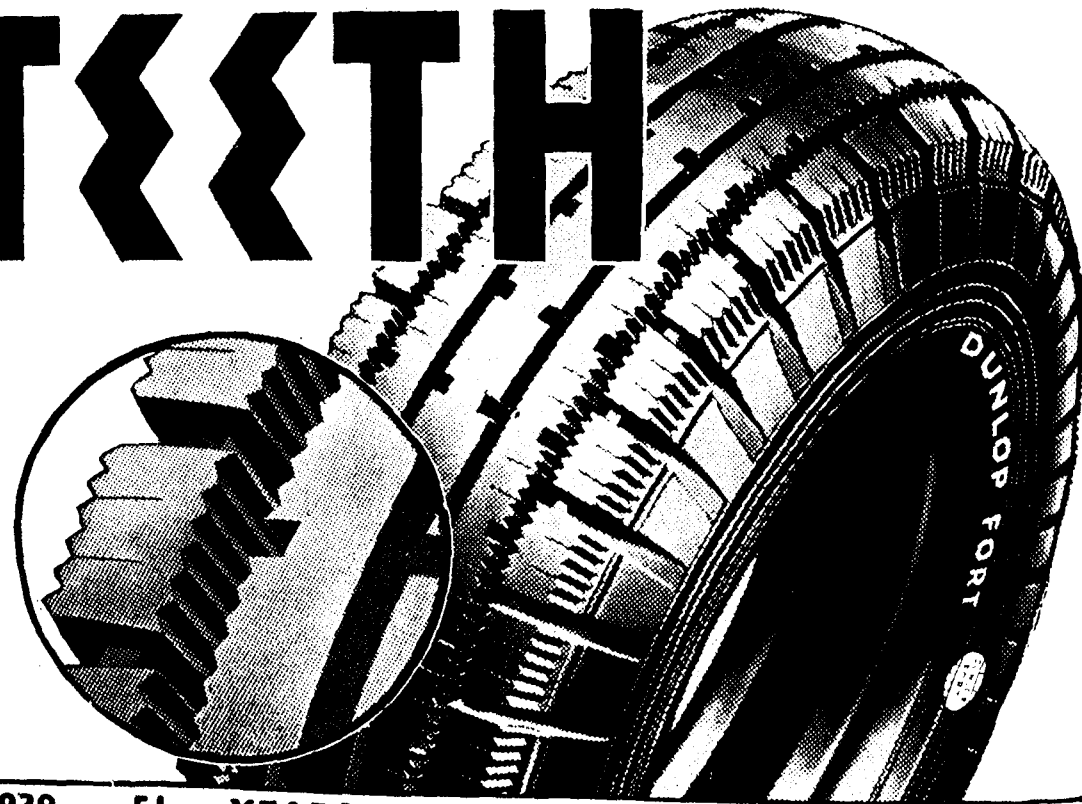
" Brazilian (Navel) boxes	12	6	10	3
Lemons, Naples boxes	14	0	16	0
" Sicilian Verdelli pkgs.	23	0	31	6
Apples, N.Zealand(var.)...boxes	13	3	12	3
" Australian	17	3	24	0
	8	6	7	9
	11	0	11	0
	6	0	7	6
	14	6	16	0

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1888 - 1939 — 51 YEARS OF CONSTANT IMPROVEMENT

THE ECONOMIST

Vol. CXXXV

JUNE 10, 1939

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CURRENT STATISTICS

An Imperial Policy

IT is a commonplace of historians that the British Empire was acquired in a fit of absence of mind. It is a standing reproach to the Imperial Government to-day that the administration of Britain's dependent colonies tends to continue in the same spirit of careless indifference. The Report for 1938 of the Colonial Office was published last week, and its contents add appreciably to the misgivings which many Members voiced when the Commons debated the Colonial Office Vote on Wednesday. Mr Malcolm MacDonald rightly said in the debate that the objective of British colonial administration was the best interests of the colonial peoples themselves; but both within and without Parliament the feeling that very much more could and should be done forthwith is widespread.

This is not to say that the Colonial Office Report tells a story of maladministration. The claim is made early in the Report that "we have done our best to govern the territories for which we are responsible well"; and it is impossible to deny that the members of the Colonial Service on the spot have continued last year, as throughout the recent past, to do the best within their power for the welfare and well-being of the native populations entrusted to their charge. It is at the fountain head in Whitehall and in Westminster that the chief responsibility rests for Britain's failure to make most of the Empire. The Colonial Office Report admits in a significant phrase what is in many ways the crux of the question. "In some parts of our Colonial Empire," the Report says, "in spite of the peaceful con-

ditions which have resulted from British rule, populations still live under primitive conditions and suffer seriously from preventable disease." There is a vicious circle: the function of local administrations is to provide social services, largely of a health order to counter the poverty of the subject peoples; and that poverty is enhanced by the volume of taxation which it is necessary to raise in order to pay for administration and defence as well as for precisely these vital social services.

What is needful now has been only too well demonstrated by the events of the very recent past. In the oldest parts of the Colonial Empire, that is, in the West Indian islands, riots and disorders have revealed a situation of economic dislocation which it is beyond the power of local administrations to resolve. The staple sugar industry has only been able to survive on the basis of wages so low that they fail to cater for adequate subsistence and good health. The cocoa industry, too, burdened by heavy debt, struggles on with the lowest of wages and widespread under-employment. While wages are inadequate to support a proper standard of living, the staple agricultural industries are themselves incapable of supporting an adequate standard of wages. Faced with the need for heavy expenditure to lessen the impact of poverty, unemployment and ill-health, local administrations are compelled to levy heavy taxes, which in their turn make the economic impasse more impassable. The various administrations need to take over half of the revenue, which is raised by heavy duties

on the imports of almost all the necessities of life, for the payment of debt and to defray the charges of administration and defence. There is neither money nor authority in the West Indian islands to carry out the schemes that are needed to raise social and economic standards to a profitable and an equitable level: there is needed a broad plan to save the West Indies, not only from social distress, but also from continued political discontent and unrest.

THE FINANCIAL DILEMMA

In widely different degrees the same comment is applicable to large sections of the sixty million peoples scattered within the British Colonial Empire. In West Africa, for instance, where British rule has achieved a political triumph by developing indirect rule by the natives themselves, and where the working of their natural resources of cocoa and palm oil has also been largely conducted by the natives, there is the same Gordian knot of finance to unravel. The revenue of the local administrations is dependent upon world prices for products which have lately felt the worst effects of the general restriction of international trade. And for lack of funds the administrations on the spot have found themselves unable to develop the social services and public works that are needed.

Heavy upon the West Indian and all the African Colonies is the burden of fixed interest charges. It would be fallacious to forget that the taxable capacity of the dependencies is already mortgaged to the hilt to pay for the investment of the recent past, as well as for the costs of administration and the charges for social services which their poverty and malnutrition make imperative.

"If the pace of internal development is to be quickened, it can only be as the result of assistance given in the form of free grants": this conclusion of the African Survey points in general terms the responsibility which now rests upon the political wisdom and the economic resources of Britain. Nor, be it noted, is it possible to confine this sort of comment to the dependent Colonies of Africa and the less dependent Colonies of the West Indies. The same situation in a different guise is visible in the island of Cyprus. Cyprus is a Mediterranean distressed area; and it is unfortunately true that, while the Italians have made notable progress in Rhodes, Cyprus has been left to decay and the Cypriots to the discomfort of an autocratic government which does not carry even the advantage of a benevolent policy of development.

It is not possible to lay down here and now in all completeness a practical policy of Imperial development. The curse of British Imperial policy, next to indifference, is ignorance. Introducing the first twelve members of the Fellowship of Nuffield College, Mr H. B. Butler, Warden-elect, this week cited among the present problems to be solved by collaboration between experts and practical men that of colonial development; too little is known about the Colonies, about their problems and about their needs, for a programme to be readily laid down. But this much is certain: the interest of traders seeking to sell in Colonial markets, the interest of industrialists and ordinary people seeking to secure raw materials and foodstuffs from the Colonies, and the interests of the Colonial inhabitants themselves seeking to escape from poverty, malnutrition and disease, alike require that a policy of Colonial development should be centrally conceived, centrally carried out and centrally financed. It is impossible, at this moment of time, to avoid the question of what a newly colonising Germany would do for her overseas possessions; and it is impossible to escape the answer that, whatever essential elements of political freedom, racial toleration and social justice might be lost in a Nazi Empire, at any rate a policy of intensive economic development would be pursued which, while designed to supply essential raw materials to the Reich, would, incidentally, by making more of the Colonies' resources, raise the income of the Colonies themselves.

The point is whether we can make the best of both worlds. On the political side, British administration has hitched its wagon to the star of ultimate self-government, the star which has come into sight in a shower of sparks in the great sub-continent of India. Can that political development be associated at the same time with a parallel policy of economic development which will give to the shadow of political self-rule the substance of economic well-being and welfare?

OUTLINE FOR ADVANCE

All that can be projected at this time, after long years of neglect and piecemeal progress, is a plan of the most general kind. First, there is needed, as the African Survey rightly urged, a comprehensive survey of the resources of the dependent Empire. It is imperative that such a survey should be carried out, not by the British Government alone, but by them in collaboration with the Governments of the other independent Dominion members of the British Commonwealth. It is imperative, too, that such a commission of inquiry should from the outset be assured that its findings, unlike those of the Dominions Commission some years past, shall be the basis of immediate constructive action. There might be set up a Joint Board of the Commonwealth entrusted by Royal Charter with executive power to proceed with a programme of development.

If one call came more clearly than another from Thursday's debate in the Commons it was precisely this demand for broad vision and constructive action. The need for vastly more life in the administration at the centre in Britain was agreed on all sides, and very much could be done at once even before bolder plans have time to mature. The proposal for a Committee of the Commons to consider Colonial affairs has much to commend it, and the need to educate the British people in the full nature of their Imperial responsibility is imperative. There is a Colonial Empire Marketing Board which works well but quietly: its scope might well be magnified. And it is something like a scandal that, for example, Nigeria, larger in population than Australia, New Zealand and South Africa put together, should have no trade representative in London or anywhere else.

There will remain the wider task of Colonial development, and here the crux is finance. The present limitations upon the rate of economic development in the Colonies are many: first, there is the heavy cost of administrative and social services which hamstrings the very progress which would lessen these charges; secondly, there is the heavy weight of fixed interest upon past investment which makes new Colonial loans impracticable. There is no miracle to be wrought in a single night; but it is possible even now to lay down certain principles of policy.

First and foremost, it is important that the impoverished Colonies should be helped to bear the heavy burden of administrative costs which hamper their social and economic progress and largely serve to provide an avenue for the employment of British Civil Servants. The principle of "no taxation without representation" is a century and a half old; the time has surely come to apply it. Secondly, it is unquestionable that the Colonies cannot be saddled now with further fixed interest charges: what is needed is Imperial subsidies for social services and communications far beyond the meagre six to eight millions contributed from the Colonial Development Fund since its institution in 1929; what is needed most of all is the supply of capital in equity form rather than in the shape of prior charges, to bring to Colonies the manufacturing, processing and refining industries which will lessen their too-exclusive dependence upon agriculture on the one hand and mining on the other. The whole plan must be bound up with the evolution of new methods of co-operation between Imperial Governments and private enterprise

in the supply of capital and in its control and management; and what is needed, finally, "is to foster those forms of economic progress which will enable Colonial populations to contribute in greater measure than they have done so far to the up-building of capital resources themselves." The Colonies in Africa and elsewhere have been given a skeleton of transport and administration which imposes upon them, until they can fill in that skeleton with diversified economic activities, immense overhead charges.

The fact cannot be avoided that the Colonial development of the kind inescapably needed will impose costs on the Mother Country. The expenditure of the several Colonial administrations last year passed £70 millions: of this administration, debt and defence accounted for perhaps £32 millions, and these are the items on which assistance should be given first. Secondly, there is the charge to the Imperial Budget of Colonial development. This cannot be frighteningly large: it could be limited to the service on the capital raised for development purposes under the new plan; and whatever this was it would only be a fraction of the vast sums spent on raising the standard of living of those of His Majesty's subjects who have votes. Nor can such spending be regarded as solely altruistic or dutiful. It is bread cast on the waters, for to raise the standard of living in the Colonies cannot but benefit our traders and manufacturers.

The task is not easy. It is economically futile to anticipate the solution of the Colonial problem by extraordinary and artificial expedients or simply by lavish capital expenditure. "The rate at which capital can be absorbed by Colonial territories depends upon the rates at which the other complementary factors of supply can be made available"; but the difficulties do not mean that progress is impossible. Similarly, the whole process of economic development involves the clash between native and Euro-

pean interests; unwisely done, it means the exploitation of native communities for the advantage of European traders and manufacturers. But this again is not a *non possumus* to progress; the principle of trusteeship, which politically means native self-rule and native welfare, must mean also native well-being and native prosperity; and the task of Imperial development cannot be shirked simply because there are serious problems of native and labour right to be solved at every stage.

Britain's Imperial task, and indeed that of every Empire-building nation, is to reconcile the political and economic aspects of trusteeship. Britain's political responsibility is by now so explicitly known and accepted that it ought to provide all the safeguards needed to make proper Imperial economic development possible without injustices and exploitation. But the task has a wider meaning. It is not by the redistribution of Colonial territories that the economic ills of nations, whether they have colonies or not, will be remedied. It is by two means only that this end can be achieved; first by the removal of those restrictions upon world trade which are the over-riding cause of all the world's economic difficulties; and secondly by raising the income and the standard of living of all consuming populations all the world over so that, on the one hand, they may buy and sell more and, on the other, that they may be preserved against the ill-health and social distress that comes of poverty and deprivation. It is not in the balance of world economic power that the Colonies stand foremost, whatever their owners; it is as a test of the good faith, good will, good sense and resourcefulness of statesmen that they hold first place. What we now need to do for the Colonies we owe it to them to do. And we owe it to ourselves no less: if we are prepared to fight to keep our Colonies we must be ready to strive to the utmost to clear our title of deserved reproaches.

M. Daladier and France

(By a Correspondent in France)

STILL waters run deep. French internal political life has moved so smoothly since the end of March that one is easily tempted to think of the country simply as a mechanism for its own defence. But the tremendous pressure of contemporary events is remoulding France as it is remoulding all Europe. The effort France is now making and the political form in which that effort is being made will leave their traces permanently in her political and social life.

Last October the division between "Munichois" and "Anti-Munichois" split every political party, except the Communists, and even divided the Cabinet itself. It seemed to be the one important issue on which the country must make up its mind, and the future was discussed in terms of the victory of M. Bonnet and his friends or of M. Reynaud and his, as the representatives of the two rival schools. M. Daladier was thought of as the interim Premier typifying the nation's own indecision, for it was well known that he was not as satisfied in his own mind about what he himself had done at Munich as was his Foreign Minister. The appointment of M. Reynaud to the Ministry of Finance in November, after weeks of hesitation as to what course to pursue, was interpreted in many quarters as a success for the Anti-Munichois party in foreign policy, even more than as a decision in favour of orthodox financial policy. It was generally supposed that in the moment of a decisive victory for either one side or the other M. Daladier would be eliminated.

The course of events has been entirely different. Foreign policy has indeed been reversed, but this has worked out entirely in M. Daladier's favour. He is now very much stronger than his best friends could have supposed possible six months ago. On the other hand, M. Paul Reynaud's striking success at the Ministry of Finance has remained strictly departmental. He has, of course, made an invaluable contribution to a stronger French foreign policy by strengthening French finances, but no one in France talks as if he was the inspirer of the foreign policy. M. Bonnet, on the other hand, seems to have become a fixture at the Quai d'Orsay, and his enemies are no longer making serious efforts to drive him from it. But his position has sunk to that of an executant.

The most marked peculiarity of M. Daladier's position is his refusal to accept the votes of his former Socialist and Communist allies even when he can have them—as, for instance, for his foreign policy. Had he allowed the last important vote of confidence in the Chamber three weeks ago to be submitted in two sections, so that the Opposition could have voted for his foreign policy, without expressing approval of his Government's other activities, he could have offered the world the spectacle of a unanimous Chamber. This aspect of his policy goes back to his broadcast speech last August, when he declared that it was necessary to lower the rates of overtime pay, without having previously consulted his Minister of Labour and Minister of Public Works. He thus secured the resignation of the two Ministers

most closely connected with the Front Populaire conception and prepared the way for the reversal of his majority after Munich, when he made it clear at the Marseilles Radical Party Congress that the internal enemy was not Fascism on the Right (the thesis of the Popular Front) but Communism on the Left. This attitude was emphasised by M. Reynaud's financial policy, which was the occasion of the abortive general strike at the end of November. It was M. Daladier's success in crushing this strike which finally stamped him—one of the founders of the Front Populaire three and a half years before—as the restorer of law and order, the breaker of trade-union tyranny. It very nearly handicapped him at the same time with an ugly reputation as a would-be dictator, but he was saved, as was French foreign policy, by the Italians.

M. Daladier's greatest political gift is a certain representative quality; he enjoys the confidence of a vast class of peasants, shopkeepers and small professional men, who feel that he is judging events by their categories, reacting as they would react. For this reason he can afford to change his mind and his policy with greater impunity than most politicians. This same characteristic qualified him admirably to protest in the name of the whole French nation against the Italian demand for "Corsica, Nice, Tunisia." However divided the nation might be about his internal policy, they were united in supporting him when he spoke at Bastia, Tunis and Algiers. The sting was taken out of internal controversy by union in face of Italy. At the same time, the Italian attitude, and still more the aggressions of Germany and Italy in March and April, freed M. Daladier from the pressure of the relatively small group of extreme Munichois, led by M. Flandin, who were necessary to him for his rather narrow majority. Ever since his Corsican and North African tour his political strength has been twofold. On the one hand, he has been strictly the representative of an anti-Socialist coalition; on the other hand, he has been the spokesman of all France, and, as Minister of War, more especially of France in uniform, against the insufferable aggressiveness of the totalitarian nations.

In ordinary times this twofold rôle would be difficult to fill, but every blow at the old structure of Europe delivered by Herr Hitler and Signor Mussolini makes it easier for M. Daladier. The dispute over foreign policy between Munichois and Anti-Munichois has been not so much settled in favour of the latter as superseded. The relaxation of rigid working hours is now a question of national defence as much as an issue between Capital and Labour. In any case, the working class is tired of disputes, and, since the general strike, no longer considers that they can be entered on with impunity. Thus all questions are being merged in military policy, which is the peculiar affair of M. Daladier's own Ministry. Bitter polemics are main-

tained in the Socialist and Communist Press against M. Reynaud's financial measures and M. Daladier's claim to have united France and put her back to work. It remains true that M. Daladier is at the head of the Government under which Frenchmen have rallied.

The Opposition, though large in numbers, gives him little ground for anxiety. The Communists have been successful in restoring the old distrust towards themselves which had been dissipated for a short time in 1935-36. The Socialists are hopelessly divided, and, however highly M. Léon Blum's personal qualities may be regarded, he is unthinkable as a national leader in present circumstances. His name is irrevocably linked with the collapse of State authority, that of M. Daladier with its restoration.

But the most singular aspect of the present situation is the decadence of parliamentary life. At no period during the last war was the French Parliament so unimportant as it is to-day. Enjoying plenary powers of decree, the Government does not require its legislative assistance. The plenary powers were granted at the height of the March crisis by a Chamber quite unable to maintain its own dignity. M. Daladier did nothing to help the Chamber in this respect and almost denied its right to discuss foreign policy. Since then the Chamber has devoted its attention to authors' rights and proportional representation. The general public scarcely expects that the international situation will allow a general election to be held when it falls due next April, and a reform of the electoral system consequently does not arouse great interest. Parliament is simply ceasing to be the centre of political life. The Chamber is now paying the penalty for having allowed itself to be driven before the wind of the strikes three years ago.

There is singularly little anxiety in the country about the consequence of this abeyance of parliamentarism. M. Daladier governs empirically by rule of thumb; he does not make the impression of a man with the ambition to reconstruct a constitution. His representative qualities already referred to dispel fears of dictatorship. There has been no noticeable interference with the liberties of the Press except in military matters. The generals are all old enough to remember the lesson of the Dreyfus case and most carefully avoid any action which might arouse suspicions of political ambition. Their technical authority is therefore all the more firmly established. The atmosphere of the country remains Republican, but the principal organ of French political life, by which the French electorate has hitherto controlled politicians, is visibly falling into disuse and disrepute. The nation attaches more importance to the increased efficiency of the State than to control of the State's activities. New political habits are being formed, probably no less important than new political doctrines and constitutions.

Agenda for Preparedness—V

Food Production in War

IN the totalitarian wars of the twentieth century the task of securing sufficient supplies of essential foods for the belligerent peoples necessarily falls upon their respective Governments. And the decisions taken by any Government about the volume and type of domestic food production required in time of war must be made in the framework of the wider problems set by the use of limited resources to produce means of unlimited destruction. The decision to grow, to import or to do without some part of the normal food supply must depend on the extent to which imports can be maintained at their peace-time level, on the routes by which they can be shipped, on the distribution of manpower between the armed forces, the munition works and

the land army, on the probable duration of the conflict and on the speed by which transport systems and storage space can be adapted to war-time needs. The factors are so many and so indefinite that the claim of the farmers to be told in June, 1939, exactly what would be expected of them in the first year of war is obviously impossible of fulfilment. But from the experiences of this country in 1918 and 1919 it is possible to deduce the main principles on which the Ministry of Food would have to work.

The peace-time embryo of that Ministry, the Food Defence Plans Department, published in its report for 1937 estimates (of which a summary is given at the head of the next column) of British consumption of important foods.

BRITISH FOOD SUPPLY (AVERAGE OF 1934-35)
(Quantities in thousand tons, except where stated)

Commodity	Total Consumption	Home Production	
		Amount	% of Total Consumption
Foods:—			
Cereals (a)	4,418	575	13
Meat.....	3,086	1,529	50
Fish.....	974	861	88
Milk, fresh, mill. gals.	918	918	100
Milk, condensed, etc.	259	169	65
Fats (c).....	943	107	11
Cheese.....	199	62	31
Eggs in shell, millions ..	7,182	4,668	65
Fruit.....	2,380	601(b)	25(b)
Potatoes.....	4,576	4,395(b)	96(b)
Sugar (refined).....	1,935	506	26
Tea, coffee, cocoa.....	283	...	0
Feeding stuffs (d):—			
Cereal.....	9,796	3,232	33
Oil cakes, etc.	1,848	78	4

(a) In terms of flour. (b) Including an allowance for allotments and gardens. (c) Butter, margarine, lard. (d) Excluding feeding stuffs entirely home grown, such as hay, roots, etc.

At present standards of consumption, in only three important foods—fish, milk and potatoes—is Britain self-supporting, and in three essential groups of foods—cereals, sugar and fats—home production provides only a small fraction of the amount required. In any war of the near future, therefore, no realisable increase in home production can prevent the people of this country from starving if their flow of imports is cut off. In time of war the farmers could not be expected to feed the 45 millions crowded in Great Britain; their task would be to diminish the probable pressure on import trade by increasing production from home resources. And this could best be done by increasing the home output of cereals and possibly sugar, foods which are bulky in proportion to their value and which are therefore extravagant of cargo space. In this connection it may be interesting to compare the agricultural situation as it is to-day with that in 1914 and in 1918:—

	1914	1918	1938
Crops (million acres):			
Total cultivated.....	31.90	31.75	29.26
of which permanent pasture...	17.61	15.90	17.41
Total arable.....	14.29	15.85	11.86
of which temporary grasses...	3.86	3.45	3.35
Total under crops.....	10.43	12.40	8.51
of which Wheat.....	1.87	2.64	1.93
Oats and barley	4.55	5.68	3.08
Potatoes.....	0.61	0.80	0.61
Roots.....	1.91	1.71	0.97
Sugar beet.....	...	...	0.34
Livestock (million):			
Cattle.....	7.09	7.41	7.97
Sheep.....	24.29	23.35	25.41
Pigs.....	2.63	1.83	3.80
Horses (on agric. holdings) ..	1.30	1.34	0.99

Compared with 1914, there has been a fall of 2.6 million acres in the cultivated area, due very largely to the absorption of land for urban and non-agricultural uses. But while the area of permanent pasture has changed little, that under arable cultivation has fallen by 3.4 million acres, or by 17 per cent. of the 1914 area. Owing to the operations of the wheat quota, the acreage under wheat was larger in 1938 than in 1914, but there have been sharp falls in the area under barley and oats, roots and bare fallow, which have more than counterbalanced the effects of the growth of the sugar beet industry. The most serious feature of this decline, from the point of view of food production in war, is the complete disappearance from many districts of the implements for and the traditions of arable cultivation.

The shift away from arable land has been accompanied by a marked expansion in the livestock population. In spite of the decline in the use of sheep on arable land, the sheep population, on the average of its fluctuations, is about the same as in pre-war days. The cattle population has increased, owing to the increase in dairy herds, and it is probable that the necessity for maintaining winter milk production is largely responsible for the expansion compared with 1914 in imports of cake; cows are more dependent on imports than steers. And, finally, the

number of regular farm workers has fallen in the last twelve years alone by nearly one-quarter.

In these respects, therefore, Britain is in a worse position now than in 1914, but the changes brought about in the last quarter of a century cannot all be counted as a debit, even from the point of view of war supplies. In the first place, the fall in the number of horses, not only on agricultural holdings but also in towns and in the army, has released a large acreage of cereals and grass for use as human food, in the form of flour or meat or milk. The fall of 310,000 in the numbers of horses on the land alone since 1914 could be accompanied by a fall of three-quarters of a million acres in the area under cereals without a reduction in the food supply for humans. In the second place, while tractors were unreliable novelties even in 1918, there are at present some 50,000 tractors working on British farms. Owing to the relatively small size of most holdings, there are very few tractors that are being worked to their full capacity. Here then is a huge reserve of power which could be used, through schemes of local co-operation, to cultivate additional acres at the cost of only the additional fuel and labour. Thirdly, the fact that farm work can now be carried out with far less labour than was necessary before the last war is obviously an index of the improvement in technique and, in view of the demands likely to be made on labour in the next, the increase in efficiency can only be welcomed. It is probable, however, that the rapid exodus from the land in the last few years has left many farms short of labour, and in war time the services of the women's land army would be in great demand. Fourthly, the increase, not recorded in the agricultural statistics, in the production of fruit and vegetables which has taken place in the last twenty years will make the maintenance of the nation's supply of vitamins easier than it was in 1914-18. And fifthly, the administrative experience acquired by the marketing boards would be invaluable to a Ministry of Food in war time.

The fall of 17 per cent. in the total arable area since 1914 is undoubtedly a handicap if cereal production is to be increased even to the level it attained in 1918. There are very few arable farms in Britain which can grow successive harvests of corn without a serious and rapid fall in yields, and most wheat-growing land can only take alternate crops of corn, or even two years out of five. Even to maintain this rate of production, extensive use of cultivators, fertilisers and manure is often required. Consequently, the Ministry of Food could not expect to grow cereals on more than half of the total arable area. In 1938 the proportion of the arable acreage under wheat, barley or oats was 42 per cent.; to raise this to 50 per cent. would involve an increase of 900,000 acres, which at average yields would provide an addition of 18 per cent. to the production of cereals. But it must be emphasised that average yields could only be maintained by the liberal use of fertilisers, of which nearly 5 million tons were imported in 1938. Hence the importance of adequate reserves.

If cereal production had to be increased beyond this point, it could only be done by breaking up permanent pastures. There is, in fact, a very large area of so-called pasture in England which provides little more than rough grazing and which should in any case be ploughed up and re-sown. The high initial cost of this operation and the lack in many grazing and dairying districts of the necessary implements, together with lack of knowledge, have impeded this necessary work, and the recent ploughing-up campaign initiated by the Government, together with the fertiliser subsidy, will be a stimulus in this direction. But while rough pasture will need much cultivation, fertilising and manuring before it will produce either good grass or good crops, really good pasture, well grazed and manured, provides one of the best reserves of fertility; when ploughed up, three or four harvests of cereals can be taken off suitable land in really good condition before signs of exhaustion become apparent.

The breaking-up of good pasture for corn production necessarily involves a loss in the food supply for livestock. To a certain extent, livestock must, in time of war, be regarded as competitive with humans; particularly those animals which consume cereals and imported feeding stuffs. The exception to this rule may be found in the dairy herds; the supply of milk is so important an item in the nation's diet that every effort must be made to maintain the milk production. But as soon as the pressure of imports on cargo space became noticeable, the numbers of pigs and poultry fed on grain would have to be reduced; and these might, if the situation became acute, be followed by the slaughter of beef cattle, dairy cows and any sheep which could not feed themselves on rough grazings with a minimum of winter keep. The fact, however, that the livestock population might have to be drastically reduced in the course of a long war does not alter the fact that the existence at the outbreak of hostilities of a large population of meat animals provides an excellent reserve of food which can be drawn upon if necessary. And hence, the recent subsidies for cattle and pigs, the forthcoming guaranteed price for sheep, as well as the subsidies for the production of cereals, may turn out to have had a defence value to set against their heavy cost.

But the best and cheapest way of increasing the productive capacity of British agriculture for war-time use lies in building up the fertility of the soil. Here the greatest

need at the moment is undoubtedly drainage, and if the Government sees a reasonable possibility of avoiding war in the next three years a subsidy towards field drainage would well repay the nation in peace time as well as in war. But apart from this long-period consideration, the steps which should be taken now to prepare agriculture for a war in, say, the next eighteen months may be summed up in four headings: (1) The storing of reserves of fertilisers, tractors, the oil to drive them, and the seed they will plant (the Government has already begun to lay in stocks of the first three); (2) the development of such processes as grass drying, ensilage, and the use of by-products like sugar beet pulp as substitutes, if necessary, for imported foods; (3) the encouragement in purely grass areas of the traditions of cultivation as applied to pasture, whether permanent or temporary; and (4) the planning of the necessary administration. The Food Defence Plans Department has already appointed the chairmen of the regional committees, which will interpret to the farmers the commands of the Ministry of Food and allocate among them the limited supplies of farm requisites. The organisation of the other side of food production, that of marketing, with its necessary corollaries of transport, price-fixing, State purchase and rationing, is almost of equal importance in the scheme of national defence—almost, for if there are no imports, no organisation of marketing will prevent Britain from starving in a few weeks.

Russia's Standard of Living

NO country, not even Germany or Italy, has been the object of so many contradictory assertions as the Soviet Union. Russia is inaccessible, and occasional personal impressions are of small value in a country so vast and populous; moreover, there is lack of statistical data. Nevertheless, there is sufficient material to warrant an objective survey.

Mr Colin Clark's study of the Russian national income* is both timely and bold. Indeed, its boldness may even be a liability. Mr Clark is right in saying that, for Soviet Russia as for any other country, the only theoretically valid and complete measure of economic progress is the figure of the national income. But in Russian practice there are difficulties in the way of attaining the ideal. First, many of the constituents of the national income are not known and have to be guessed. Secondly, the quantities of goods and services produced in Russia cannot be valued at the prices at which they were actually sold in any recent year, as these include a very high turnover tax, the proceeds of which are used to finance State investment. In avoiding these difficulties Mr Clark is forced to use a number of ingenious but hazardous calculations. As a result the theoretical excellence of the national income

as a measurement of economic progress becomes much more dubious.

One of these calculations is illustrated in the following imaginary dialogue. It concerns the calculation of the output of industrial goods and public services (amounting to nearly a quarter of the national income) in 1927-28.

ENQUIRER: I can see that you have calculated from official figures that retail sales of industrial goods in 1927-28 were 14.2 milliard roubles, but since prices have presumably changed since then, I suppose that you use a price index number in order to estimate the change in actual quantities purchased between 1927-28 and 1934?

MR CLARK: Yes, but as Russian prices are arbitrarily fixed and in any case difficult to obtain, it is better to recalculate all items in pounds sterling of 1934 purchasing power.

ENQUIRER: How do you do that?

MR CLARK: First of all we calculate by means of a price index number the number of roubles which would have been needed in 1913 to buy the goods that cost 14.2 milliards in 1927-28.

ENQUIRER: How is it that, in order to convert Russian roubles in 1927-28 into British pounds in 1934, you have to go back to 1913?

MR CLARK: This is because it is difficult to measure the relationship between the purchasing powers of a Soviet rouble and a capitalist pound.

ENQUIRER: Is it easy, then, to convert Russian roubles in 1913 into the equivalent number of British pounds of the same purchasing power?

MR CLARK: It is not easy, but it is possible with a little ingenuity. If we assume that prices in Russia proper and in the areas which now form Finland, Estonia and part of Poland, were approximately the same in 1913, we can calculate what the Russian rouble would have been worth, if it had still been circulating in the Succession States in 1930.

ENQUIRER: How does it help to know what the rouble would have been worth, if it had been circulating in the Succession States in 1930?

MR CLARK: Because thanks to comparisons made by the Ford Motor Company and the International Labour Office we can then calculate what the rouble would have been worth, if it had been circulating in Great Britain in 1930, and with the aid of British price indices it is child's play to calculate how many roubles would have been required

to buy in Great Britain in 1913 the goods that were purchased in Russia in 1927-28, if the rouble had been circulating in Great Britain at that time.

ENQUIRER: But the rouble was not circulating in Great Britain in 1913

MR CLARK: Quite so, but in 1913 Russia was on the gold standard and the exchange rate was 9.45 roubles to the pound. So all we have to do is to divide the total by 9.45 and we have converted the roubles into pounds of 1913 purchasing power. Then by a further use of British price indices we have no difficulty in calculating that £768 millions spent in Great Britain in 1934 would have been sufficient to buy all the industrial goods that were obtained for 14.2 milliard roubles in Russia in 1927-28.

For 1934 Mr Clark has found a more direct method of valuing industrial goods in pounds sterling. By examining lists of prices collected by Sir Walter Citrine, Mr E. C. R. Kahn and others, he computes rates of exchange for different commodities. These have a staggering range, varying from 1s. 5d. as the value of a rouble spent on a balalaika orchestra and 1s. 3d. spent on a cotton bathing suit to only 1d. spent on scent and less than 1d. spent on a camera. The unweighted average drawn from such a bewildering variety—namely, one rouble equals 3½d.—does not inspire very much confidence.

In regard to food consumption, Mr Clark adopts a simpler procedure for all years, that of valuing the consumption per head of each of the principal foodstuffs at British retail prices in 1934. It might have been better to use Polish prices, which would have reflected Russian conditions more closely than British, but the error, being one of weighting, would not be of first importance. But it is more serious that two alternative methods of computing food consumption, which Mr Clark presents as checks, give quite different results. The adopted method, described above, gives a fall of a fifth in food consumption per head between 1928 and 1934, whilst the other methods give no such fall. This is a pity—even though it is probable that some fall did take place—and not an encouraging introduction to the final estimates of the national income, which are given in the table in the next column.

In 1928 a national income of the same dimensions as in Tsarist times had to be distributed among a rather larger population. Between 1928 and 1934 the aggregate national income rose by 16 per cent., whilst the population only increased by 8 per cent. But this increase was entirely due to the expansion of industry. The supply of meat, milk and eggs was halved; that of other foods was barely keeping pace with the increase in population. But the total of all other output rose by something like two-thirds.

The broad picture is reasonable and enjoys some confirmation from official estimates, which, in Mr Clark's words, "may be excused of any charge of minimising the decline in agricultural production which took place between

RUSSIAN NATIONAL INCOME IN BRITISH PRICES IN 1934
Net income Gross income per head

	Aggregate in £ millions (I)	Per head £ (II)	Consumption of livestock products £ (III)	Other food consumption £ (IV)	Total income less food £ (V)
1913	2,803	20.1	4.3	6.6	10.1
1927-28	2,840	18.8	4.9	6.4	8.1
1934	3,299	20.5	2.3	6.4	13.3
1937	4,637	28	...	...	...

NOTE.—Since the publication of Mr Clark's book, the population of the U.S.S.R. at the census last January has been provisionally estimated to be 170 million. Mr Clark appears to have used the figure of 168 million for 1934. In the above table the figure of 161 million has been adopted and Mr Clark's estimates of income per head in 1934 correspondingly raised. These figures as well as an estimate of net income per head in 1937, obtained by dividing Mr Clark's aggregate by 167 million, are shown in italics. Otherwise Columns I and II are as published on page 41 and Columns III, IV and V are derived from tables on pages 10, 25 and 40 of Mr Clark's book. Net income is gross income less an allowance for depreciation.

1928 and 1932." Milk production declined from 26.6 million metric tons in 1930 to 18.8 in 1933 and then rose to 21.3 in 1935. Production of beef, mutton and pork fell from 1.8 million tons in 1930 to 1.5 millions in 1934 and then rose to 1.7 in 1935. Already in 1935, the last year for which such figures are available, the supply of grain for feeding cattle was increasing and supplies of meat and milk were following suit. The conjecture that both industrial and agricultural output have been increasing faster than population in the most recent period is not extravagant. Mr Clark's provisional estimate for 1937 would give an increase in the national income per head between 1934 and 1937 of more than a third. But a large part of this increase must have been devoted to armaments. If defence expenditure is assumed to have trebled in the three years, living conditions might have been improved to the extent of 5 or 10 per cent.

A few years ago the Russians were engaged in a tremendous struggle to lessen the pressure of their increasing population on the means of subsistence. Since 1934 they have been following the advice which an orthodox economist† is now offering to the overpopulated countries of South-Eastern Europe, namely industrialisation and the expansion of "labour-intensive" farming, viz., meat, vegetables, industrial plants and cattle. The Malthusian devil, it seems, has now been curbed, and Russia would stand on the threshold of a vast improvement in the conditions of her 170 million people were it not for needs of defence. It is possible that Russia may be able to prepare for war and raise the welfare of the masses.

† Dr Benham in "South-Eastern Europe." Published by the Royal Institute of International Affairs.

* "A Critique of Russian Statistics." By Colin Clark. Macmillan. 76 pages. Price 6s.

THE WORLD OVERSEAS

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NOTES OF THE WEEK

H.M.S. Thetis.—Last week the whole nation shared in the poignant sequence of anxiety, high hope, renewed fear and final despair which followed the sinking of the submarine "Thetis" on Thursday afternoon. On Saturday morning the last chance of saving more of the crew than the four men who escaped on Friday was announced officially to have gone; and on Wednesday this week the country mourned for the passing of 99 brave men, most of them of the Royal Navy, but some employees of the builders, Messrs Cammell Laird. The disaster was the worst among many grave losses in the history of the submarine service; its tragic course was accompanied by the wildest of conflicting rumours; the apparent inability of both the Admiralty and the shipbuilders to make public what was going on and what was likely to happen left room for widespread doubt, suspicion and recrimination. It is now known that the cause of the disaster was the flooding of the vessel's forward compartments owing to the opening of the door of one torpedo tube; and, though no explanation of why the door was open can be usefully attempted until the salvaging of the submarine, already begun, has been completed, there is no tangible evidence that more could have been done, or more quickly, by the authorities to save the men. Doubts about the completeness of the organisation and equipment which was available for rescue work remain in many minds. It is a mystery why more men did not follow the gallant and fortunate four to safety through the Davis escape gear. And, on all counts, there is the fullest case for the public inquiry which the Prime Minister has promised. But all signs point to a tragedy of accidents rather than a tragedy of errors: the tides were too strong for the divers and the angle of the submerged vessel was too steep for the rescuers. The Admiralty inquiry is already in train, and its findings will be before the public tribunal. Meanwhile there are the dependants of the lost men to care for, and there is no doubt that the success of the fund that the Lord Mayor of London has opened will measure the nation's deep sorrow.

* * *

The King Goes to Washington.—On another page our Ottawa Correspondent tells something of the triumphs of the King and Queen in their Dominion of Canada. This week Their Majesties have crossed a border unguarded except by hundreds of thousands of welcoming citizens to pay their respects to President Roosevelt and the 130 millions of English-speaking people he represents. It is an event of historical significance that the King of the British Commonwealth of Nations should meet the President of the United States on American soil. It fires the imagination that George VI should tread the soil lost by George III. But those are much mistaken who see in this visit a gesture of propaganda. Not one iota will the King's visit deflect the course of American policy. Nor was it ever intended that it should. The Royal visit to the United States is no more and no less than an act of courtesy due to Canada's great neighbour; and it will not be misinterpreted by the American public.

* * *

Finding a Formula.—The sole remaining major point of disagreement in the British-Soviet negotiations is that of the means by which Russia shall be secured against "indirect aggression" through the Baltic States. The latest Soviet Note, which was received by the British Government last week-end, repeated the request made in M. Molotov's speech that a direct territorial guarantee should be given to Finland, Estonia and Latvia: or, in other words, that the Peace Front should be pledged

to defend the integrity of those States whenever that integrity was considered to be menaced by German aggression. The Baltic States in question have now categorically stated their desire not to be guaranteed; Latvia and Estonia have signed non-aggression treaties with Germany which make it all the more difficult for them to accept guarantees. The one thing left to do, therefore, is to find a formula which will satisfy the Kremlin without employing coercion on the Baltic States. There are several alternatives. One would be for the Powers of the Peace Front to declare that any attempt to undermine the independence and neutrality of the Baltic States would be regarded as an unfriendly act. Another alternative, understood to be put forward by the French Government, would be a general guarantee of the *status quo* in Eastern Europe, made without mentioning names. This has much to recommend it. Not the least of its advantages would be that at need it could be taken to include Yugoslavia and Bulgaria as well as Finland, Estonia and Latvia. And in its generality it would leave would-be aggressors with no legalistic loopholes through which to smuggle their ill intentions, or would-be appeasers their misbegotten if well-meaning policies. From Mr Chamberlain's statement in the House of Commons on Wednesday it would seem that a formula on some such lines as these is in the British Government's mind. The statement itself went surprisingly far. "It is not intended that the military support which the three Powers would agree to extend to one another should be confined to a case of actual aggression upon their own territory," for it was possible to imagine various cases in which any one of the three Governments might feel that its security was indirectly menaced by the action of another European Power. These cases, Mr Chamberlain said, had been reviewed in detail. There remained the matter of an acceptable formula. To hasten the negotiations, Mr William Strang, head of the Central European Department of the Foreign Office, an expert who has been closely connected with the negotiations since their beginning, is being sent to Moscow as an assistant to the British Ambassador. That Lord Halifax himself or Sir Robert Vansittart has not been chosen to visit Moscow at this critical moment may or may not be a pity according to whether the choice was directed by motives of prestige (M. Potemkin, after all, did not go to Geneva), or by a conviction that agreement is so close that Mr Strang's help will be sufficient to obtain it. Meanwhile, it is permissible to indulge in a tempered optimism that the Soviet Government will not show such a conviction to be false.

* * *

The Axis and Yugoslavia.—After the broken pledges of the last few years it is worth noting as important, though not necessarily reassuring, that Herr Hitler has declared Germany's frontier with Yugoslavia to be "determined for ever." In fact, of course, Herr Hitler could scarcely say less: Yugoslavia is not yet sufficiently tied to the Axis to be treated without blandishment, although this declaration, as much as the pomp and circumstance with which Prince Paul was received, make it plain that the bonds are being drawn tight. It may have been no coincidence that, during Prince Paul's stay, the Fuehrer indulged in a number of extremely violent speeches against Great Britain. Welcoming home the Kondor Legion (the main means of German intervention in the Spanish civil war) Herr Hitler admitted that he had decided to help General Franco as long ago as July, 1936, "and to help him in the same measure and for so long as the rest of the world helped the enemies of Spain," a help which he gave "out of deep sympathy for the sufferings of a land which in spite of all the blackmailing efforts of England remained

neutral and friendly with us during the World War." What sort of peace is possible, we may ask, with a man whose point of view is still where it was in 1918? "The robbery of German colonies, the annihilation of German trade, the destruction of the bases of German existence and therefore of German life, the abolition of German political importance and power—" these, declared Herr Hitler, were the aims behind the Versailles Treaty, and these are the aims of "French and British encirclement statesmen" to-day. Signor Mussolini meanwhile was saying much the same thing, though in less offensive language, when he greeted the "Littorio" division (the Italian troops from Spain) with the handsome accolade that "for thirty months they had been the nightmare—literally the nightmare—of the plutodemocracies." The significance of all this will not have escaped Prince Paul, although, owing to the censorship, it is very likely to escape most Yugoslavs. The knowledge that Herr Hitler has pledged the integrity of their frontier with Germany will only give edge to that clause in the German-Italian military alliance which is understood to define "spheres of influence" in the Balkans. Public opinion in Yugoslavia will be uneasy for knowing that the German-Italian conflict of interests in Slovenia and Croatia-Dalmatia is now resolved.

* * *

Organising Supply.—The White Paper explaining the initial scope of the functions of the new Minister of Supply came too late last week for comment in *The Economist*. In the event, comment is scarcely needed, since the Government has not failed to disappoint those people who had based high hopes of an effective organisation of war-like supplies upon the sweeping and apparently adequate powers envisaged in the actual Ministry of Supply Bill. Fears that limitations would be placed upon the Minister, which would nearly nullify the Government's acceptance of the case for a Supply Ministry, have been realised. True, the Minister will at once be able to secure priority for Government contracts, though he will not have the control over raw materials which proved the most effective sanction in this matter between 1914 and 1918. For the rest, he will simply be at the beck and call of other Departments each with its own supply organisation and its own view of the urgency of its requirements. The new Minister's actual functions in the direct provision of supplies will extend no further than the arms and clothing of the Army, certain goods now furnished by the War Office to other Ministries, other goods used by more than one Department (if, and only if, central buying is centrally agreed upon) and fertilisers. The Admiralty and the Air Ministry will continue to organise their own supplies separately; the A.R.P. Department of the Home Office, with certain exceptions, will be another independent supply unit; and even the War Office, for whose aid the Ministry is avowedly being set up, will retain very wide supply powers. As was suggested in these columns a week ago, the central point of the supply problem has been missed. If the organisation of supply means anything, it means the institution of a central authority with full power to marshal the needs of Departments whose requirements of raw materials and labour at least and to a large degree of plant and equipment, too, compete and conflict. It is not enough to establish priority for Government contracts over civil orders; the Government's own demands must be met according to a strict schedule of urgency.

* * *

Diplomatic Procedure.—No episode in modern history has been marked by more deception and evasion under the cloak of diplomatic usage and phraseology than the lately ended Spanish War. For the most part Britain's share in this unsavoury process was small and indirect, but the admissions made in the Commons on Wednesday by the Prime Minister about Italian war material now left in Spain show that it was not, in fact, unimportant. It

seems that from the very outset of negotiations for an Anglo-Italian Agreement the handing over of Italian material to Franco after the war was envisaged and accepted by Mr Chamberlain. It seems that the pledge in that Agreement to remove all Italian men and materials did not mean what it said. It will not do for Mr Chamberlain to claim that there has been a misunderstanding; such a claim underrates the intelligence of both Parliament and the public.

* * *

German Finance.—The new German financial plan came into effect on May 1st. The first month's experience has already shown both the strength and some of the weaknesses of the scheme. The essence of the scheme was that 40 per cent. of sums due by the Reich to contractors are paid in tax certificates. The certificates are of two types: type I can be used to pay taxes six months after their issue, and bear no interest; type II will be accepted in payment of taxes at 112 per cent. of their face value after three years. In order to induce contractors to hold type I for more than the minimum six months, their ownership confers certain privileges of increasing the deductions from taxable income allowed for depreciation of plant. This attraction was sufficient to ensure a very brisk demand for certificates of type I as they made their appearance in recent weeks and their price on the Berlin Bourse rose at one time to a premium of nearly 5 per cent. But for the same reason the demand could in any case only be temporary, since to secure the depreciation privileges in 1939 it is necessary to hold the certificates for six months before December 31st. In one respect, therefore, the new system has met with success. But there are signs that even this success is embarrassing to the Government, which is beginning to fear the effect on its tax revenue of the exercise of depreciation privileges on a large scale. The minimum period of holding certificates to qualify for these privileges has been raised to sixteen months, with the result that the price of certificates on the Bourse fell. In other respects, also, the results of the new system have not been so fortunate. One purpose of their introduction was stated originally to be the freeing of the capital market for industrial issues. But there is already talk of reimposing the Reich's monopoly over the supply of capital, and the *Frankfurter Zeitung*, which is very well informed on financial matters, understands that Reich issues of about Rm. 8,000 millions will be made this year—that is, of about the same amount as last year. Moreover, it has proved impossible for contractors to pass on the certificates to their own suppliers, as was originally envisaged. There is a seller's market for all forms of raw materials in Germany

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to-day and the seller is in a position to impose his preference for cash. The net result is that the issue of certificates still further reduces the liquidity of firms directly supplying the Reich, who are compelled to sell their holdings of other securities and of Reich loans, with a depressing effect on the Bourse. The new plan has thus uncovered no new and untapped source of credit. It has hardly solved Herr Funk's problem. Indeed, it could not, since his problem is insoluble.

* * *

State Aid and War.—It is inevitable that the growth of State aid to industry, which has been conspicuous since 1931, should be accelerated by preparation for the risks of war. The proposed subsidy for sheep and the revised subsidies for oats and barley, which are together officially estimated to involve an annual expenditure of some £6,370,000, are clear cases in point. Another is the scheme announced in March for the assistance of British shipping, which proposes to make £2,750,000 per annum available for deep sea and near continental tramps, up to £500,000 a year for owners placing new orders with shipbuilders for tramps or cargo liners and £2,000,000 for the purchase of suitable vessels for a shipping reserve, together with loan facilities of £10 millions in the next two years for new building. But there is no little danger that the compelling call for preparedness may be used to drown all reasonable demands for the most careful scrutiny of the disbursement of public funds in this way. Agriculture and shipping merit aid in any plan for national defence; but the estimated cost of the new farming subsidies seems higher than even the extra assistance demanded by emergency considerations requires (see *The Economist*, May 27th, p. 486); and shipping and shipbuilding are to be aided with extreme generosity without any guarantee that the costs of the industries will not continue to be higher than those of their competitors.

* * *

The Cost of Subsidies.—It is hard to stand firm against the tide and the policy of subsidies is now on the flood. But the tale of State aids given in the Commons this week by Captain Crookshank makes disturbing reading. The Financial Secretary to the Treasury gave particulars of the subsidies payable since January 1, 1932, from public funds to industry, and he added the estimated sums for 1939:—

	1932-38	1939
Beet sugar	18,594,585	3,000,000
Cattle industry	18,114,794	4,625,000
Milk	5,696,861	492,910
Land fertility	1,961,513	1,500,000
Bacon industry	...	*425,010
Oats and barley	164,868	930,000
Herring industry	109,807	73,450
Tramp shipping	4,002,183	...
Mechanical transport	7,560	...
Light horse breeding	35,549	...
Civil aviation	3,539,723	2,000,000

* Anticipated receipts of £228,010 to be set off against this.
† See above.

And these very large items add up to no more than a small part of the direct and indirect aids given to industry under the new economic policy of the 'thirties. There is to be added, not only tariffs, preferences and quotas, but also rating relief and monopoly privileges given by statute. It is the citizen as consumer or taxpayer who pays for this mounting programme of costly artificial respiration; and it is the citizen as elector who has the unmistakable right to ask that adequate returns in industrial efficiency should be ensured. State aid in all its forms has long since ceased to be regarded as a depression device to avert industrial distress or disaster. It has become practically a perquisite of industry and, while no one nowadays would dispute the merit of aiding industries in cases of proven need, few impartial observers can contemplate the present trend without alarm.

Japan and Great Britain.—A few days ago it was announced at Tokyo that the policy of the Japanese Government towards Europe, which had been decided in principle on May 20, was now in concrete shape, in the form of a draft which was on the point of completion. At the same time it was hinted that the decision of policy would shortly be made public, either through the publication of the full text of the Cabinet paper, or through a public résumé of its contents. At the moment of our going to press this week, this public statement has not yet been made, and we are as far as ever from gaining any light on a closely-guarded secret. At the time when the decision was taken, it was believed, as we then recorded, that it registered a victory of the more cautious representatives of the Navy and Business over the more hot-headed representatives of the Army. If this belief was correct, the fact will presumably be reflected in the forthcoming statement, since there is no hint of any reversal of policy during the intervening weeks. At the same time, there are growing indications, both in the tone of the Japanese press and in the behaviour of the Japanese armed forces where British subjects are concerned, that Great Britain is increasingly being made the scape-goat for Japan's failure to finish off the China War. This may, of course, simply be the Army's way of trying to save its face. On the other hand, the atrocious murder of Mr Tinkler at Shanghai—an atrocity of which the Japanese perpetrators were not soldiers but marines—suggests a more serious anti-British turn of Japanese policy, unless we are to suppose that the outrage was entirely the work of non-commissioned officers or privates who were taking the law into their own hands with a complete disregard for the instructions and the policy of their superiors. If it is really the considered policy of the Japanese Government to refrain from making a breach with the Western Powers, it is amazing that they allow their subordinates to commit outrages of this kind with apparent impunity.

* * *

Regenerating Roumanian Politics.—The first Roumanian elections to be held under the new constitution have passed off in what may be called an efficiently totalitarian manner. Of the 258 deputies to be elected to the Lower House, 86 stand for agriculture and manual labour, 86 for commerce and industry, and 86 for professional interests; 88 senators were also elected by various occupational organisations, 14 of whom represent manual labour, 11 industry, 11 commerce, and 22 the professions. The whole thing, it will be perceived, is admirably clean and neat. Certain democratic customs have, however, been allowed to survive the establishment of Roumanian corporativism. The presentation of election manifestos, for instance, was allowed, though the length of these was limited to 100 words. Voting was in secret, though here again it is necessary to add that the nomination of candidates was carried out with a view to ensuring that the new parliament was as competent (and as desirable) as it had been planned to be. To democratic eyes the elections can seem little better than a formality; that does not detract from the go-ahead way in which King Carol and his Ministers are trying to reorganise Roumanian ways and means of living. At least they will not fail for lack of trying. Their greatest need is a long period of peace, because war is the one disaster which is certain to prevent the Roumanians from enjoying the great natural riches they possess. And just as King Carol can be relied upon to defend Roumania's neutrality against attacks, at least by his immediate neighbours, so it seems from the latest reports that his Ministers are determined not to give Germany a dominating position in Roumania's foreign trade. Meanwhile, in Bucharest they are watching with apprehension the changing balance of interests in the Balkans, Yugoslavia's approach to the Axis, Turkey's pact with Britain, and wondering, too, what will be the practical outcome of the British negotiations with Russia.

The Birkett Report.—Almost exactly two years ago the Minister of Health and the Home Secretary set up a committee, with Mr Norman Birkett, K.C., as chairman, "to inquire into the prevalence of abortion and the state of the law relating thereto." Last July the need for such an inquiry was underlined by the case *Rex v. Bourne*. Under an Act of 1861 the unlawful use of an instrument to procure abortion is forbidden; and an Act of 1929 clarified the position—which depends upon the meaning given to the word "unlawful"—by stating that an operation to save the immediate life of a mother would be lawful, even though the life of the unborn child were lost. In *Rex v. Bourne*, one relevant point, which was that a surgeon had procured an abortion to avert the consequences of rape upon a child, was not passed upon; the judge ruled that it was not possible in fact to distinguish between danger to the immediate life of a mother and danger to her general health, and the jury found for Dr Bourne because on the latter ground the operation was needful. The Birkett Committee, whose report has now been published, follow this ruling and recommend that the law should be clarified to make it unmistakably plain that abortion is legal both when the operation is done to save the mother's life and when its object is to prevent the serious impairment of her health. If this recommendation is accepted it will be a logical and humane advance; but the question whether the termination of pregnancies resulting from rape should be legalised as such has still to be settled. A Minority Report recommends that this should be done, but the majority of the committee, opposed as they are to any broad relaxation of the law on ethical, social and medical grounds, can suggest no way of legalising such abortions, even though they would welcome it if it could be done. It should not exhaust ingenuity to find legal means to this desirable end. Meanwhile, there is common sense in the committee's view that, when the annual total of abortions in England and Wales runs between 110,000 and 150,000, with two-fifths of them criminal and many of them dangerous to life or health, it would be expedient that the existing powers of local authorities to give contraceptive advice to married women whose health would be adversely affected by pregnancy should be more fully utilised. Indeed, many people would go further and follow the Minority Report in recommending that such advice should be given to all married women who desire it. It will not be claimed for the report that it is a final solution of the problem of abortion, since it is pre-eminently a question on which public opinion is slowly changing. But adoption of the report's recommendations would end the present dangerous state of affairs in which the apparent state of the law is out of accord with the opinion all but universally held in the community.

* * *

A Dublin By-Election.—The result of the by-election in South Dublin City is a moral defeat for Mr de Valera. At the general election held less than a year ago the Government party candidates obtained 30,768 first preferences against 16,083 secured by Mr Cosgrave's candidates. At the by-election, which was a straight two-party fight, the Government candidate's votes numbered only 20,059, while the Opposition candidate obtained 15,877. Thus it will be seen that the Government party has lost over a third of its supporters during the year, while the Opposition strength has remained practically unimpaired. The swing of the pendulum is clearly observable in the reduction of Mr de Valera's majority in the constituency from 14,685 to 4,182. The fall in the total poll is also remarkable; only about 40 per cent. of the electors thought it worth their while to vote at the by-election. The reasons for this apathy are not hard to find. Growing unemployment, the rise in the cost of living, the slowing down of the housing programme and the increased taxation imposed by the Budget, have all helped to alienate support from the Government, whose programme at the election was a further drive to revive the Irish language and the solution of the problem of partition. The fact that the votes lost by Mr de Valera

were not transferred to Mr Cosgrave signifies that the ordinary Irishman is "fed up" with both parties, and the country badly needs a new party competent to frame a realistic economic programme and to implement it courageously. There are parallels to be drawn between Eire and Britain in this respect, though the causes of the political standstill are very different in the two countries.

* * *

Wage Rates in the Recession.—Now that the economic barometer seems to be pointing once again to recovery, it is interesting to record that the average level of wage rates was not reduced during the recession. In the third quarter of 1937, when business activity reached its peak, the Ministry of Labour index of wage rates was 102½ (1924=100) and it continued to rise to 106 in the second quarter of 1938. But the index did not fall and has since remained at the peak figure of 106, while the trend of retail prices has been downward. Mr E. C. Ramsbottom has just published details* of the course of wage rates in individual industries up to the end of 1938, and these show that on the whole the average experience of a slight rise between December, 1937, and December, 1938, has also been typical. There were only two decreases of 1 per cent., though big increases, as shown in the table, were more numerous. But these were in some cases the results of negotiations concluded before the decline in business began. Thus in the iron and steel industry wage rates rose by 5 per cent., but average earnings reported to the British Iron and Steel Federation actually fell as a result of short-time working. For this reason, the increase in working-class incomes last year is not likely to have greatly exceeded the increase in wage rates.

INDUSTRIES IN WHICH WEEKLY WAGE RATES ROSE BY MORE THAN 5 PER CENT. BETWEEN DECEMBER, 1937 AND DECEMBER, 1938

	Increases %			Increases %	
	Dec., 1937 to	Dec., 1929 to		Dec., 1937 to	Dec., 1929 to
	Dec., 1938	Dec., 1938		Dec., 1938	Dec., 1938
Iron mining ...	13	46	Agriculture :		
Coke ovens ...	7	29	Scotland ...	6	8
Public works			Aerated waters	5	4
contracting ...	7	5	Iron and steel..	5	28
Shipping	6	6			

Wage rates at the end of last year were higher than in 1929 in nearly all industries except textiles. The drop of 10 per cent. in the woollen industry was, however, the largest, that in the cotton trade being only 2 per cent. The spectacular increases are shown in the table, but rates in cement manufacture, tinplates, shipbuilding and coal-mining were all more than 10 per cent., and in engineering and agriculture just under 10 per cent., above the 1929 level.

* "Wage Rates in the United Kingdom in 1938." *Journal of the Royal Statistical Society*. 1939. Part II.

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THE WORLD OVERSEAS

Baltic Trio

SINCE they crystallised from the post-war chaos the republics of Estonia, Latvia, and Lithuania have asked only for one thing—to be left alone. If their variations on this common Baltic theme have not always been harmonious, if at times they have voiced bravado and at other times whispered in sudden caution, the reason lies in the precarious tenure of small countries that are surrounded by great Powers. For the Baltic trio the Big Bad Wolf, whether he growled in German, Polish or Russian, has never been able to wear convincingly the disguise of fairy godmother; they may at times have been uncertain of his exact identity, but never for a moment have they forgotten that he was there. That he might appear in double form, or even in triplicate, and thus magnified devour them piecemeal was (and to some extent remains) their constant fear. The Baltic republics fear problems far more urgent than those which Sweden, Norway and Finland, or even Denmark, have to face; not for nothing are they in the news.

It is true that in their wish to keep outside the play of Power politics the interests of all the Northern States are the same. The point of departure is in the method they shall use to steer this policy through changing circumstances. It was not until the Italians proved in Abyssinia that no small country could rely on the Covenant for its absolute protection that the dilemma became acute: with that proof the Northern statesmen withdrew their support from those articles of the Covenant which pledged them to collective action against aggressors. From that moment they could rely only on a policy of unreserved "neutrality towards the conflicting interests of the Great Powers," as Mr. Richard Sandler, Foreign Minister of Sweden, has expressed it, "and the avoidance of entanglements in any action incompatible with this attitude." For the rest, they could only hope that the push-and-pull of Power politics would ensure their territorial integrity.

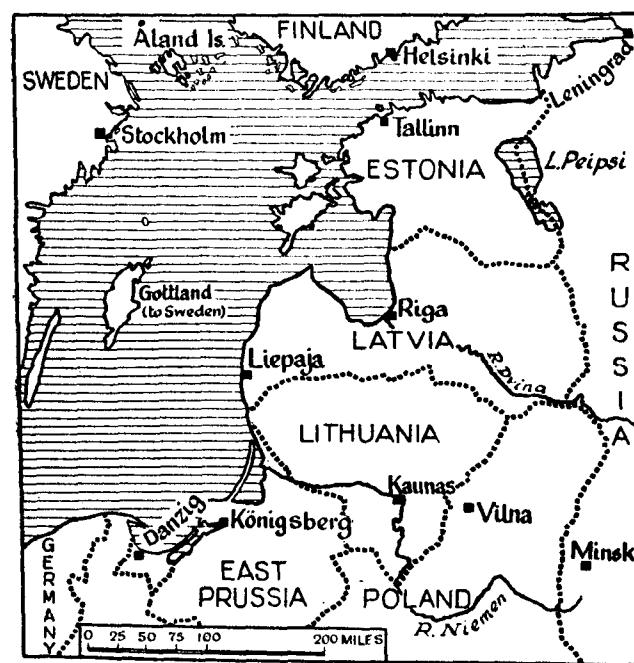
Now the tables are turned. The British, playing fairy godmother, may even be in danger of killing the trio by kindness. The argument is clear enough. If Anglo-Russian guarantees are given of the frontiers of Latvia and Estonia (and equally of Finland), it runs, then military assistance is implied. This would offend Germany which might then regard Latvia and Estonia as the legitimate prey of an "anti-encirclement" war; and this in turn raises the question of what M. Karl Selter, Estonian Foreign Minister, has called "preventive aggression"—Russian counter-measures to a possible German invasion, or "by implication, the occupation of some of the territories of the Baltic States." The non-aggression pacts signed this week in Berlin by Estonia and Latvia (Lithuania is a case apart, and Finland has refused the offer of a pact) do not mean a falling-away from the policy of "neutral attitude." They are meant to be regarded as complementary to those signed with the U.S.S.R. in 1927, and are understood to be entirely unequivocal.

Lithuania, Poland and Germany

Lithuania is a special case. Russian insistence on Baltic guarantees and the events which have preceded that insistence threaten to isolate Lithuania from the Northern security system. It is well worth a digression to examine Lithuania's special problems. When the German troops retreated westwards in 1919-20 Estonia and Latvia were left without frontier disputes to settle. Not so Lithuania. In 1923, further, the Lithuanians seized Memel from the hands of a French garrison. It is fair to say that in doing so they were thinking more of what Poland might do than of their own immediate needs, for Lithuania's Big Bad Wolf has usually growled in Polish. Poland's last appearance in this rôle was in 1937, when Lithuania was forced by ultimatum to recognise Polish sovereignty over Vilna. Since then Polish-Lithuanian relations have vastly improved, though tempered still by neighbourly suspicion—that Lithuania will "let in the Germans" or that Poland has "secret ambitions

on our territory." The two countries have signed a commercial treaty to take advantage of their newly-opened frontiers; diplomatic and military contacts have paved the way for more permanent friendship.

Germany's relations with Lithuania are now regulated by the new commercial treaty reported in *The Economist* of May 27th last. But the severance from Lithuania of Memel and its adjoining territory was a blow to the country's economy that will be little softened by the new treaty. In the slow industrial development made by Lithuania since she became independent special attention was given to Memelland; as many as 25 per cent. of all industrial undertakings, estimated at a capital value of £2,000,000, are in territory which is now part of Germany, including several important saw-milling and cellulose plants, while about



£1,000,000 has been spent in improving Memel harbour facilities. From the point of view of the balance of payments, those industries are now lost to Lithuania, though the restricted importance of this may be gathered from the fact that only 7 per cent. of the Lithuanian population is engaged in industry; more serious is the potential stranglehold which the Reich is now in a position to exert on the transit traffic between Lithuania and her best customer, Great Britain. In face of this potential stranglehold the Lithuanian Government has a choice of three courses of action. The first course is to maintain existing arrangements whereby the two British ports of entry regularly used by Lithuania, London and Hull, are served by Memel, and to take advantage of the German concession, granted as compensation for Lithuanian capital expenditure in the past twenty years, of free-port rights in Memel for 99 years. In the second place, the Lithuanians may arrange to use the Latvian port of Liepaja for one of these two shipping lines, a course which would recommend itself to Latvia as a means of enlivening a badly-hit seaport, and which would require only the building of a 20-mile stretch of railway. The third course is to develop as a deep-water port the fishing roadstead of Shventoji near the Lithuanian-Latvian frontier; this is supported by extreme nationalist opinion, but is obviously conditional on the Lithuanian Government's ability to borrow the necessary money.

Having already signed a non-aggression pact with Germany, Lithuania stands outside the immediate problem,

She has no quarrels with the U.S.S.R.; Poland has ceased to appear vulpine; and, even if the wolf is now about to undergo metamorphosis into a Teutonic guise, the Germans so far have shown tact and generosity in their dealings with the most southerly of the Baltic Trio.

A Multilateral Guarantee?

Lithuania perhaps apart, the present problem for all the Baltic States is the same. The Soviet preoccupation with Baltic guarantees has only one excuse to recommend it. The Russians are asking: Can Germany contrive to force Lithuania, and then Latvia (which has a common frontier with the U.S.S.R.) into "accepting" German guidance if not the actual status of protectorate? Can the Germans "peacefully occupy" this Baltic "corridor"? For Lithuania above all the question is urgent: if Anglo-Russian guarantees are pressed on Latvia and Estonia it might be that the Germans would press on Lithuania something much less pleasant.

Latvia and Estonia are against accepting a direct territorial guarantee. The point of view of the Finnish Government is that the acceptance of a guarantee would be contrary to their policy and would weaken their neutral position *vis-à-vis* their Scandinavian friends. M. Erkkö, the Finnish Foreign Minister, made this clear last Tuesday when he said that "Finland must treat as an aggressor every State which, on the basis of an unasked guarantee, intends to give its so-called assistance when it perhaps considers that the 'guaranteed' State requires help." At the same time there is a general, if as yet unofficial, recognition that the British-Soviet negotiations are much too important to be allowed to stumble for lack of a formula to guarantee Baltic neutrality. What that formula will be cannot be foretold; it is understood that the French Government have a general guarantee of the *status quo* in mind, although, as is pointed out in the Note on page 592, there are also other alternatives. It should be possible to find a means of relieving Russian anxiety without transferring it to the Baltic States. Even so, there will be reluctance. After all, the young lady who went for a ride on a tiger was a native of one of the Baltic Trio.

The Tennessee Valley Authority

[FROM OUR NEW YORK CORRESPONDENT]

THIS Correspondence has often referred to regionalistic developments in the United States, maintaining the Federal idea in principle, but in a form not exactly identical with the historic concept of the Federal Union of the 48 States. One example is the Port of New York Authority, which holds a limited type of jurisdiction over New York harbour, derived from a treaty between the States of New York and New Jersey. Another example of a different type is the Tennessee Valley Authority, which derives directly from an Act of Congress, and involves activities by the Federal Government within the territorial jurisdiction of Tennessee, Virginia, North Carolina, South Carolina, Georgia, Alabama, Mississippi and Kentucky—by virtue of the clause of the Constitution giving Congress jurisdiction over navigable internal waterways.

To Wall Street, the T.V.A. is one of the Beasts of the Apocalypse: Wall Street knows it principally, or exclusively, as Government competition with privately owned public utility enterprises. To constitutional lawyers, the T.V.A. is charged with the development of a navigable, inter-State waterway. To the "planners" the T.V.A. is an idealised scheme of regional development, commercial, and agricultural, built around a great river system. Historically, the scheme is an outgrowth of the war-time Government-built nitrate plant at the falls known as Muscle Shoals. It is variously described as an example of throwing good money after bad, as a dubious attempt to salvage a war-cost that should have been written off, and as a promising investment in a great national resource. This letter will do no more than describe the area and undertaking briefly and impressionistically—on the basis of a brief visit to Knoxville, Tennessee.

The Tennessee River rises on the West slope of the Appalachian Mountains and flows Westward, with a long arc to the South, into the Ohio River at Paducah, Kentucky, not far from the confluence with the Mississippi. The river is about 650 miles long, and between Knoxville and Paducah drops about 500 feet. The drainage area comprises about

40,000 square miles. Of this area, about half (13,000,000 acres) is forest-covered, including some 6,500,000 acres of farm woodland, and about 2,000,000 acres of (federally-owned) national parks and national forests near the headwaters. The population of the area is somewhat over two millions, of whom at the time of the last census (almost ten years ago) 300,000 were classed as farmers or farm workers and about 100,000 as industrial workers. These proportions have probably shifted in the last decade. The ratio of the number of farms to the number of farmers indicates that the prevailing type of agriculture is the one-family farm, rather than the plantation; but this is more characteristic of the Eastern and more rugged end of the area than of the Western, which is an alluvial cotton-growing district. In the same way, while the entire area may be described as predominantly agricultural, industrialisation has developed extensively at the Eastern end, where, in addition to the forests, there are extensive deposits of non-metallic minerals, as well as some iron, copper and zinc.

Complex Tasks

The river itself presents three obvious aspects: (1) It is a waterway, more potential than actual, although some barges ply the lower reaches; (2) it is subject to floods itself, and a contributor to floods in the Ohio and Mississippi; and (3) its long declivity creates a great potential of hydro-electric energy. In addition, the rainfall of 50 inches, besides causing occasional floods, is a cause of erosion, to which the soil, especially on the upper river, seems extremely susceptible. Under the United States general scheme, navigable inland waterways have always been regarded as a Federal concern; flood control has been divided among local, State, and Federal jurisdictions; the development of electric energy has been regarded as a domain of corporate enterprise; and erosion as the problem of the individual farmer.

But a river carrying off 50 inches of rain in a course of 650 miles with a drop of 500 feet is no respecter of the neat conventions of political economy. When our Federal Constitution was adopted there was only a handful of white settlers in the whole Tennessee Basin; when the T.V.A. was created a whole complex of institutions was already deep-rooted in the Valley. But the basis of the T.V.A. was grounded in two facts—that the Tennessee was a more or less navigable river, and as such under Federal jurisdiction, and that the Federal Government already had a hydro-electric plant at Muscle Shoals for the production of nitrates. In creating the T.V.A., Congress directed it "to control the Tennessee River to provide for navigation, flood control and the production of power incidental to such development."

These terms of reference are in themselves more complex than they seem. River navigation implied more or less subsidised competition with existing railways, which are in no thriving condition, and the production of "incidental" electric power, competition with utility corporations supplying a limited market. Flood control could be secured by dams; but erosion control is a function of individual farming, and involves a whole train of co-ordinated effort under a variety of guidances and stimuli. It is not surprising that the history of the T.V.A. has been as turbulent as the river it was directed to "control"; and its manifold activities have been and are likely to continue to be a source of continuous controversy between the Authority and the numerous and varied interests on which it impinges.

The programme called for the construction of a series of dams. The Wilson Dam in mid-river had been begun in 1918, but was not closed until 1924; a second, privately owned, was already in existence. Four others have been completed, four others are under construction, and numerous others (on tributaries) are under consideration.

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The undertaking is too new to make more than sketchy appraisals. As a navigable waterway the plan calls for a 9-foot channel to the head of navigation, which is variously interpreted as Chattanooga, about 400 miles from the mouth, or Knoxville, above 600 miles; but little can be done for navigations until the dam system is nearer completion. Its efficacy of flood control has only partially been tested; but in the great floods of 1937 it is estimated that the resistance then offered reduced the flood-crest at the junction of the Ohio and Mississippi by about six inches.

The Power Programme

It is, of course, the power programme that has caused the most acrimonious controversy, and for two reasons. First, it introduced the Government as a competitor into an area already served by existing utility corporations, and raised the spectre of similar competition in other areas. Secondly, it was continuously stated that the T.V.A. power would be used as a "yardstick" to determine "fair" prices for power privately generated elsewhere. It is obvious that, whatever other merit the programme possesses, the quality of a "yardstick" is conspicuously lacking. The power generated is specifically "incidental" to the navigational and flood control features, and it is, of course, impossible to make a non-controversial allocation of capital and operating costs among these three different functions. And without an indisputable figure of costs its function as a norm or yardstick is completely invalidated.

As yet the actual generation and distribution of power is still comparatively small, although the recent purchase of the privately owned system of Knoxville will approximately double its customers. When the programme is completed, however, the area will have access to a great supply of cheap power, which is expected—and with good reason—to accelerate its industrialisation, particularly at the Eastern end, which includes a good deal of marginal farm acreage. That is, the programme at that point becomes definitely social and impinges on the so-called "agricultural problem," which in this instance is essentially a problem of getting a fraction of an agricultural population out of marginal or sub-marginal farming into local industry.

The problem of soil erosion is quite distinct from navigation, flood control or power production; but it is a major consideration in the T.V.A. scheme. Here it is co-ordinated with the Federal and State departments of agriculture, with the Forestry service of the Department of the Interior, with the work of the Civilian Conservation Corps, and with farm organisations. Soil erosion is not much of a problem in the North-Eastern United States, but in the South-East it is a conspicuous feature of the rural landscape.

Finally, the greater part of the Tennessee Valley lies in the single State of Tennessee. This raises the question of the equity of spending such large appropriations of Federal money primarily for the benefit of a single State. The proposal advanced some time back to create duplicates in half-a-dozen other river systems, although it met this point of sectional equity, raised such a storm of diverse protests that it was not pursued.

To sum up, all of the objections raised against the T.V.A. are individually valid. It is costly; it does benefit a fraction of the country at the expense of the Federal Treasury; it does introduce Government competition with private enterprise in the utilities and potentially with the hard-pressed railroads; it is questionable if a single programme can serve with optimum effect three such diverse objectives as navigation, flood control and "incidental" power production; and serving these three objectives, it is a more than dubious "yardstick" of fair costs for privately generated and distributed power. But, on the other side, it is a boldly-conceived, schematic plan of regional development, centred on the con-

version of a more or less destructive river into a positive natural resource. As an experiment it is large enough to test its merits and its defects; yet the area and its population are small enough, compared to the whole nation, to be in the nature of a social and geophysical laboratory. That it is raising, and promises to raise further, the standard of living of the area is almost certain; whether this praiseworthy objective might have been realised by other means of lower direct and indirect costs to our political economy is debatable.

May 29th.

The Motorisation of Germany

[FROM OUR BERLIN CORRESPONDENT]

TO spread the use of motor vehicles throughout the nation was one of the cardinal points in the original National Socialist Party's programme. During the past six years the campaign to do this has been remarkably successful. Motor cars are no longer articles of luxury in Germany, and their use is now very widespread indeed. But military considerations have played an even greater rôle in the country's motorisation than the popularisation of private cars; and a large part of the growing output of the German motor industry is taken over by military and semi-military organisations, such as the S.S., the S.A., the N.S.K.K., and the police.

In 1933 the first measure undertaken to create employment was the construction of the Reich motor roads; of these, about 3,000 km. are now in use, and about 13,000-14,000 km. (including Austria and the Sudeten territory) are now under construction or planned. These highways serve to supplement the regular roads for the carriage of long distance and fast traffic, and they constitute the backbone, in conjunction with the railways, of Germany's military routes. And with the new roads has come a flood of new cars.

Simple facts and figures give a striking picture of the progress made. They show how remarkably quickly production and sales have risen in the last few years:—

	(Numbers)	1929	1932	1937	1938
Private cars:—					
Production	96,161	43,430	269,005	276,592	
Domestic sales	92,047	38,207	210,021	211,430	
Exports	3,973	7,588	57,889	64,260	
Lorries, omnibuses:—					
Production	31,577	8,234	62,404	64,127	
Domestic sales	28,230	6,877	48,565	49,966	
Exports	2,806	1,739	13,780	13,230	
Tractors:—					
Production	5,928	1,593	18,025	24,636	
Domestic sales	3,795	1,195	14,870	20,591	
Exports	2,348	683	3,089	3,557	
Motor cycles:—					
Production	195,686	36,262	159,815	190,018	
Domestic sales	188,789	36,706	148,266	154,132	
Exports	7,577	2,694	22,973	34,394	
Three wheeled vehicles:—					
Production	5,361	10,939	14,116	14,906	
Total sales	†	10,940	14,655	14,781	

† Included in motor cycle figures.

In Great Britain, at the end of 1938 there were 2,334,900 private cars and commercial vehicles in use. In Germany (not including the Sudeten territory) 3,596,516 motor vehicles were counted last December, against 3,027,547 a year before, and of these 1,689,695 were motor cycles, 1,395,561 were private cars, 422,318 were lorries, 67,225 were tractors and 21,717 were omnibuses. For every 1,000 inhabitants there were 48 motor vehicles, against only 45 in the preceding year and 25 in 1932; in Great Britain the figure is 52 vehicles per 1,000 (excluding motor cycles and tractors). Exports, too, have risen notably. Since 1929 Germany's foreign trade in motor vehicles shows the following course:

	(Rm. millions)	Import	Export	Export Surplus
1929	62.0	75.4	13.4	
1932	9.1	33.9	24.8	
1933	7.3	32.9	25.6	
1934	10.2	32.8	22.6	
1935	9.6	54.1	44.5	
1936	6.1	81.8	75.7	
1937	6.9	146.4	139.5	
1938	12.0	161.1	149.1	

Italy was by far the largest purveyor of motor vehicles to Germany last year, with 1,518 private cars and 5,580 chassis; Great Britain came second, with 372 private cars, 26 tractors and 283 motor cycles; and the United States third.

Export Progress

On the export side, it is noteworthy that Great Britain and the British Dominions figure among the greatest buyers of German cars, though protests against dumping have produced a considerable reduction in British imports of German cars. The position now is that Germany is coming up hand over fist in the competition to supply the world's cars. Last year Great Britain was in second place among exporters (behind the United States) with a total export of 68,000 private cars. Germany, with an export of 61,000, was close up third position. And in the case of motor-cycles, of which England until now has exported more than any other country, Germany reached first place, exporting 41,607, at value of Rm. 13.8 millions, against 14,612 in 1936, valued at only Rm. 4.6 millions.

In commercial vehicles also the advance in Germany has been outstanding. Between 1934 and 1938 the size of the German commercial vehicle fleet was doubled, and figures given by the Petroleum Press Bureau show the following comparisons between German experience and that of other countries:—

	NEW REGISTRATION OF COMMERCIAL VEHICLES	1934	1935	1936	1937	1938
United Kingdom	79,058	82,582	103,395	101,050	94,687	
Germany	23,509b	33,798	45,731	48,565	49,967a	
France	24,063c	21,065c	23,905	23,209	23,978	

(a) Second half-year includes Austria. (b) Including three-wheeled vehicles. (c) Excluding buses.

The number of commercial vehicles and buses in use in Germany has risen from nearly 210,000 in 1934 to over 420,000 in 1938; and, it is significantly pointed out by the Petroleum Press Bureau, again political influences are evident in the figures. Sales of goods vehicles of less than one ton have fallen from 36 per cent. of the total in 1934 to 15 per cent. in 1938; and the share represented by vehicles of 3 to 4 tons has risen from 8 to 24 per cent. Heavy vehicles of military value have come more to the fore.

The People's Car

It is the goal of National Socialist policy to catch up with other well-motorised countries, such as the United States, France and England. The number of private cars is to be increased by 6-7 millions; and, since the German industry has neither the technical capacity nor the materials or labour for this effort, a special Commissar has been appointed to carry out a complete rationalisation programme. The first measure to be taken is a reduction in types of vehicles: instead of 150 motor-cycle types only 30 types will be constructed; instead of 113 lorry types only 14-15 will be constructed; instead of 20 three-wheeled vehicle types only 2-4 will be constructed. At this year's Domestic Automobile Exhibition in Berlin the so-called *Volkswagen*, or People's Car, was shown for the first time. This small vehicle symbolises the new motorisation policy. Its price is about Rm. 950 (say £75), and the authorities believe that the car can be bought by workers with low incomes.

It is doubtful whether even the People's Car can come within the compass of low-paid manual or black-coated workers to buy and run. The motorisation policy has a long way to go; and the problem is one both of demand and supply. On the one side, popular purchasing power in Germany will have to be very much raised if the use of cars is to be generalised—and the armament-directed economic policy at present in operation scarcely helps this. On the other side, the calls of an expanding motor industry for labour and materials already conflict with the prior claims of the war industries. Nevertheless, although domestic sales of private cars in the last few years have averaged only about 200,000-300,000 annually, the first batch of the People's Cars, which is to be marketed at the end of this year, adds up to some 450,000. The future of the Nazi motorisation policy, like that of all aspects of their programme, must depend in the last resort on the proportion of the German nation's resources its leaders are willing and able to devote to civil, as distinct from military, purposes. But much of the demand for motors is, in fact, military, and the industry is clearly due to work at the fullest pressure for some time to come.

June 6th.

The Royal Visit to the Prairies

[FROM OUR OTTAWA CORRESPONDENT ON BOARD THE ROYAL TRAIN]

THEIR Majesties, King George and Queen Elizabeth, have reached the Pacific Coast and completed the first stage of their tour through Canada. It has been by common consent a triumphal procession since they landed at Quebec, and observers have been surprised that such demonstrations of affectionate loyalty to the British Crown could have been evoked from a people so unemotional and inarticulate as the Canadians are under normal circumstances. Everywhere the crowds which gathered to welcome and cheer Their Majesties have been tremendous, and their enthusiasm has been whole-hearted and genuine. Even in Quebec, where anti-Imperialist and isolationist sentiment is very strong, the French-Canadian population were not behind their English-speaking compatriots in the ardour of their welcome. In the prairie country and in British Columbia people drove to stations on the line from villages and farms 200 miles away, and contingents of Americans came from adjacent states like North Dakota and Montana.

Their Majesties have not spared themselves to make the tour a success. At many places they have mingled freely with the crowd, and they have delighted everybody with their friendly democratic ways. The only adverse comments about the tour come from stern isolationists who express the fear that the present outpouring of loyal sentiment makes certain Canada's immersion in another European war, if it comes.

It is a happy chance that, coincident with the visit of Their Majesties to the prairie country, its all-important grain crop has had a recent set-back checked by generous rains. The seeding season was earlier than usual, and there was then available in most places a fairly moist and satisfactory seedbed but, from mid-April until the last week in May, there was practically no rainfall in any part of the prairies, and the moisture reserves were rapidly exhausted. But about May 20th a widespread rainfall came which changed the whole picture. The young grain crops which had been wilting, revived at once. In the Southern areas of the three prairie provinces, which have been the districts worst afflicted by drought in recent years, as much as four or five inches of rain fell within a week, and fields of grain, which were thought to have been ruined by the drought, now show the young grain springing up. It is true that these particular areas still need more moisture before they can be assured of a decent crop, but they have now at least a hope of it. The rains and the succeeding cool weather are also expected to operate as a check upon the annual plague of grasshoppers, which was promising to be quite serious this year. Pastures on the prairies have had a wonderful revival, and when their Majesties passed through last week, the countryside, which had been brown a week before, was green.

The Railway Battle

At Ottawa there have been some interesting developments in connection with the railway problem. When the report of the Special Committee of the Senate, which had been investigating the railway problem, came before the whole House, it was a document drafted by Senator Dandurand, the Government leader; and, while pronouncing against unification, it urged more effective measures of co-operation between the two railway systems. Senator Meighen, the Conservative Leader, submitted an amendment advocating unified management for the two railways. He spoke very ably in favour of his plan, and eventually managed to get the Senate,

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in which the Conservatives still have a majority, to endorse unification by 25 to 21. The number of absentees was large; and the majority for the Meighen proposals was composed wholly of Conservatives, though six other Conservatives voted with 15 Liberals against it. They took the view that they could not endorse a policy which ran directly counter to the definite pronouncement of the National Convention of the Conservative party last July, and Dr Manion, the leader of the Conservative party, found himself in a similar position.

A Bill to provide for a measure of compensation to railway employees who had been laid off as a result of schemes for economy, provided Dr Manion with an opportunity for reaffirming his resolute opposition to any plan for unification. He held that the advocates of unification were "simply preaching something which is impossible." But the sharp divergence of opinion between its two leaders on the railway problem is very embarrassing to the Conservative party.

The King Government has published correspondence disclosing that the British Government, through Sir Thomas Inskip, the Secretary for the Dominions, has refused to consent to the readjustment of certain terms of the Anglo-Canadian fiscal agreement which would enable the Canadian Ministry to carry out proposals embodied in its last Budget for an increase in the duties on vegetable oils. These changes had been made in response to complaints from Canadian farmers that the demand for butter and pork lard was being curtailed by the increasing use of substitutes made from vegetable oils.

May 29th.

New Zealand's Import Control

[FROM OUR CHRISTCHURCH CORRESPONDENT]

THE publication of a detailed list of the percentage reductions to be imposed on imports for the second half of 1939 compared with the same period of 1938 gave New Zealand a new and fuller appreciation of the meaning of trade control. For the first half of this year licences have been required for all imports, and the problems of importers have

been difficult enough. Now it appears that the reductions already made have been quite inadequate; that imports for the first half-year have been greater than was expected and will use up a large part of the exchange funds accumulated in the export season; and that restrictions in the second half of the year must be correspondingly more severe.

The reductions now announced give preference first to British and second to Empire goods; they either cut luxury imports heavily or prohibit them altogether; and they prohibit also imports of most goods that can be manufactured in New Zealand. There are, for instance, reductions of 100 per cent (for the second half of the year) in imports of cigarettes, cigars and tobacco, wine and spirits, carpets and linoleums, preserved fruit, fish and meat, etc. Completely assembled motor vehicles are prohibited, though unassembled motor vehicles are reduced by only 40 per cent. Most apparel, finished clothing, hats, etc., are prohibited; though textile piece-goods and materials for manufacture are permitted subject to licence. It is reported also that agreement has been reached to import certain brands of whisky and cigarettes, provided that the private arrangements made for payment do not require the overseas funds under Government control to be drawn upon.

Moreover, Government responsibility apparently ceases when licences to import are provided. The licences carry no guarantee that exchange will be made available to pay for the goods concerned, and the importer, even though he secures a licence, must still arrange with the banks to provide the necessary exchange funds overseas. Hence the final decision rests with the banks, and there are many people who point out that it would have been far better had the banks been left to carry out the restriction themselves and to apply such rationing and control as they think necessary. This procedure has worked well in the past when conditions have made it unavoidable, and it would have freed the Government from much criticism from both external and internal sources and would have avoided all the costly complications of the present licensing system.

The Consequences of Control

Meanwhile, importers and others are claiming that the restrictions imposed will force many traders out of business and will promote unemployment in the wholesale, distributive and transport trades, while the community will have to pay higher prices for a narrower range of poorer quality goods. A group of foreign wool buyers has suggested that, if the national products of their country are to be excluded from New Zealand by Government edict, they may be unable to buy at the local wool sales, where their competition is an important factor in maintaining prices. A conference between the Government and the shipping interests on overseas freight contracts is reported to have reached no agreement, and the shipping representatives are doubtless perturbed about the reduction in inward freights likely to result from import control.

The Government, while it has announced an anticipated Budget surplus of £NZ800,000 for the financial year just closed, is silent about the probable effects of its import control scheme on customs duties for the present financial year 1939-40. Local manufactures which compete with imports, however, are expanding. The establishment of many new factories is reported, and some overseas concerns are setting up factories to manufacture their products locally. The Government is trying to stimulate the transfer of labour from relief and public works to expanding manufactures and is prepared to subsidise wages during the period required for training. In most lines, importers still hold fair stocks and, as yet, consumers have noticed no shortage of imported goods, though the prices of some are tending to rise.

At the end of March last, the overseas funds held by the Reserve Bank were a little less than at the end of December, 1938, but the trading bank holdings and the total held by all banks had increased by about £NZ2½ millions. Mr Nash, Minister of Finance and Customs, who is in charge of import control and is most closely concerned with overseas funds, has gone to England where he expects to discuss trade and finance. Though the Labour Government has in the past been opposed to external borrowing, there are indications that in the face of present necessity its opinion has changed, and it is generally believed that the Minister hopes to raise an external loan while he is away, perhaps for defence purposes. If such a loan could be raised and most of the money spent in New Zealand, its effect would be to augment the overseas funds whose depletion was the chief cause of import control. The raising of a loan would therefore remove much of the present necessity for drastic restriction of imports and might do much towards modifying the cumbersome licensing system now in force.

May 10th.

Letters to the Editor

The Czech Gold

TO THE EDITOR OF THE ECONOMIST

SIR,—In your June 3rd issue you rightly state that the decision of the B.I.S. to surrender the Czech gold to Germany "contravenes British notions of the duty of a prudent banker." Yet, your Note on the subject is concerned about the effect on London's reputation as a financial centre of a refusal by the Bank of England to carry out a decision which was known to have been taken in contravention of British notions of the duty of a prudent banker!

Several legal experts of high standard have expressed the view that, since the B.I.S. had no right to surrender the Czech gold upon instructions received obviously under duress, it would have been the right and duty of the Bank of England to await a ruling by a British law court, instead of executing instructions for the wrongful surrender of the Czech gold. Such an attitude is usually adopted by British banks in similar circumstances. It was actually adopted in many instances last year, when instructions signed by Austrian owners of London accounts were disregarded, owing to very strong presumption that those instructions were given under duress. And yet London's reputation did not suffer as a result of the attitude taken up by her banks. The legal grounds on which a clearing bank refused to carry out instructions given by the Bank of Spain were incomparably flimsier than those on which the Bank of England ought to have disregarded instructions by the B.I.S. concerning the Czech gold. The defence of the decision to block the Bank of Spain's sterling balance was that if there is the slightest reason to fear that a subsequent legal action may compel the bank to pay out for a second time, the best course is to do nothing. The worst that could have been said about the Bank of England if it had refused to comply with the instructions of the B.I.S. would have been that the "Old Lady" was being somewhat over-cautious, and no banking centre ever lost its reputation owing to such a charge.

Your Note is liable to create a false impression in the minds of its readers. It can hardly be maintained that the immunity granted by the Government to the London assets of the B.I.S. covers those assets also against legal action, or compels the Bank of England to surrender those assets if doubts arise whether the B.I.S. was legally entitled to dispose of them. There is nothing in the letter or the spirit of the Agreements of 1930 and 1936 providing for immunity of those assets against Government action which would have placed them outside the jurisdiction of British law courts.

What surprises me more than anything else since the beginning of the controversy is your remark that a decision to retain that Czech gold in London "would certainly violate the spirit of the undertakings that were given to the B.I.S. when it was set up, even if it could be accommodated with their letter." I should have thought that the object of the undertakings was exactly to safeguard the assets of small countries against confiscation in case of war, and not to facilitate the task of the conqueror to obtain its victim's gold on the ground of legalistic technicalities. Clever lawyers may doubtless be able to make out a strong case in favour of the surrender of the Czech gold on the basis of the strict letter of the guarantee. But the moment they depart from the letter of the undertaking and refer to its spirit their contention would become untenable. It is hardly complimentary to the authors of the B.I.S. scheme to imply that this surrender of the Czech gold to Germany is in accordance with the spirit of their idealistic proposals. Had they envisaged the possibility of such a situation as has arisen, some of them at any rate would certainly have insisted upon making provisions to safeguard the assets of victims of aggression.

Only those to whom form is everything and substance nothing can possibly defend the surrender of Czech assets, which would have been an immoral act even if the legal case in its favour had been 100 per cent. watertight. As it is, since it is at least doubtful whether the B.I.S. and the Bank of England were even legally entitled to act as they did, their decision is simply unpardonable. Had they wished to pay attention to the moral aspects of the case they could undoubtedly have found sufficient legal justification for suspending action and awaiting a decision of the Swiss or British law courts. The chances are that the German authorities would never have dared to submit their dealings in Czecho-Slovakia to impartial and independent judgment.

Yours faithfully,
PAUL EINZIG.

[Our Note drew a distinction between the actions of the B.I.S. and of the Bank of England. There is a *prima facie* presumption (it is no more) that the instructions sent from Prague to the B.I.S. were given under duress. But there is no suggestion that the B.I.S. itself was acting under duress in giving its instructions to the Bank of England, and we repeat our opinion that for the Bank of England to have refused to obey these instructions would have been a violation of the spirit of the undertakings given when the B.I.S. was set up, even if reconcilable with their letter.—EDITOR.]

Poland Under Arms

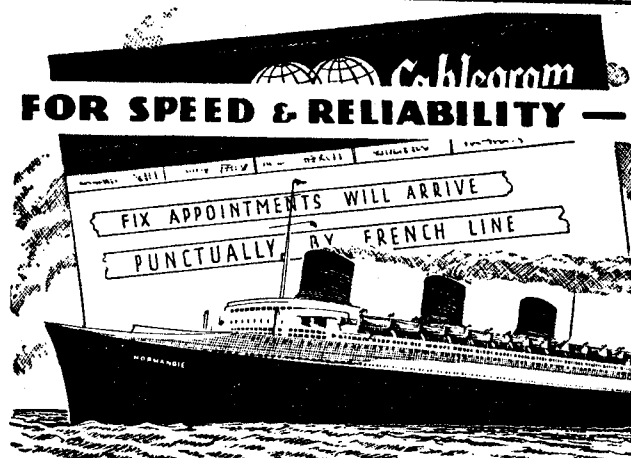
TO THE EDITOR OF THE ECONOMIST

SIR,—In the interesting article about Poland's war potential ("Poland Under Arms," *The Economist*, May 20th) your correspondent in Poland, describing the strong position of the Polish population, points out that the Jews subscribed only 7 per cent. of the Air Defence Loan.

We, the Warsaw readers of *The Economist*, do not know what is the statistical source of this information. However, as there are as yet no available statistics of the subscribers of the Air Defence Loan and the fragmental data of some districts (e.g. Kraków or Polesie) show a very high percentage of Jews among the subscribers, we are asking ourselves whether this information is not by any chance suggested by the misleading figures of the anti-Semitic Press prompting the absurd thesis of the Jews boycotting the loan.

Yours faithfully,
WARSAW READER.

[Our correspondent informs us that he received the information from what he believed to be a reliable source. The intention of mentioning the figure was not in the least to underrate the patriotism of the Polish Jews but rather to emphasise the fact that subscriptions to the loan had not been confined to financial circles.—EDITOR.]



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Books and Publications

The Poverty of a People

THE quest after that mystic quantity the per capita income has the same fascination to the economist and statistician as the search for spices and gold had for explorers and merchant adventurers in the expansive Elizabethan era. The concept of national income has come to stay as a measure of the wealth of nations; and, during the last seventy years, politicians like Dadabhai Naoroji, the Grand Old Man of India, a Gladstonian Liberal and the first Indian M.P., pro-consuls like Lord Curzon, administrators like Atkinson and professional Pundits like Shah and Khambhata have attempted in turn to arrive at some estimate of the Indian nation's income.

Dr Naoroji was a pioneer in the field and, in view of a pioneer's difficulties, the fact that his figure of the value of the agricultural produce of British India was practically identical with that of the Indian Famine Commission of 1880 was a tribute to his statistical skill. His weakness lay in underestimating the value of non-agricultural output and excluding the income accruing from services. Naoroji approached the subject from the physiocratic concept of the "materiality" of income, whereas to-day the majority of the economists concede that income consists of utility, and services which conduce to utility are on a par with income.

Going through the literature on this subject one cannot help feeling that, all too often, the researchers have investigated the topic, not so much to compute correct data and allow the results to speak for themselves, as to make out a case or prove a thesis. For example, William Digby, in order to prick Curzon's complacency and to prove that India was actually getting poorer under British rule, calculated the value of India's agricultural income on the basis of land revenue assessments, which led him to underestimate the total grossly. And, if Digby presents too depressing a picture, Atkinson goes to the other extreme. He uses without question over-generously increased estimates of yield per acre and in prices in computing agricultural income, and too readily assumes both that the number of earners in non-agricultural occupations is equal to all the males of the ages of 15 and above and that they are continuously employed. Also, his figures are swollen by "double counting" and by crediting the "unproductive" class of 9.8 lakhs of beggars and mendicants with an income of Rs. 7.1 crores! (one lakh=100,000,

and one crore=10,000,000). Finally, we have Messrs Shah and Khambhata concluding that the income from cattle (excepting for labour) is nil.

It is a welcome relief to turn to the brief and brilliant essay* in which Dr Rao makes a courageous, and, it would seem, successful, attempt to arrive at a trustworthy figure for British India's average annual national income for the years 1925-29. Dr Rao shirks no difficulties and, when he is compelled to make assumptions, he has the candour to say so and he chooses estimates likely to involve the minimum margin of error.

The debatable ground which has to be traversed is enormous. Even to-day, detailed classifications of the cultivated area and estimates of yield per acre are available for only 80 per cent. of the total gross area of India, and one has perforce to apply to the remaining area an average value per acre calculated from the value of agricultural production of the area for which there are figures. Official statistics of milk yields, slaughter for meat, production of hides and skins, bones, hams and manure, are wholly lacking. The incidence of income tax is restricted to non-agriculture incomes, that is to say, some 30 per cent. of the total population; and the income tax returns furnish no evidence of the magnitude of even that class of income, for, with the minimum taxable income at Rs. 2,000 (£150), there are hardly more than three lakhs of assesseees. There is no agricultural or industrial censuses of production. The contribution of railways is measured by the services of the labour and capital employed and, as the Indian railways have mostly foreign capital, it is treated as equivalent to their wages and salary bill. It is taken for granted that 50 per cent. of the agricultural and 66½ per cent. of the industrial production are transported by road. Lastly, half of India's gross agricultural produce, two-thirds of industrial products, the whole of forest products and minerals are taken as "traded" and appropriate deductions are made in all cases to arrive at the net income.

The conclusions arrived at after this jungle has been cut through are depressing. The net figure for British India's national income works out at Rs. 2,068 crores (1,290 from agriculture, 362 from livestock and 267 from industry) made up of 1,190 lakhs of incomes. The annual income per head works out at Rs. 79.5. If allowances are made for the profits of foreign capital, and to cover remittances made by foreign residents in the country, the national income available for human subsistence amounts to Rs. 2,023 crores, or Rs. 77.9 per capita. This works out to a little more than a rupee (1s. 6d.) a day for a family of five, and the figure includes the incomes of both the millionaire and the manual labourer.

It is not surprising that the mass of the Indian population "live in hovels, have only a few clothes, know no furniture, rarely drink milk, hardly ever eat meat or fruit or other expensive though nutritious items of diet" and have little to spend on the "miscellaneous" items which serve as an index to the standard of life. Dr Rao is able to show that India is not growing poorer in an absolute sense, but the pace of progress is slow with the national income increasing by about one per cent. per annum.

* "India's National Income." By V. K. R. V. Rao. Allen and Unwin. 173 pages. 6s. net.

Books Received

Wolverhampton Official Handbook, 1939. (Wolverhampton) Industrial Development Association. 117 pages. No price stated.

Management and Labour. By K. G. Fenelon. (London) Methuen & Co. 276 pages. 7s. 6d. net.

The End of Economic Man. By P. F. Drucker. (London) Heinemann. 251 pages. 8s. 6d. net.

Key to Income Tax, Surtax and National Defence Contribution, 1939-40. Budget edition. (London) Taxation Publishing Co., Ltd., First Avenue House, W.C.1. 160 pages. 3s. 6d. net.

THE BUSINESS WORLD

Life Assurance in "Near-War"

LIFE assurance thrives on human longevity, and the threat of increased mortality through war presents the assurance offices with a formidable problem, to which they have given careful thought, both individually and in concert. The normal assumption that experienced mortality can be translated into probabilities of future mortality has been so distorted by the war risk that little proof is required to show the necessity of higher premiums. The business of assurance is not, however, purely a matter of formal logic and the conclusion that premiums should be raised, or that cover for war mortality should be excluded, has not so far been adopted by the offices. With minor exceptions for some special classes of contracts, the ordinary offices are still transacting life assurance at normal rates, without restrictions for the war risk, and there is no immediate expectation that they will change their practice. A new assured, in other words, is gratuitously presented with cover against the greatly enhanced hazard of death through war, either as a combatant or as a civilian. Since the offices have decided, after mature deliberation, to continue this practice, it may be a fair assumption that, throughout the stage of "near-war," they will make no changes in premiums or conditions.

The industrial offices are a rather different case. Industrial policies frequently contain a condition that the office may require a higher premium or lower sum assured in the event of the assured person being engaged as a combatant in active service. In the Great War this condition was voluntarily waived, and no differentiation was made on old policies between civilians and combatants. Whether this precedent would be followed in the event of future hostilities is a question for the offices, but it may be noted that it is the civilian and not the combatant risk which, rightly or wrongly, now assumes the greatest importance in the public eye. Hence, the difference between the position of the ordinary and industrial offices in relation to the war risk is to-day less marked.

Why are the ordinary offices, in effect, offering free cover against war? It is evident, in the first place, that they are unable to vary the vast bulk of life assurance contracts already in force; these are long-term contracts, binding on the parties on the terms agreed at their inception. These conditions made no exception for a state of war, nor were the premiums loaded to cover a risk which was present in few minds. Given irrevocable liability for the huge mass of policies written in the past, the offices may well have concluded that the increment of business during the "near-war" stage would have relatively little effect on their aggregate liability, whether the war risk was included or not. Another somewhat contradictory factor is that a rise in rates—perhaps a massive rise—would greatly prejudice new business, and although new business with an unremunerative war liability might prove decidedly costly, staffs have to be employed, and branches and agents maintained; new premiums are useful when interest rates are hardening; competitors are active; and large new business figures are a valuable advertisement.

Thus, the offices' motto is still "Business as Usual," but there are some subtle departures from the normal. Business of the less profitable or more hazardous type is being transacted on more circumspect underwriting standards. Family income proposals and large individual

assurances are being examined with a keener eye. And the adoption of conscription, together with the doubling of the Territorial Army, is prompting a number of offices to consider the introduction of a clause for policies on lives under 21—or, in some cases, 25—excluding the risk of death while engaged on active service. "Active service" means service in actual war conditions, not merely in pre-war training and, in any case, moral liability for the return of premiums or a surrender value remains. But the importance of this suggested exclusion clause for ordinary life business is strictly limited owing to the small volume of business written under the stipulated ages. It may be noted that for persons in the Civil Air Guard and Air Clubs, an extra premium is already demanded, to cover the specific risks involved.

Under such circumstances, an emphatic stimulus to new assurance business might, in theory, be expected. Since family responsibilities are so patently enlarged under "near-war" conditions, the offices' gratuitous assumption of the war risk might have been regarded as peculiarly attractive. In fact, however, the general public has been reluctant to undertake new assurances for even the average sums recorded during 1938. Possibly, times of unrest destroy human prudence at least as much as they create it. A more dominant factor is the uncertainty of maintaining premium payments. If some stand to gain by war, the majority must suffer loss of income. Moreover, assured persons usually have sufficient economic knowledge to realise the fact that a fixed sum of money may not always maintain its real value in terms of goods, and it may be that fears of the advent of inflation have produced a reaction among many potential new policyholders. There may be others whose apprehension is concerned less with inflation than with the possible depreciation of insurance office assets which they deem inescapable in war-time, even if extreme inflation were circumvented. To both classes, the large proportion of gilt-edged securities included in insurance investment portfolios appears as a factor of incipient weakness. Without in any way impugning the investment wisdom of insurance managements, which has always earned high praise, some part of the community is unsure of the war-time stability of insurance assets.

What is the reply of the insurance offices to these vaguely-felt apprehensions? In the ordinary branch, assured persons have the benefit of the "non-forfeiture clause" on their policies, which provides for the payment of overdue premiums out of the surrender value of the policy, and is practically universal. In the industrial branch, the Act of 1923 bestows on policyholders the right to a "paid-up policy" of stipulated amount if their premiums come into default, and for certain policies the Act of 1929 grants a surrender value after one year. The effect of these various provisions is, indeed, qualified, for an ordinary policy does not usually acquire a surrender value for two or three years after inception, while in the industrial branch the "free-policy" provisions apply only when policies are one or two years old (most offices having voluntarily reduced the three years' limit laid down by the 1923 Act). But they are valuable, and their existence should be stressed. Whether a further protection for the policyholder—a moratorium on premium payments—would be available on any outbreak of

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hostilities is a question incapable of an answer at this stage. It may, however, be recalled that a moratorium was declared very early in the Great War for industrial policyholders, and that it bore hardly on the offices, which were forced to keep policies in existence while premium arrears mounted—even if the assured lapsed the policies after the period of gratuitous cover. A moratorium was not declared on ordinary policies, but conditions in any future war might be entirely different from those of two decades ago.

As for the fear of inflation and investment depreciation, the insurance offices' reply might well take the form of a *tu quoque*. All investments are subject to the war risk, some in greater, some in lesser degree, and the offices have done much, by judicious choice of investments, to minimise the risk. A far smaller proportion of their funds has been invested in gilt-edged securities in the recent past than was the case some years ago, and even this smaller proportion is placed very largely in short-dated stocks. There has been a notable expansion in ordinary shares, probably the best hedge against the war danger. The changed distribution of the investment of new funds has not, of course, been dictated solely by war considerations—the need to maintain earning-power during a period of low interest rates has been a major determinant in the new policy—but it happens that, broadly speaking, the assets of higher earning-power are those which best guard against war hazards. No assurance office would maintain that its portfolio was 100 per cent. proof against war-time depreciation; but insurance offices are perhaps more

capable of avoiding it than many private individuals. Any dangerous fall in insurance assets would be followed, inevitably, by a demand that the Government should ease the situation. Moreover, temporary declines in investment values may be less significant than they seem. The American expedient of the "conventional" valuation of insurance assets—by which depreciation at the date of the balance sheet need not be brought into the books—may have been misused, but it possesses some element of justification in special circumstances of strain. And probably the expansion in expenses in war time, relatively to fixed premium payments, is almost as great a danger as investment depreciation, since its effects would be immediately felt in the revenue account of every insurance company.

This discussion of the possible behaviour of insurance investments in time of war is, happily, a matter of abstract consideration at the moment, but it has natural links with conditions in "near war." The element of depreciation in values may still be present, though in less emphatic guise. But the major problem might conceivably prove to be, not depreciation of assets, but their regulation; not the rise in interest rates which may, sooner or later, follow large-scale Government financing—this, after all, would provide greater earning-power on new investments—but an unpalatable degree of Government control over investment policy at large. But insurance offices would not be alone in finding the bureaucratic arm extended in their direction; the whole of the City of London will come within its reach.

Cement Profits

"MULTIPLE correlation" may sound a formidable term for the layman, yet it is a technique which provides considerable guidance in long-term equity investment. Its application depends upon the availability of sufficient statistical material for the industry examined, but it does not call for any attempt to fit curves or calculate co-efficients—matters which fall more strictly within the competence of the trained mathematician. The cement industry certainly provides sufficient statistics. And recent developments towards a more closely co-ordinated price and output policy within the industry have renewed the investor's interest in the investment possibilities of leading cement shares, viewed against the industry's economic background. Analysis thus falls into three parts. It is necessary, first, to ascertain the trend of profits of representative companies during recent years; secondly, to correlate that trend with the course of certain "explanatory" statistical series; and, finally,

after allowing for other factors which are incapable of numerical evaluation, to frame general conclusions regarding the future outlook.

In the first of the accompanying charts, the percentages earned on the ordinary shares of four well-known cement-producing companies (set out in Table I) for each year from 1929 to 1938, have been plotted on a logarithmic scale. The choice of percentage ordinary share earnings for this purpose is necessary to eliminate the disturbing effect on total profits of increases in issued capital and the absorption of competing producers; in any case they provide the best measure of the long-term equity appeal of an ordinary share. By using a logarithmic scale, "in just proportions we just beauties see"—in other words, relative instead of absolute, fluctuations can be seen at a glance. Of the four companies whose figures form the basis of our first chart, Associated Portland Cement, which is much the largest and oldest established, has

a controlling interest in British Portland Cement and absorbed Alpha Cement at the beginning of 1938. The fourth company, Eastwoods Cement, is independent of the "Associated" group. The chart shows, on even a cursory inspection, that though in 1929-30 (and still more during the general industrial depression of the early thirties) cement company earnings were relatively moderate, something happened between 1933 and 1936 to raise the industry's profit-earning power to a new plane. The trend of the last two years has been less decisive—on the whole, even somewhat reactionary—but the chart affords no suggestion of the probability of an early return to the former level of earning power. The "something," whatever it was, affected all the companies shown, though its results were most pronounced in the case of the largest concern.

What is this unknown but all-important *x*? This brings us to the second stage of our inquiry. What statistical material is available to throw light on the industrial background during the critical period? Official returns of

for the brickwork of dwelling houses, but the steel-frame-cement type of construction is more commonly used in the largest buildings—modern factories, blocks of flats, etc. Accordingly, it is desirable to subdivide the building plans total into dwelling houses and other buildings.

The figures under all these heads are set out in the tables and have been plotted logarithmically in the second of the charts. This compares the trend of earnings of the Associated Portland Cement Company with the "explanatory" series, whose fluctuations may afford some clue to trend of profits. Our task is to discover what correlation exists between the earnings trend and the explanatory series. All the series but one, in fact, show some positive correlation with Associated Cement profits; only in the case of cement prices is the correlation negative. In other words, despite the importance attached to price maintenance within the industry, the striking fact emerges that the last big rises in output, consumption and profits were achieved on a falling price level. So far as the latter has represented the passing to the consumer of the economies of increased efficiency, it has paid the industry, and the investor, handsomely. Actually, the rise in price in 1938 was contemporaneous with a reduction in demand and the confirmation of a check to the upward curve of profits.

Building plans, clearly, tend to move in close relationship with, but something like a year in advance of, cement output. The sub-division of the building figures into dwellings and non-dwellings, however, discloses certain significant facts. Changes in the trend of plans for non-dwellings tend to occur about a year later than changes in plans for dwelling houses. And correlation, both in respect of time and the extent of relative movements, is closest between profits and non-dwelling plans than between profits and any other series shown in the Chart.

For investors contemplating a substantial placing of funds in cement shares, further mathematical analysis may be recommended. Even in its absence, however, the

CEMENT COMPANY EARNINGS

Company (and Date of Accounts)	Assoc. Portland Dec. 31st	Brit. Portland Dec. 31st	Alpha Dec. 31st	Eastwoods Cement Mar. 31st
Earned for ord.—	%	%	%	%
1929.....	8.0	15.0	Nil	6.2
1930.....	8.9	15.8	1.9	13.7
1931.....	8.1	15.2	4.6	9.6
1932.....	7.1	14.7	9.4	7.4
1933.....	7.1	15.3	10.1	2.1
1934.....	10.0†	16.2	6.3	9.9
1935.....	23.0	21.0*	13.8	14.9
1936.....	26.0	27.9	15.1	18.8
1937.....	22.9	28.1	10.0	19.0
1938.....	22.2	30.2	10.4	13.8
Ord. divs. %—				
1937.....	22½	22½	1½	16
1938.....	20	22½	1½	12½
Share price.....	73½	83½	†	27½
Current yield %.....	5.47	5.40	†	9.09
Present ord. capital £.....	4,000,000	2,000,000	1,100,000	200,000

* On increased capital.
† Ordinary capital held by Associated and Tunnel Portland Cement Companies.
‡ 11.6 per cent. before deducting £42,752 for depreciation in investments of subsidiaries.

§ Of which 5 per cent. interim on smaller capital.

VALUE OF BUILDING PLANS PASSED BY 146 LOCAL AUTHORITIES (£'000)

	1929	1930	1931	1932	1933
Total value, all buildings.....	73,094	74,605	63,010	66,254	83,681
Buildings other than dwelling houses†.....	28,834	27,841	22,528	19,366	21,373
Dwelling houses only.....	44,260	46,764	40,482	46,888	62,308

	1934	1935	1936	1937	1938
Total value, all buildings.....	95,552	114,306	116,901	110,920	97,598
Buildings other than dwelling houses†.....	27,884	35,878	42,007	42,945	38,388
Dwelling houses only.....	67,668	78,428	74,894	67,975	59,210

† Factories, flats, business premises, schools, etc.

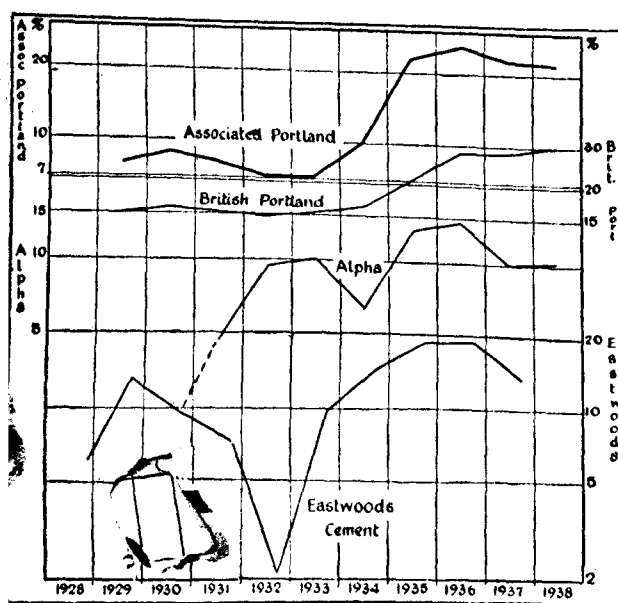
CEMENT PRODUCTION AND PRICES

	1930	1931	1932	1933	1934	1935	1936	1937	1938
Output ('000 tons)...	5,056	5,880	4,250	4,686	5,584	5,958	6,500	7,300	...
Average price, delivered London (sh. per ton)*.....	46.0	45.14	44.72	44.76	40.34	39.94	39.0	39.10	42.0

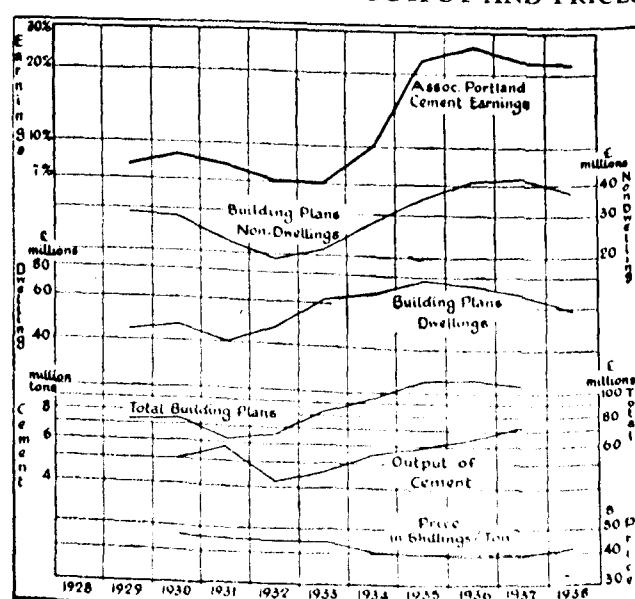
* Official prices, subject to "shading" in earlier years.

total cement output are available for the Census of Production years (1907, 1924, 1930 and 1935), supplemented, in more recent periods, by reliable annual figures. These provide a continuous measure of the productive activity of the entire industry. Official figures of average prices of Portland cement delivered in London are also published, though these are known to have been subject in some cases to "shading" in actual contracts in the earlier years of the '30's—though less so in the later years. Of the consumption of cement in its different uses, direct evidence is lacking, but its main purpose is constructional. Hence, the building plans passed by a large number of local authorities throw some light on the trend of demand. Cement is a constituent in the mortar used

CEMENT COMPANIES' ORDINARY SHARE EARNINGS



ASSOCIATED CEMENT EARNINGS, BUILDING PLANS, CEMENT OUTPUT AND PRICES



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graphic method adopted in this article has brought out three important conclusions. In recent years the correlation between cement prices and cement profits has been negative. Profits, nevertheless, have risen faster than output. And the series which has closest correlation with profits is plans for buildings other than houses. As this latter statistic is available regularly to investors each month, its usefulness as a guide to the trend of cement profits is obvious—though the exclusion from the figures of all direct Government contracts necessarily reduces their accuracy in times like the present. The total value of such plans for the first four months of this year shows a rise of 3.6 per cent. as compared with the corresponding months of 1938.

We have thus reached the third portion of our analysis. The supercharging factor which raised cement profits a few years ago, would seem to have been a compound of the building boom, new capital expenditure by industry in the Great Recovery, and, later, the rearmament programme—all at a time when cement was replacing other constructional materials in the largest buildings and was being increasingly used for other purposes like road-making. That the industry, and particularly its dominant producer, made so profitable a use of its opportunities, can be attributed in no small part to its ability to maintain a cohesive internal organisation. Ever since the merger of thirty firms brought the Associated Company into being in 1900, the industry has been subject to recurrent periods of intense competition, inevitable in a trade where the only bar to new entrants is the fact that the economies of moderately large-scale pro-

duction are considerable. On every occasion, however, when competition has threatened permanently to depress the level of profits, the leading group has succeeded in bringing other groups, by one means or another, under its expanding umbrella. Within the period covered by the charts, the competing "Red Triangle" companies have been absorbed, the Alpha and Tunnel companies have been brought under the group's auspices, and cartel arrangements have been successfully maintained in the industry as a whole. And these arrangements seem likely, for the present at least, to stand firm.

The omens, on the whole, seem to be against any substantial increase in the volume of constructional work, particularly if the deep shelter policy for A.R.P. is finally turned down. Long-term influences, however, will be with the industry so long as the tendency is to use cement to an increased extent whenever new public and industrial buildings are being erected. So long as the industry pursues the policy announced a couple of months ago by the chairman of the Associated Company, of passing on the economies of increased demand by a lower price, the case for holding the ordinary stock of the dominant concern as a long-term investment (at the present price of 73s. 1½d. the £1 stock units yield £5 9s. 6d. per cent.) appears to be sound, even though the immediate trend of earnings may be somewhat indeterminate. Long-run prospects may turn, ultimately, less on the industry's present strength to ensure the maintenance of prices, than upon the future ability of the leading organisation to impose, if necessary, a sufficient reduction in prices further to stimulate demand on the grand scale.

The Cotton-Rayon Controversy

THE main point of controversy that has been raised during the passage of the Cotton Industry (Reorganisation) Bill through Standing Committee of the Commons has concerned the precise place in the new organisation that is to be played by the rayon industry. The Committee decided on Thursday not to make it obligatory on the Board of Trade to set up a separate rayon committee within three months of the passing into law of the Bill. This decision represents a setback for the rayon-producing interests, and if it is not modified before the Bill becomes law it will mark a definite turning-point in the history of the relation between the cotton and rayon interests.

The differences between the two sections have been complicated from the beginning by the fact that while the production of rayon yarn and staple fibre is a distinct industry, rayon and cotton can be and are woven on the same looms. (About 40 per cent. of the rayon yarn woven into tissues is now processed by the cotton industry.) The issue has been rendered more involved by the fact that many rayon weavers have not been in sympathy with the attempt of the rayon producers to secure the recognition of rayon as a separate industry. Finally, the matter has hardly been clarified by the statements issued by the opposed interests in the course of the controversy, which reached a new climax during the past week with the publication of notices in the Press on behalf of the rayon producers. These statements have been of a purely propagandist nature, with both sides refusing to fight on the other's ground and neither side presenting its figures in a straightforward and objective fashion. The cotton interests have been particularly disingenuous in their public pronouncements.

Nevertheless, it is possible to indicate the main landmarks in the controversy and to state the principal issues still outstanding. The original proposal to carry out by statute a reorganisation of the cotton industry met with strong opposition in Lancashire. In this the rayon producers took no part, mainly owing to the internal differences of their industry. During the passage of the present Bill through Parliament, however, the rayon producers have energetically contended that the rayon industry is fundamentally distinct from cotton and have accordingly sug-

gested amendments to the Bill. As a result of this agitation certain concessions have been made. The possibility of a veto by the Cotton Industry Board over schemes to control the prices of rayon goods has been removed and any such schemes may be forwarded for consideration to the Cotton Industry Advisory Committee (a more broadly based body) and to the Board of Trade. In addition, rayon has been promised better representation on the Export Development Committee.

Issue was next joined on the critical question of the status of the Rayon Committee which might be set up under Clause 15 of the Bill. The original clause states that the Board of Trade may set up such a committee on the recommendation of the Cotton Industry Advisory Committee after that body has consulted with representatives of all stages of rayon production and manufacture. To the interposition of this procedure between an application for a rayon committee and its actual setting up the rayon producers strongly objected. It is easy to see the grounds of their objection. Even if the Advisory Committee does not actually refuse the application the procedure offers considerable opportunities for delaying tactics on the part of anti-rayon interests, and in fact presents the latter with a bargaining point which could at least drive the rayon producers to make concessions in the course of the application. The rayon producers therefore contended that the intermediate steps should be eliminated and the Committee should be "established as part and parcel of the Bill." This proposal has now been negatived and the clause stands in its original form.

There can be no doubt that the rayon producers' contention that they should not be forced to submit to domination by cotton interests was in principle reasonable. The fact that the President of the Board of Trade prefers to speak of cotton and rayon "not as two industries but as two materials" makes no difference to the fact that these two materials are in sharp competition with each other. Nor does it affect the even more important point that cotton is a declining industry which requires statutory reorganisation to prevent it from declining still further, whereas rayon production is a rapidly expanding industry which requires statutory control, if it needs it at all, to

prevent it from deriving undue benefit from its strong control over the supply of a material for which there is a large and rising demand. The actual effect of clause 15 of the Bill might be to place the rayon producers virtually in a position of dependence upon their competitors.

Mr Oliver Stanley gave as his reason for opposing the setting-up of a statutory, and therefore probably less dependent, rayon Committee his desire not to force the rayon weavers into a scheme which they feared would give too much power to the rayon producers. These fears were not entirely groundless. Rayon is a new and successful industry, which is still largely protected by patents, and the producers of the filament have sometimes shown little consideration for the interests of those who weave it. But it is unjust and unnecessary to assume that the only way to remove the cause of the rayon weavers' fears is to place the whole rayon industry under the dominance of cotton interests. The contention of the latter that they would not take advantage of their position is, to say the least, a trifle hard to believe. The cotton manufacturers are not in business for the health of the rayon producers. A combination of the two as envisaged by the present Bill would be very similar to the combination which subsisted between

Jonah and the whale, and might have to be brought to an end in similarly drastic fashion.

The fact is that cotton and rayon need control for different reasons. The cotton industry because in the absence of reorganisation it will continue to stagger under a burden of excess capacity and to lose its overseas markets. The contacts between cotton and rayon are so intimate, especially in the weaving stage, that if cotton is controlled, rayon is necessarily affected. Moreover, the recent tendency towards a closer organisation of the rayon producing industry gives it a strong position with regard to both the public and the weavers of rayon-cotton mixed fabrics. In the absence of a recognition of this fact the issue will remain as confused as the advocates of either side and the President of the Board of Trade like to make it. It is easy to see the objections to giving the semi-monopoly of the rayon producers a statutory form, which their proposal for a completely independent committee would do. But the rayon producing industry, if it is to be statutorily organised, requires control from outside in the form of the representation of the public on the controlling body, and this is not at all the same thing as its substantial domination by cotton.

Finance and Banking

Chinese Stabilisation Hitch.—The market in Chinese dollars was thrown into considerable confusion on Wednesday of this week by the sudden withdrawal of support from the Chinese Stabilisation Fund. In view of the persistent deficit at which the Chinese balance of trade has been running the Stabilisation Fund had for some time past been the dominant factor in the market and the pegging of the exchange rate at 8½d. could be maintained only by dint of persistent intervention on its part. The sudden cessation of that support must not be interpreted as an indication that the reserves of the fund are exhausted. Last March the resources at the disposal of the Chinese National authorities were strengthened to the extent of £10 millions by external credits, of which half came, under a British Government guarantee, from British banks operating in the Far East. These resources are far from exhausted, though it must be realised that some encroachment on them has been made. Chinese export trade must inevitably be hampered by the continuation of hostilities against Japan. Import trade for its part is swollen by the abnormal purchases of war materials for which those hostilities call. With the Treaty ports so largely in the hands of Japanese or Japanese-controlled authorities, the proceeds of maritime customs revenues are to a large extent prevented from reaching National Chinese reserves. The combination of these factors has evidently convinced those in charge of the Stabilisation Fund that the situation demanded an immediate adjustment of the exchange rate and that unless such an adjustment were made the resources of the fund would be seriously weakened. Hence the decision to abandon the exchange market to its own devices for the time being. An awkward period of transition between one stabilisation level and the next may therefore ensue. That it will be short may be assumed from the reassuring statements which the Stabilisation Fund Committee have already made. It should, incidentally, be noted that the difficulties of the Chinese Stabilisation Fund are in no way due to the attempts of the Japanese-controlled authorities to establish their own currency. As yet these attempts have met with negligible results outside the northern provinces, and in the north, where the yuan has now been in circulation for over a year, the penetration of the new currency continues to meet with passive resistance from the bulk of the population.

Guilder Weakness.—The Dutch currency has shown persistent signs of weakness during the past few days. From a rate of 8.71½ quoted on July 1st, the guilder has

this week fallen to 8.83, and it is only persistent and considerable intervention by the Dutch control which has succeeded in bringing the quotation back to around 8.79. The causes of this weakness of what is regarded in the foreign exchange market as one of the inherently strongest currencies are twofold. In the first place, there is the technical factor of considerable French sales of the guilder proceeds of the loans recently placed in the Dutch capital market. The French Exchange Fund has taken over these proceeds and has made the franc equivalent available to the Treasury. There has apparently been some hitch in the direct operation of the Tripartite machinery by which the guilders held by the French control should have been converted into gold. The French authorities have found it more profitable to sell the guilders against sterling and obtain their gold by earmarking it in London against their purchases of sterling. This provides a partial explanation of the weakness of the guilder in terms of sterling. Incidentally, it also provides one of the reasons for the strength of sterling in terms of dollars, since the Dutch control following their normal procedure offered the bulk of their support for the currency by selling dollars (the greater part of the Dutch gold reserve abroad is earmarked in New York). The second and more deep-seated reason for the depreciation of the guilder is to be found in a steady though moderate outflow of Dutch capital, which remains highly sensitive to international tension and which more recently has been rendered uneasy by the rumbles of dissension within the Dutch Cabinet on the question of financial policy. Increased expenditure on armaments must be incurred in Holland as elsewhere, and the question whether to borrow or to tax is causing more genuine controversy there than in any other country faced with the similar alternative. It led to the resignation of the Finance Minister three weeks ago, and this week Dr Trip, in the annual report of the Netherlands Bank, returns to the charge with the hardest of "hard money" precepts. Holland is, perhaps, fortunate to be able to indulge this discussion of a question which answers itself in most countries that have had to face it. But to the average Dutchman the issue does not appear in this

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(Established 1866)

Annual Income	£6,800,000
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comparatively favourable light, and the very existence of well advertised controversy on financial questions has caused suspicion and some precautionary export of capital.

May Clearing Bank Averages.—The averages for the ten English clearing banks for May show a distinct easing in the liquid assets position. Whereas in April the ratio of quick assets—cash, cheques in transit, short money and bills—to deposits had fallen to the inordinately low figure of 24.3 per cent., it had recovered to 29.9 per cent. in May, and was thus virtually back to the basic minimum figure of 30 per cent. to which the banks tend to work. The progress towards this basic figure has been made by an increase of £7.2 millions in cash and of £16.4 millions

	(In £ millions)					
	May, 1938	Jan., 1939	Feb., 1939	March, 1939	April, 1939	May, 1939
Capital and reserves	136.0	136.1	136.1	136.1	136.1	136.1
Acceptances, etc.	115.8	124.9	126.4	123.4	125.6	126.6
Deposits (including undivided profits, etc.)	2,225.0	2,194.3	2,140.8	2,116.7	2,118.5	2,130.9
Total liabilities	2,476.8	2,455.3	2,403.3	2,376.2	2,380.2	2,393.6
Cash	227.9	245.1	239.5	229.2	225.7	232.9
Cheques, balances, and items in transit	66.0	62.3	61.6	60.1	64.7	65.5
Money at call	141.2	139.5	134.4	138.3	141.2	139.7
Discounts	278.1	254.2	210.6	188.9	182.9	199.3
Investments	616.3	610.6	602.5	596.7	596.2	590.3
Loans and advances	963.8	950.9	960.5	971.6	976.0	971.3
Investments in affiliated banks	23.9	24.1	24.1	24.1	24.1	24.1
Cover for acceptances, premises, etc.	159.6	168.5	170.1	167.3	169.4	170.5
Total assets	2,476.8	2,455.3	2,403.3	2,376.2	2,380.2	2,393.6

* Amended figure.

in bills discounted—the latter movement being due almost entirely to increased purchases of Treasury Bills. The greater readiness of the market to sell bills to the banks, and the exceptional quietude of Stock Exchange business during the greater part of May, are reflected in a slight reduction in short loans from £141.2 millions to £139.7 millions. With this return of the liquid assets position towards normality the banks should be in a position to play their part in the gilt-edged market if and when the Defence loan makes its appearance later in the year. There is, however, no sign yet of increased banking participation in the investment market, and last month's average of security holdings shows a drop of £5.9 millions on the April total. Advances are £4.7 millions down on the month, a movement which is not strictly in keeping with all the evidence of rising industrial and commercial activity in this country, but which may in part be explained by the repayment of loans contracted towards the close of the financial year for meeting income tax.

U.S. Treasury Financing.—The plans announced in Washington last week-end for meeting the September 15th maturities of Treasury bonds betoken an unbounded confidence in the strength of the market for U.S. Government securities over the next few months. The bonds which have to be met bear interest at the rate of $1\frac{1}{8}$ per cent. They are to be converted at par into five-year bonds, carrying interest at the rate of $\frac{3}{4}$ per cent. This is the lowest rate at which medium-term securities of the U.S. Government have yet been issued. The offer will not be open to cash subscriptions, the U.S. Treasury having complete confidence in the virtually unanimous response of conversion holders. The reasons for this confidence will be found in the present banking position in the United States. The Federal Reserve system is again glutted with excess reserves. The excess reserve balances of member banks are now at around \$4,220 millions, the highest figure ever recorded. They are about \$1,000 millions higher than their 1936 peak, which preceded the drastic measures taken to reduce this inflationary potential by doubling for a period the member banks' legal reserve requirements. Over the past twelve months the excess reserves have risen by about \$1,600 millions, wholly as the counterpart of the flow of

gold into the United States. The artificiality of the credit situation in the United States has given rise to demands for yet another investigation into the whole problem of currency and credit as affected by the present abnormal conditions. Senator Wagner, encouraged no doubt by the very full and informative answer he got to his gold questionnaire, has in his capacity as Chairman of the Senate Banking Commission announced the need for a detailed Congressional inquiry into the structure of the United States banking and monetary systems.

Italy's Balance of Payments.—Despite great efforts Italy has not yet succeeded in bringing her balance of payments into equilibrium. Last year's trade deficit was only 3 milliard lire, against 5.7 milliards in 1937. Yet, even so, according to Dr Guarneri, the Minister for Exchange Control, this reduced trade deficit was not covered by the surplus of invisible exports, mainly derived from tourist receipts, and the Bank of Italy lost two million lire. Nor, despite the further reduction in the trade deficit this year, has equilibrium been reached. In ordinary circumstances invisible receipts would easily cover the two milliard lire estimated as Italy's probable trade deficit this year. But high prices (even at the tourist rate of exchange of 98 lire to the £1) and political tension have combined to keep away the lucrative British and American tourists. At the same time, according to Dr Guarneri, the expenditure of the State abroad has increased, though it is not clear whether this is to be taken to refer to direct expenditure on diplomatic and consular representation, propaganda, etc., or to imports which are not included in the official returns. The following table analyses Italy's trade deficit:—

	In million lire		January–April	
	1937	1938	1938	1939
Total*	5,719	2,962	1,467	534
Germany†	1,566	1,115	492	165
Other "clearing" countries	337	580	347	1
"Non-clearing" countries	3,813	1,267	628	368

* Excluding trade with colonies and Albania.
† Including Austria and Czecho-Slovakia.

From these figures it is evident that, if Germany is excluded, Italy has succeeded on balance in equalising her trade with those countries with which she has clearing agreements. The principal draft on her foreign exchange in the first four months of this year is due to trade deficits of 112 million lire with the United States, of 129 millions with British Dominions and Colonies (other than the United Kingdom, with which Italy has, of course, a clearing) and of 127 millions with other "non-clearing" countries. Germany's position is peculiar. Italy normally has an import surplus in trade with Germany counterbalanced by the expenditure of German tourists. Last October the balance in the clearing moved in favour of the Italians and since then has steadily increased to the large figure on May 19th last of 342 million lire, equivalent to over £3 millions. It is difficult to gauge the precise reason for this movement. It might be due to the slowness of German exporters in delivering goods which have been ordered, or to very heavy expenditure by Germans in Italy. Possibly both surmises contain some element of truth.

Bank of New Zealand.—In view of the circumstances which induced the New Zealand Government to adopt foreign exchange control towards the end of last year, the results of the Bank of New Zealand for the twelve months ended March 31st are very satisfactory. The profits show a small rise of £2,732 to £585,941, and the dividend is maintained at 10 per cent. The flight of capital from New Zealand, which it was one of the objects of the new exchange regulations to prevent, may account for the decline in deposits from £34,731,532 to £33,328,479, for the increase of £785,417 in bills discounted and advances provides evidence that business activity inside the country was well maintained. Cash also shows a rise from £6,103,579 to £7,677,919, so that the bank is in a very liquid position, but there has been a corresponding fall in the money at call items and investments are down by £1,611,046 to £6,294,511.

MONEY MARKET NOTES

The Bullion Market

At the beginning of the week the strength of the pound tended to restrict arbitrage demand, and the turnover was consequently small. The Exchange Account has been in the market as a seller on more than one occasion. Its action in supplying gold on Monday and Tuesday, and thereby indirectly helping the pound's progress, is open to

Date	Gold			Silver	
	Price per fine oz.	Prem. or Discount	Am't. dealt in	Cash	Two Mths.
1939	s. d.	d.	£'000	d.	d.
June 2	148 5	par	302	20	19½
" 3	148 5	par	181	19½	19½
" 5	148 4½	par	365	20	19½
" 6	148 4	par	257	20	19½
" 7	148 4	½ pm	236	19½	19½
" 8	148 5	½ pm	502	19½	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.

criticism, for later on both days it contradicted itself by purchasing dollars to check the rise in sterling. On Thursday, with the weaker turn in the pound, there was more scope for arbitrage, and the turnover was considerably higher. The silver market continues to be quiet.

The Bank Return

The gold in the Issue Department this week has been valued at 148s. 4d., compared with 148s. 5d. last week; and as the value of the total gold holding is unchanged, the difference must have been made up by a transfer of gold from the Exchange Account. The note circulation shows a fall of £1.4 millions,

	June 8, 1938	May 24, 1939	May 31, 1939	June 7, 1939
Issue Dept.	£ mil.	£ mil.	£ mil.	£ mil.
Gold	326.4	226.2	226.2	226.2
Value per oz. fine	85. 148.5d.	148.5d.	148.5d.	148.5d.
Notes in circulation	490.7	491.6	499.8	498.4
Banking Dept.				
Reserve	36.5	32.2	26.9	28.4
Public Dep'ts.	11.7	25.5	38.3	18.4
Bankers' Dep'ts.	111.1	95.3	82.4	100.6
Other Dep'ts.	35.4	36.4	37.1	36.1
Gov't Secs.	121.4	114.0	119.0	114.2
Discounts & Advances	7.9	7.1	8.0	7.8
Other Secs.	20.2	21.7	21.7	22.6
Proportion	23.0%	20.4%	17.0%	18.2%

and the Reserve has benefited accordingly. Payment of the War Loan dividend on June 1st has reversed last week's switch-over from bankers' to public deposits. Thus the latter are down by nearly £20 millions, while bankers' deposits show a rise of £18.2 millions.

The Money Market

The discount market is coming under the influence of the end of the half-year, and discount rates have accordingly tended to harden. On Wednesday the banks virtually suspended their bill purchases, in preparation for their half-year balance sheets, although one or two resumed buying on Thursday. As the market syndicate obtained another large allotment quota at last Friday's Treasury Bill tender, amounting to 73 per cent. of its applications, it has had about £44 millions of bills to take up in the last fortnight, while its correspond-

	June 9, 1938	June 1, 1939	June 8, 1939
Bank Rate	2	2	2
London Deposit Rate	½	½	½
Short Loan Rates:			
Clearing Banks	½-1*	½-1*	½-1*
Others	½-¾	½-¾	½
Discount Rates			
Treasury Bills	1½-2½	½	2½
Three months' bank bills	1½-5½	½-1½	1½

* 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.

INSURANCE NOTES

£3,835,000 and accident premiums from £4,899,000 to £4,866,000. Marine premiums were £15,000 higher at £345,000. The underwriting results in the accident department were even more satisfactory than in 1937. The results of the last two years are given below:—

	1937		1938	
	Profit £	% of Prem.	Profit £	% of Prem.
Fire	422,214	10.7	332,251	8.7
Accident	491,391	10.0	536,911	11.1
Marine	14,479	13.6	3,138	9
Life	26,000	...	28,000	...
	894,866		900,300	
Charges to profit and loss	700,000		535,000	
Net trading surplus	194,866		365,300	

In 1937, £450,000 was written off investments, while in 1938 £300,000 was transferred to general contingencies; these amounts are included in the profit and loss charges. Apart from reserve of 40 per cent. of premiums for unexpired risk, additional reserves are held in the fire, accident and marine accounts of £1,775,000, £1,250,000 and

£300,000 respectively. Total assets increased from £32,742,000 to £32,989,000. The latest report separates, for the first time, assets belonging to the life assurance and annuity funds. Mortgages and loans showed a large increase from £1,618,000 to £2,380,000; British Government securities fell from £5,450,000 to £4,865,000, but foreign and Colonial Government securities increased from £8,340,000 to £9,070,000. This latter sum, which represents no less than 28 per cent. of the total assets, is no doubt associated in large part with the company's world-wide insurance activities. Debenture and ordinary stocks both fell sharply, from £6,086,000 and £3,524,000 to £5,638,000 and £2,962,000 respectively. General contingency fund amounts to £2,007,000 and the balance at profit and loss, after paying the 1938 dividend, is £906,000. The dividend on the share capital (which is held by the Royal) is 67½ per cent. for the ninth successive year, and costs £524,000, compared with available interest earnings of £382,000.

Foreign Exchanges

THE pronounced strength of sterling was one of the chief features of the foreign exchange market at the beginning of this week, the sterling-dollar rate rising from 4.68½ to 4.68½ on Monday and to 4.68½ on Tuesday when the market was more active than for some time past. The following day, however, after touching 4.68½ in the morning, the rate reacted as a result of some demand for dollars on continental account, and closed ½c. lower. The one month forward dollar showed a small movement in favour of the pound, the premium contracting from ½c. to ¾c., while the three months dollar remained at a premium of 1½c. On Thursday there was a further fall in the spot rate, in spite of official support, to about 4.68½-½. The Canadian dollar on Monday closed ½c. dearer in terms of sterling and at 4.69 showed a discount of only ¼c. over the London-New York rate. Swiss francs, after falling to 20.72½ at the end of last week, turned weaker on Monday and on Thursday afternoon were quoted at about 20.76½. Belgas have also been rather easier. The spot rate on Tuesday rose to 27.52½, compared with 27.51½ on Monday, but on Thursday afternoon it was back to 20.50½.

Investment

Markets and the Australian Loan.—The proximate cause of this week's more sober markets was the Australian loan. Yet neither this large-scale operation, nor the return of ill-defined political rumours in the "House" on Thursday, provides an entirely satisfactory explanation of the week's smaller business and halting prices. The arguments in support of equity shares as against gilt-edged, which, in different forms, received considerable emphasis last week, have proved unavailing. So indeed, has a spectacular employment return and excellent railway traffic. Two or three slack days, and dead markets, have the reverse technical reaction from a few days of greater activity and improving prices. Moreover, the claim of the equity markets to independence has not been substantiated; gilt-edged, and War Loan in particular, may be regarded as a European barometer which measures changes in political pressure; and only while the barometer is rising, it seems, can the equity markets strike out into new territory. In these days the markets are totalitarian, and enjoy no regional autonomy. And their capacity for absorbing new trustee issues, which appeared to be well on the mend, judging from the response to the South African and Northern Ireland issues, has been found wanting in the case of the Australian issue. The terms of this £6 million issue, of 4 per cent. stock, 1961-64, at 98½, appeared generous to a fault, for extensive scaling-down immediately occurred throughout the trustee lists. From one aspect the authorities are to be commended for not attempting to extract the last halfpenny in devising new issue terms. But marked generosity—particularly when it is associated with large size—carries its own message for the market, and many would-be subscribers to the loan must have held their hand until dealings commenced on

Thursday, when the stock closed at 1½ discount, leaving the underwriters with the problem of finding firm holders for 80 per cent. of the issue. On present indications, it would seem, this disturbance of a promising revival in trustee borrowing may involve a waiting period before the market's decks are cleared again for action.

Brazil to Resume Debt Service?—The announcement in Parliament on Monday that the Brazilian Government is considering a method for the resumption of debt payments, and that a further announcement may be made before July 1, stimulated interest in Brazilian bonds early in the week. But the market's general attitude towards this apparently favourable news was slightly sceptical rather than enthusiastic. As an indication that the Brazilian Government has not lost sight of its obligations, whose service has gone unpaid since the Aranha scheme was suspended in November, 1937, it provides some substance for hopes of resumed payments which have swayed the bond market. No less important, it stresses that the Brazilian Government intends to give all creditors equal treatment. This point would in any case be generally welcomed in principle; but it gains further importance in view of Senhor Aranha's statement three months ago that the Brazilian Government intended to resume debt service on the American bonds from July 1. Perhaps the market's reserved reception of the announcement may be due to preoccupation with Brazil's present economic burdens. Certainly, her exchange position would hardly permit the

resumption of payments on any generous scale, and in the present context the service prescribed under the 1934 scheme would certainly be reckoned generous. At this stage, the most that can be said is that the senior funding loans, which were accorded Grade I status under the Aranha scheme, should receive preferential, though not necessarily exclusive, treatment. On this assumption, the 5 per cent. Funding issue of 1898 advanced from 21½ on Monday to 23½ on Tuesday (though this gain was not fully held later in the week) while corresponding movements occurred in the other Funding issues. The "secured" loans in Grades II and III can also establish their second-charge claims, and particularly the San Paulo 7 per cent. Coffee Realisation Loan. At the moment, the investor has no more than an expression of Brazil's intentions, but he should learn fairly promptly what they may mean in terms of coupon payments.

London and Provincial Broking Conversations.—It is quite understandable that the authorities have avoided precise publicity concerning the exploratory discussions which are to take place shortly between representatives of the London and the Provincial Stock Exchanges. Of the need for co-ordinating the established stockbroking organisations throughout the country in the interests of the public and the profession there is ample evidence. But while co-ordination is desirable, it bristles with difficulties, which were outlined in *The Economist* of April 22nd. Hence, it would be as great an error of tact as of diplomacy publicly to define the issues. It is clear, however, that any limitation of discussion to such matters as a revision of the £2,500 rule, to put the provincial broker on the same footing as the London broker, would limit the approach to an extent which would hardly fit the views recently expressed by Mr R. B. Pearson, chairman of the London Stock Exchange, Mr C. H. Goode, president of the Council of the Associated Exchanges and Mr H. Goodes, chairman of the Provincial Brokers Exchange. The real problems are those of rationalisation, and they involve different and even opposing interests, which must be reconciled by mutual accommodation, if the profession is to enjoy better health and work with greater efficiency.

Without full acceptance of this principle, a constructive solution, for example, of the superficial incompatibility of the needs of the London market and the development of the provincial dealing organisations could hardly emerge. Fluid dealings and businesslike quotations can only be maintained if the throughput of business is adequate. London jobbers claim that, when trade is active, and bargains are easy to undo, the cream is skimmed by provincial dealers who can vary their stocks and their willingness to make prices, and, in the last resort, can turn to the London market to undo a bad bargain or level up their books. Provincial dealers, on the other hand, might reply that they have developed a legitimate and profitable business, in which no one holds a rightful monopoly. Yet a system which ensured the maintenance of the freest possible market would clearly encourage the largest aggregate turnover in the interests of both groups. As an adjunct to this main issue, questions of alignment of commissions and the position of agents necessarily arise. There are at present important differences of practice, and vested positions almost amounting to right have grown up accordingly. Compared with these complicated matters, such problems as uniformity of new issue dealing facilities and of membership standards seem comparatively simple. Above all, if the necessary co-ordination of policy and business practice can be secured, an appropriate constitutional structure will be more easily devised; its importance for the co-ordination, on national lines, of orthodox stockbroking institutions needs no emphasis.

Industrial Profits in May.—There is little sign as yet that the rate of decrease in industrial profits in general is slackening. The decline of 6.29 per cent. in the profits of 303 companies whose reports were published in May compares with 11.57 per cent. in both March and April. But the reduction in May could hardly be attributed to improved business conditions towards the end of 1938. Indeed, analysis of the month's figures suggests that it is due to the absence of any adverse weighting of the aggregate by large companies or groups, for the fall is consistent with adjusted March and April figures, after the exclusion of certain exceptional results in those months. The course of industrial net profits over the past two years is shown in the following table:—

INDUSTRIAL PROFITS 1937-39							
Year and Month	No. of Cos.	Net Profits*	Inc. on prev. year	Year and Month	No. of Cos.	Net Profits*	Change on prev. year
1937		£	%	1938		£	%
May	255	25,053,946	14.09	May	320	45,915,238	+11.42
June	265	43,924,563	21.19	June	260	38,076,415	+11.09
July	193	15,263,299	19.62	July	181	16,530,811	+3.44
Aug.	62	6,042,402	9.41	Aug.	81	8,300,386	-1.16
Sept.	81	7,269,607	27.80	Sept.	112	7,962,024	-10.31
Oct.	177	14,884,260	26.97	Oct.	163	14,279,785	-1.06
Nov.	206	23,579,407	20.25	Nov.	231	23,784,369	-6.53
Dec.	152	18,101,112	14.69	Dec.	171	18,534,750	-4.35
1938				1939			
Jan.	107	13,832,332	19.90	Jan.	152	16,316,851	-9.58
Feb.	202	29,792,378	5.52	Feb.	211	31,893,988	-5.19
March	337	56,721,336	9.19	March	293	41,440,326	-11.57
April	225	28,481,318	17.19	April	233	24,067,714	-11.57
				May	303	46,863,324	-6.29

* After debenture interest.

The total of £46,863,324 for the month (against £50,010,120 recorded in the previous financial years of these 303 companies) includes the improved profits of the iron, coal and steel group, in which 19 companies show an advance of 15.3 per cent. from £4,333,510 to £4,997,776. The results of Imperial Chemical Industries and Burmah Oil contribute £11,076,537 towards the month's total.

Insurance Share Index.—The decline in insurance share prices which began in the latter part of 1938 continued in the first quarter of 1939. *The Economist* index of insurance share values (based on an investment in 1913 of £1,000 in the ordinary shares of 24 companies) declined from 4,198 to 4,057 in the first three months of this year. The index, which takes account of bonus share issues by assuming the sale of rights and reinvestment in an additional holding, is given in detail below:—

Company	Average 1937	Average 1938	March 31, 1938	June 30, 1938	Sept. 30, 1938	Dec. 30, 1938	March 31, 1939
Alliance	2,341	2,102	2,058	2,142	2,100	2,100	1,932
Atlas	3,598	3,463	3,428	3,873	3,746	3,555	3,492
Caledonian	5,457	4,875	4,655	4,906	4,655	4,718	4,655
Commercial Union	4,490	4,068	4,136	4,408	4,136	4,027	3,700
Employers' Liability	2,509	2,276	2,117	2,342	2,297	2,297	2,252
Equity and Law	6,986	5,437	5,604	5,439	5,274	5,357	5,110
General Accident	14,582	12,771	11,999	12,333	13,332	12,333	11,666
Gresham Fire	4,571	3,810	3,619	3,619	3,619	3,619	4,400
Guardian	3,548	3,384	3,128	3,487	3,487	3,384	3,436
Legal and General	12,944	10,451	9,836	10,929	10,929	10,383	10,383
Life Assn. of Scot.	3,792	3,385	3,447	3,400	3,115	2,972	2,972
London and Lancs.	4,692	4,385	4,231	4,308	4,462	4,192	4,000
London Assurance	3,172	2,875	2,668	2,814	2,911	2,911	2,668
North Brit. & Merc.	6,433	5,430	5,096	5,414	5,860	5,350	5,096
Northern	2,395	2,265	2,149	2,328	2,269	2,269	2,209
Phoenix	2,025	1,928	1,860	1,962	1,928	1,928	1,827
Prudential	3,369	3,117	3,069	3,309	3,261	3,333	3,309
Royal Exchange	5,090	4,582	4,436	4,929	4,682	4,682	4,313
Royal	3,129	2,764	2,753	2,925	2,925	2,839	2,710
Scottish Life	4,192	3,876	3,933	3,933	3,933	3,596	3,596
Scot. Union & Nat.	5,352	4,621	4,584	4,880	4,732	5,028	4,584
Sun Fire	3,093	2,773	2,667	2,933	2,978	2,933	2,933
Sun Life	3,193	3,161	3,174	3,375	3,224	3,073	3,224
Yorkshire	3,762	3,511	3,401	3,504	3,504	3,504	3,298
Average	4,795	4,226	4,109	4,312	4,307	4,198	4,057

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London and Manchester Assurance.—In line with other industrial-cum-ordinary offices, new sums assured in the ordinary branch last year showed a slight reduction on the previous year, at £3,530,000, compared with £4,041,000. In the industrial branch, however, new sums assured increased from £6,553,000 to £6,785,000, and premium income amounted to £1,891,000, against £1,850,000. Expenses and commission in the industrial branch amounted to 36.8 per cent. of the premium income, showing a reduction of 1.5 points on the year. The net rate of interest earned on the ordinary branch funds fell by 7s. per cent. to £3 19s. 2d. per cent. and in the industrial branch by 4s. 4d. per cent. to £4 2s. 5d. per cent. The usual annual valuation of liabilities was made as at March 31, 1939; on the same bases of valuation as previously. The published figures, however, do not enable us to provide the usual detailed table of results. The rate of bonus declared on the ordinary branch is again 40s. per cent., calculated on the sum assured, and in the industrial branch distribution is also maintained. Total assets increased from £19,127,000 to £20,382,000. The dividend is repeated at 50 per cent., free of tax.

nium, which are shown below, together with the corresponding figures for 1929-33. In 1933 the OM⁽⁵⁾ table was used for whole life and the OM table for endowment policies, with interest at 2½ per cent. and 3 per cent. for participating and non-participating classes respectively. On this occasion, the A¹⁹²⁴⁻²⁹ Ultimate table has been used with special net premiums, with the result that the reserves are "very materially greater" than those of a 2½ per cent. A¹⁹²⁴⁻²⁹ net premium valuation. The reduction in the amount carried forward is stated to be due to the strengthening of the valuation reserves.

	1929-33	1934-38
Surplus earned	877,106	959,788
Brought forward	111,949	260,555
	989,055	1,220,343
Allocations:—		
Policyholders' bonuses	610,650	868,500
Shareholders	67,850	96,500
Invest. and cont. reserve	50,000	—
Written off investments	—	150,000
Carried forward	260,555	105,343
	989,055	1,220,343

The rate of bonus declared is again maintained at 48s. per cent. on the sum assured, and it is intended to pay interim bonuses at this rate on claims arising before the next valuation. Shareholders receive one-ninth of the amount due to policyholders, and during the present quinquennium profit and loss will be credited with £19,300 annually, compared with £13,570 and £9,610 for the two previous quinquenniums. New sums assured last year

reached a record of £3,030,000, compared with £2,855,000 in 1937, and the net rate of interest was £4 2s. 11d. per cent., compared with £4 3s. 8d. per cent. Annuity considerations increased from £123,000 to £163,000. Fire premium income fell by £24,000 to £870,000, while accident and marine premiums showed little change at £1,479,000 and £437,000 respectively. The "additional reserves" of £320,000 and £220,000 in the fire and accident accounts have been transferred to general reserve, and interest earnings in these accounts and in the marine account have been carried direct to profit and loss account, and not, as hitherto, shown in the respective revenue accounts. Departmental results are shown below:—

	1937	% of Profit	1938	% of Profit
	£	Premiums	£	Premiums
Fire	142,825	16.0	120,702	13.9
Accident and Gen.	23,843	1.6	80,343	5.4
Marine	—	—	—	—
Life	13,570	—	13,570	—
Profits from reversions	8,000	—	8,950	—
Charges to profit and loss	188,238	—	223,565	—
	119,590	—	135,857	—
	68,648	—	87,708	—

Total assets amount to £16,640,000, while general reserve fund stands at £1½ millions, and the profit and loss balance, after paying the 1938 dividend, at £163,000. The dividend is repeated at 47½ per cent. and costs £139,000, against available interest earnings of £103,000.

Yorkshire Insurance.—The chief interest of the 1938 report lies in the results of the actuarial valuation of the life department for the past quinquen-

The general nature of the decline was again in evidence, for compared with the end of 1938 only two companies show rises, while five show no change. May's market recovery in which insurance shares have participated is, of course, not yet reflected in the index.

Company Notes

Rolls-Royce Expansion.—The preliminary figures of Rolls-Royce have been known for the past month, and the full report adequately confirms their satisfactory character. After providing for trading expenses, "liberal depreciation of buildings, machinery and plant" and obsolescence, but without including any profits from subsidiaries, the company's net trading profit amounts to £483,333, against £396,378. Since the taxation provision is raised from £100,000 to £140,000, the amount available for ordinary dividends has increased less sharply, but earnings represent 29.2 per cent. on the ordinary capital, compared with 25.1 per cent. for 1937; hence, as the following table shows, the increased dividend of 25 per cent. is covered by a slightly higher margin:—

	Years ended December 31		
	1936	1937	1938
Total profit, after contingencies ...	393,498	396,378	483,333
Taxation	90,000	100,000	140,000
Pension fund and fees	33,261	33,119	33,383
Ordinary stock:—			
Earned	270,237	263,259	309,950
Paid	223,296	242,959	276,189
Earned %	26.8†	25.1	29.2
Paid %	22½*	22½	25
Consol. reserve funds	35,000‡	22,266	30,000
Carry forward	93,913	91,947	95,708

* 7½ per cent. interim on old capital, plus 25 per cent. capital bonus; final paid on new capital. † On new capital of £1,065,514, or 33.5 per cent. on old capital of £852,464. ‡ Of which £5,000 to dividend equalisation.

Reference to the balance sheet shows, in fact, that depreciation of property and plant absorbed £168,611 last year, against £81,836 in 1937, and of this increased sum £45,000 consists of special depreciation. The necessity for the most generous depreciation provisions will be acknowledged, for the company is plainly working at high pressure. Trade and other debtors have increased from £644,380 to £860,861, while stocks stand at £888,720 against £615,770 at the end of 1937. The construction of a new aero-engine plant near Glasgow, to be managed by the company, at a cost of some £4 millions, is indicative of the pressure upon its existing plants. Yet the concern is not wholly preoccupied with defence business, for the report records that, during the year, a substantial interest was acquired in Park, Ward and Company, the coachbuilders, with an option to obtain a controlling share. Investments and advances to associated companies now appear in the balance sheet at £269,096, which presumably also reflects the subscription of £100,000 debentures in Phillips and Powis, against £160,000 for "other investments" at the end of 1937. The £1 ordinary stock units yield £4 9s. 3d. at the present price of 5½.

Iron and Steel Results.—Iron and steel results published this week present a varied picture. The most satisfactory results are reported by Stanton Ironworks,

whose progress, in recent years, has continued at a higher rate. Profits (apparently struck before debenture interest and fees) amount to £507,074 for the year to March 31st, against £398,884—a rise of no less than 27 per cent. The rate of dividend is again 10 per cent., but it absorbs a higher amount, since the 20 per cent. capital bonus of 1937-38 receives full dividend. The latest rise in profits is so dramatic, even in relation to the progress of recent years, that the report will be eagerly awaited. Last year the chairman of Guest, Keen and Nettlefolds expressed the view that, since reduced demand was to be expected while excess stocks were being worked off, the maintenance of earnings at the higher level of 1937-38 was unlikely. The actual results for the year to March are, however, fairly satisfactory. Profits amount to £1,085,525 against £1,176,735, a reduction of 7½ per cent., and before providing £200,000 (against £150,000) for depreciation, the decline is no more than 3 per cent. Earnings for the ordinary stock can be calculated at £658,268 against £748,735, or 10.2 per cent. against 11.6 per cent., tax free. The tax-free dividend is, however, reduced from 7½ per cent. to 6 per cent., and a transfer of £300,000 to reserve necessitates a draft of £27,800 on the carry-forward. Reserve fund also receives £43,557 from debenture redemption, but £225,000 is transferred from it to investments reserve. In the absence of any detailed comment, it is difficult to appraise the Whitehead Iron and Steel profits. Earnings for dividend for the year to March amount to £229,576, against £337,874 after deducting a special charge of £60,000 for depreciation and contingencies. These sums are equivalent to 41 per cent. and 61.2 per cent. respectively on the ordinary capital. The cash distribution is reduced from 35 per cent. to 25 per cent. by omission of the 10 per cent. cash bonus paid in 1937-38, but the directors propose a 25 per cent. capital bonus, as in 1934-35 and 1936-37. The company's conservative dividend policy and the rapid expansion of its assets adequately explain the capital bonus, but the apparently sharp drop in net profits is less readily to be understood. A substantial reduction in profits is recorded by Consett Iron Company for the year to March 31st. Trading profits are reduced from £983,229 to £613,308 (before depreciation, which absorbs £125,000 against £155,000), while plant and machinery improvement reserve is credited with £100,000 against £200,000. The dividend has been reduced from 10 per cent. to 7½ per cent. and is covered by earnings of 6.4 per cent. against 13.7 per cent. It would appear from the report that Consett Iron, as a supplier of semi-finished products to steel processors, was sharply affected by reduced demand last year, coupled with reduced prices in the first quarter of this year.

Triplex and Lancegay Safety Glass.—In July last year, the Triplex Safety Glass Company received three months' notice from the Austin Motor Company of the termination of the contract for the supply of safety glass to the latter company, on the ground that the Triplex price was less favourable than that charged by another manufacturer. This news was widely interpreted as indicating the emergence of the Lancegay Safety Glass Company to challenge the dominating position of Triplex in the industry. That conclusion is confirmed this week by the offer of one 10s. Triplex share for 13 shares of 1s. in Lancegay. Already there was a threat of acute price competition between the companies. But, in addition, patent claims were entered by Triplex against Lancegay, and the share exchange offer has apparently resulted from discussions originally intended to devise an agreed solution of these claims. The present capital of Triplex consists of £500,000 ordinary capital, in 10s. stock units, while Lancegay's capital amounts to £164,230, divided into 1s. shares, with £35,000 of unissued capital under option. If the issued and option capital is exchanged for Triplex shares, the latter company's capital will be increased by £153,254. The terms of exchange are apparently based upon current market values (which have

recently shown significant improvement) for, on the eve of the circular, Triplex ordinary closed at 38s. 9d. and Lancegay at 3s. Shareholders of Lancegay are not likely to complain that, on the basis of recent years' earnings and dividends, they have an apparent advantage in the exchange.

British Electric Traction.—The deferred stock of British Electric Traction has been described as a sur-tax payers' savings bank. At its present price of 102½ it offers the exiguous dividend return of 9s. 9d. per cent., and even on earnings (which were equivalent to 59.4 per cent. last year) the yield is below 6 per cent. The company's policy is to restrict cash dividends to 5 per cent., and to distribute annual capital bonuses of 10 per cent., though in 1932 the scrip bonus was 100 per cent. Revenues have marched in step with this steady compounding of capital. For the year to March 31st, investment revenue increased to £667,746, compared with £605,200 for 1937-38. Despite the 21 per cent. increase in deferred capital during the past two years, earnings have increased from 49.5 per cent. to 59.4 per cent., as the following table shows:—

	Years to March 31,		
	1937	1938	1939
Income from investments	528,833	605,200	667,746
Total income	585,673	669,404	728,513
General expenses†	56,109	61,707	61,928
Income tax	59,190	81,746	104,709
Debenture interest	79,479	79,479	79,479
Prof. and pref. ord. divs.	163,121	163,121	163,121
Deferred stock:—			
Earned	227,774	283,351	319,276
Paid	29,705	32,676	35,943
Earned (%)	49.5	57.9	59.4
Paid (%)	5	5	5
Capital bonus‡	59,411	65,352	71,887
Carried forward	1,535,954	1,721,278	1,932,724
Issued deferred stock, after bonuses	653,513	718,865	790,752

† Including staff fund and directors' fees.
‡ 10 per cent. in deferred stock each year.

There is, clearly, an ample margin of current earning power to justify the continuation of the long-standing bonus policy for some time to come, without taking account of any potential further increase in investment revenue. The company is, in fact, one of the most successful of British investment trusts, although its subsidiary and transport interests account for £3,117,688 of the total portfolio of £6,985,558. No comment is offered on the current market value of quoted investments—the total is described as being at or under cost—but to judge from the modest book valuation of the interests in Birmingham and District Investment Trust, the total portfolio figure makes allowance for appreciable hidden reserves, in addition to disclosed reserves from undistributed profits totalling £2,452,724.

Great Universal Stores.—The rising profits curve of Great Universal Stores since 1936-37 has been maintained during the year to March 31st, for total revenue amounts to £530,528 compared with £408,714. The directors' report indicates that some benefit—though not covering a full year—has been derived from the new subsidiaries acquired during the latest financial period. Funds for their purchase, it will be recalled, were derived from the issue of £1,000,000 4½ per cent. debenture stock in June last year, while a further £250,000 stock was placed privately in December. The latest accounts show a charge of £22,822 for interest on these issues, compared with sums of £40,781 net (or £56,250 gross)

which will be required in a full year. The commencement of the 1½ per cent. sinking fund from 1941 will increase the total prior charge to £75,000. The ordinary dividend is maintained at 50 per cent., and is covered by earnings of 78.7 per cent. Three years' comparative figures are given below:—

	Years to March 31st		
	1937	1938	1939
Total income	359,529	408,714	530,528
Directors' fees	2,135	2,946	2,750
Taxation	85,788	111,524†	160,933‡
Depreciation	17,940	19,281	18,012
Deb. interest	Nil	Nil	22,822‡
Prof. divs.	33,429‡	41,642	40,598
Ordinary and "A" ord. shares:—			
Earned	220,237	233,321	285,413
Paid	133,915	182,574	181,250
Earned %	79.3*	63.9	78.7
Paid %	50§	50	50
To reserve	77,356	50,018	97,361
Carried forward	11,452	12,181	18,983

† Includes N.D.C.: £13,500 in 1938; £10,750 in 1939.
‡ Part year only.
* 76.0 per cent. after charging full preference divs.
§ Also 10 per cent. capital bonus in "A" ord. shares.

The balance sheet shows a 10.2 per cent. reduction in cash from £481,307 to £431,815. Current claims on subsidiaries have increased from £474,421 to £621,276, while shares in subsidiary companies have jumped from £970,979 to £2,197,430. In addition, £63,158 has been paid as a first instalment towards the purchase of further subsidiaries, as part of total considerations of £430,116. The striking expansion of the group's interests is best traced in the consolidated balance sheet, which shows that debtors and deposits (which presumably are connected with instalment sales) have jumped from £567,222 to £1,320,549, and thus have absorbed a considerable portion of the new money. The consolidated goodwill item for the group now stands at £998,382, against £407,682. How far this remarkable increase is represented by fixed assets which have been taken into the accounts at written-down values, below their real value, is, of course, impossible to determine. It is, however, a matter of importance, for the company's earnings are now dependent on subsidiary companies to a very considerable extent. The directors' statement under Section 126 shows that the subsidiary companies have distributed approximately the sum due on the parent company's holdings. But the apparently high figure for goodwill could only be adequately tested with the aid of a consolidated profit and loss account. For the moment, the group's income is in the ascendant; and it has no reason to regret the fuller development of its old mail order and outfitting business, and the rearrangements on the chain store side. The immediate outlook is perhaps not over-discounted in the yield of £7 11s. 6d. on the 5s. ordinary shares, quoted at 33s., but the new acquisitions have yet to prove their permanent earning capacity.

From the Chair.—Investors have been well provided with food for thought at this week's company meetings. Probably no more dissimilar list of companies could be compiled than J. Lyons, Boots Pure Drug, Suez Canal and Callender's Cable, but the chairman of each company has had something of interest and importance to discuss from the chair. Lord Trent, for example, showed that

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last year's total transactions of the Boots Pure Drug organisation was the highest on record, while profits had only once been surpassed—in the exceptional year 1936-37. The group is also transacting a steadily increasing export trade, while its importance as a medical supplier lends emphasis to the chairman's suggestion that stocks might be built up in private hands to meet any emergency, as they have already been built up by the hospitals. Our comment last week on the Boots Pure Drug report misinterpreted Lord Trent's reference at last year's meeting to the special provision of £36,000 for depreciation. This was made not against the profits of 1937-38, but in 1931-32. The net income of the latest year, £951,946, is thus fully comparable with £941,372 recorded in the previous year. Air-raid precautions and their finance occupied a considerable section of Sir Isidore Salmon's speech at the J. Lyons meeting. The profits of this concern are struck after provision for contingencies, and during the latest year a sum of £12,000 has been charged for A.R.P. before disclosing the figures. In view of the potential increase in this expenditure, moreover, the directors made further allowance in the contingencies provision, though Sir Isidore issued a warning that it may not prove sufficient. At the Suez Canal meeting, the Marquis de Vogüé made a lively rebuttal of Italian claims regarding the construction of the canal and its present management, and emphasised, incidentally, that the company has for the past fifty years admitted to the management representatives of users of the canal. The passing of the 5 per cent. cash bonus by Callender's Cable was a disappointing feature in the recent report. At the meeting on Wednesday, Sir Fortescue Flannery declared that the past year was not one of "exceptional prosperity" which alone would have justified a bonus payment. Slackness of orders at the Erith works, which specialise on super-tension cables, has given place within the past month to very active business, however, while the Leigh works are fully occupied on ship cables.

Brazilian Traction's Exchange Problem.—In December last, Brazilian Traction announced that, owing to the cessation of remittances from Brazil, no ordinary dividends could then be recommended. Hence, the only distribution on account of 1938 consists of 50c. per share, distributed last July, whereas \$1 was paid for 1937, and 70c. for 1936. The full report, however, confirms the inference, already drawn from the December announcement, that exchange difficulties, rather than unsatisfactory working results, are responsible for the dividend disappointment. Gross operating earnings of subsidiaries, however, show a slight fall from \$38,555,900 to \$38,078,934, though the operating statistics show an expanded volume in all the main departments of the group's widespread activities, including the traction, electricity, gas, and telephone businesses. The final result for the parent company is a reduction in gross revenue from \$11,587,531 to \$10,316,205, of which \$9,646,076, or \$1.37 per share, is available for the common shares after expenses and preference dividends, against \$10,862,677 or \$1.54 per share in the previous year. This 12 per cent. setback contrasts with the halving of the dividend. In fact, exchange stringency at the end of 1937 was ameliorated during 1938 only in respect of current imports, and funds distributed through the Bank of Brazil were restricted to imports, and not for such purposes as dividend or interest payments. Moreover, the 3 per cent. tax on foreign exchange purchases has been increased to 10 per cent. for purposes other than payment for imports. And while banks may now purchase export bills, the Bank of Brazil still retains control of exchange for other remittances. Brazilian Traction is clearly working under an onerous burden. There is some consolation in the continued growth in its operations, but the fruits for the investor must await, it would seem, a significant strengthening of Brazil's exchange position, towards which, possibly, the closer financial relations between Brazil and the United States may assist.

Oil Company News.—The Burmah Oil report (discussed on page 560 of last week's issue of *The Economist*) showed a satisfactory level of profits and a strong financial position, and though much of Sir John Cargill's speech at the meeting on June 2nd was devoted to the difficulties of the industry in general and of the company in particular, throughout his comments an undertone of basic confidence in the company's ability to deal with current problems was evident. The disappointing setback in world consumption of oil in 1938, in Sir John's view, was probably already in operation in 1937, but masked by re-stocking business. But apart from difficulties arising from the world oil markets, the company has considerable local problems, in India and Burma. In addition to the customs and excise duties imposed by the Central Government, the provincial governments, in their new search for revenue, are imposing local consumption or sales taxes on petroleum, over and above the main duties. And there is also a drive in certain provinces by interested merchants to impose maximum and minimum prices for petroleum. In addition, labour troubles which have hampered the company's activities, have their roots less in genuine grievance than in political agitation. Sir John did not attempt to minimise any of these unfavourable factors, and anticipated a further setback in trading profits in the current year (unless values improve in the remaining months of the year) which may not, in the next report, be compensated by investment income. The full report of Venezuelan Oil Concessions (whose preliminary results were also discussed last week) shows gross income for 1938 of £6,478,489, against £5,328,950, a 21 per cent. rise, but expenses increased in greater proportion and earnings for dividend show a decline from £1,589,016 to £1,482,829. Production in 1938 totalled 57,865,086 barrels, against 50,151,985 barrels in 1937, and the bulk of the increase came from the Lagunillas Tia Juana fields, where an active drilling policy was maintained. Exploration drilling has also commenced in Eastern Venezuela, on the Venezuelan Oil Development concessions, in which V.O.C. has a one-third interest, under arrangements with the Royal Dutch-Shell group. The progress of Attock Oil is underlined in the full report. Sales are now on the basis of 1,700 barrels of crude oil daily, the capacity of the existing refinery, but shipments of plant for the new refinery have been fairly well up to time, and it is hoped to complete the main refining units by the end of this year.

The Week's Company Profits.—The heavy industries and colliery companies are well represented in this week's table of profit and loss accounts, which appears on page 642, and contains 66 companies, excluding banks and companies for which comparable figures are not available. Tea companies also form a large group, numerically. Net profits of the 66 companies amount to £7,762,000 against £8,224,000, and show a fall of 5½ per cent., while net profits of 1,258 companies reporting in 1939 to date total £168,027,000, or 8½ per cent. less than £183,138,000 earned by the same companies in the preceding year. The week's results are discussed in preceding Notes and on page 616 under the heading "Shorter Comments."

Company Meetings of the Week.—Reports of company meetings will be found in this issue on page 621. The chairman's comments at the *Callender's Cable*, *Suez Canal*, *Boots Pure Drug* and *J. Lyons* meetings are discussed on page 613, while Sir John Cargill's review of *Burmah Oil* prospects is referred to above. At the meeting of *Beecham's Pills*, Mr Philip E. Hill anticipated an expansion of business and a new source of demand following the repeal of the medicine duties, which would presumably come into force in September. Mr A. R. Rye informed shareholders of *Lisbon Electric Tramways* that the company's participation in the Lisbon town-planning scheme,

now under consideration, would probably necessitate considerable capital outlay. At the *Henderson's Transvaal Estates* meeting, Mr W. L. Castleden expressed satisfaction that the market value of the company's quoted investments was above book value. At the meeting of *East Geduld Mines*, Mr P. M. Anderson explained that development work would not be carried out on so large a scale as in the past owing to the strong ore reserves position. At the meeting of *Marievale Consolidated Mines*, Mr Anderson emphasised the necessity of expending available funds on areas yielding payable ore quickly, leaving other areas to be investigated at a later date. At the annual meeting of *Geduld Proprietary Mines* he anticipated fluctuation in development results, since efforts are now being concentrated on leaders and formerly unpromising areas. At the meeting of *Van Dyk Consolidated Mines*, Mr Anderson estimated that, under present conditions, it was unlikely

that amounts set aside for taxation and share of profits would exceed 25 per cent. of working profits at any time in the next ten years. And at the *Grootvlei Proprietary Mines* meeting, he informed shareholders that capital funds in hand were sufficient to meet not only the cost of the recent increase in production plant capacity to 80,000 tons a month, but also of the further extension to 120,000 tons. Mr Charles Emerson informed shareholders of *Malacca Rubber Plantations* that the replanting of 3,440 acres, to be completed in 1940, had so far left them with considerable financial resources, but a conservative financial policy was necessary during replanting programme. At the *Associated Newspapers* meeting, the Hon. Esmond Harmsworth confirmed the continuation of the new policy of paying an interim and a final dividend in the current year. Earl Castle Stewart, at *Mining Trust* meeting, referred to improved extraction and lower costs at the Mount Isa Mine.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET	ACCOUNT
JUNE 20	JUNE 22

THE mood of the stock markets has become more sober this week, and although the undertone remains entirely satisfactory and prices steady, there has been no fresh upswing in quotations.

In the *gilt-edged market*, the week began with a slight recession once the week-end accumulation of orders had been worked off, and news of the Australian loan terms was followed by a marking down of quotations. But sufficient buyers appeared towards the end of Tuesday's session to make net changes negligible on the day. In mid-week, prices were steady, though the volume of business shrank. That the market's morale remained good, however, is shown by the absence of any reaction to the Prime Minister's statement on negotiations with the Soviet or to indications that response to the Australian loan had been disappointing. Undated securities were the more volatile, but were little changed on the week, although they were in the forefront of the interim movements. Redeemable securities were steady, and moved only within narrow limits. Early in the week, Dominion stocks were hit by the Australian loan, when prices were adjusted to the terms of the new issue. The South African scrip reacted on profit-taking but later came in for renewed support. New Zealand issues were sold fairly steadily.

Among *foreign bonds*, Brazilian issues provided one of the chief features of the markets. Prices rose confidently on Mr Butler's statement (discussed on page 614), though the impetus was partly lost towards mid-week. Owing to doubts whether the July coupon on the 1913 loan would be met, Chinese bonds slipped back. European issues were dull, though quite steady until mid-week.

Home rails were inclined to give way early in the week. Prices were firmer, however, on publication of the good Whitsun traffics, though gains were modest and business was not greatly increased. London Transport "C" stock was steady. Argentine rails were dull, and some interest was shown temporarily in Brazilian issues.

Industrials followed the market's general course. The undertone was steady, but the volume of business very small and, on the whole, slight decreases in prices predominated. Iron and steel shares were firm at first, but tended to

ease later from lack of buying support. Activity declined in coal shares, which at first continued their upward movement. Engineering issues were firm, except for slight irregularity in mid-week, while electrical equipment shares made a mixed showing. Motor shares also turned dull after a steady start. Triplex hardened and then reacted, on the offer to Lancegaye (discussed on page 612). Aircraft issues tended to ease. Parnall weakened on the new issue proposals. Exceptionally, Rolls Royce gained slightly in mid-week. Textiles opened with a renewal of their recent advance, and remained steady if not very active. Rayon shares turned dull after early cheerfulness. Brewery issues made an independent showing, and revived in mid-week after a dull beginning. The stores group went ahead, and then turned easier. Miscellaneous issues lacked interesting features, but were almost consistently steady. Shipping shares gave way slightly after early support.

Oil shares were in demand at the beginning of the week, "Shell" and Royal Dutch advancing under local and Continental support. Burmah Oil and Anglo-Iranian were adversely affected by Sir J. Cargill's speech (discussed on page 614). Among the West Indians, Trinidad Petroleum Development were well supported. Later, however, uncertainty imparted a duller tone, though Paris supported the market leaders. By mid-week the uncertainty spread, prices drifting fractionally lower in idle markets, though Trinidad issues, led by Apex, offered some resistance.

A steady tone was apparent among rubber shares on Monday, the supply of shares being limited. Later, a weaker tendency developed, investors standing

out for a rise in rubber prices. By mid-week, the political situation and absence of a lead from the commodity prevented a revival of interest. Among tea shares, Monday saw some selective buying of Indian and Ceylon issues, but lower dividend announcements were a depressing influence in mid-week.

Among *mining shares* Kaffirs were featureless throughout the week, though the undertone was firm, since Cape support and dividend announcements by Randfontein and others assisted prices in mid-week. Among the developing mines Cape buying imparted a firm tone, Western Holdings and Venterspost being particularly favoured, though later prices tended to ease. Finance shares drifted fractionally lower, led by Central Mining. West Africans at first lost ground, to recover later in the week led by Ariston. Among copper shares, Rhokana provided a diversion but finished the week lower on balance.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains†	Corres. Day 1938	Security Indices	
			30 ord. shares*	20 fixed int.†
June 2	7,095	6,120	84.1	120.4
" 5	7,520	6,120	84.3	120.2
" 6	6,295	6,035	84.4	120.3
" 7	5,680	5,790	84.3	120.3
" 8	5,870	5,420	83.4	120.2
High...	...	...	88.0	123.5
Low...	...	...	73.7	114.9
			Jan. 27	May 1

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

ACTUARIES' INVESTMENT INDEX

A small rise is again shown by the Actuaries' index of 160 industrial

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Household Goods and Services		
PROVIDENT INVESTORS' TRUST	30	5½%
Completely Flexible Management Powers		
INVESTORS' FLEXIBLE TRUST	124	5½%
A General Portfolio		
HUNDRED SECURITIES TRUST	102	6%
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SAVINGS UNIT TRUST	28	4½%

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ordinary share prices, which stood on Tuesday, June 6, 1939, at 64.9, compared with 64.3 a week ago, and 61.4 a month ago. The corresponding average yields are 5.40, 5.53 and 5.82 per cent.

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Price 1939 High
	May 9, 1939	May 30, 1939	June 6, 1939	
Banks, etc. (10)	103.2	106.2	107.2	109.0
Aircraft mfg. (5)†	79.6	82.9	84.0	96.7
Cotton (5)	20.9	21.9	23.8	27.6
Elec. mfg. (13)	116.5	118.5	119.8	128.6
Oil (4)	76.7	81.4	78.6	85.6
Home rails (4)	41.3	49.2	48.6	49.2
Stores, etc. (18)	54.5	58.4	59.8	60.9

† December 30, 1928 = 100

Group	Yield (%)			Price 1939 Low
	May 9, 1939	May 30, 1939	June 6, 1939	
Banks, etc.	4.44	4.31	4.27	100.2
Aircraft mfg.	9.87	9.48	9.35	72.8
Cotton	3.67	3.41	3.31	20.1
Elec. mfg.	5.95	5.71	5.56	111.9
Oil	7.57	6.56	6.36	72.9
Home rails	0.41	0.34	0.34	29.5
Stores, etc.	5.78	5.43	5.32	50.6

New York

THE week opened dull, with slight losses on balance, except for a mild rally in aviation shares. On Tuesday a more cheerful tone developed. Steels made a belated response to the reports of higher mill activity, while utilities and rails also improved fractionally, but industrial shares were still neglected. In mid-week, utilities continued their modest advance and industrials received more attention, but rails could not hold the gains made early in the week. *Iron Age* reports steel mill activity this week at 53 per cent. of capacity, an increase of one per cent. on last week. The industry is now feeling the benefit of the recent low-price contracts, naval and railroad orders.

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 Apr. 12	High Jan. 4	May 24, 1939	May 31, 1939	June 7, 1939
347 Ind's.	92.8	114.5	98.7	100.4	101.1
32 Rails	23.6	32.5	25.6	26.3	26.3
40 Utilities	77.8	88.3†	83.9	84.8	85.7
419 Stocks	79.3	95.6	84.6	86.0	86.6
Av. yield *	4.34% High	5.31% Low	4.12%	4.06%	4.00%

* 50 Common Stocks. † March 8th.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)					
June 1	June 2	June 3	June 5	June 6	June 7
110.5	111.1	111.5	111.5	112.9	112.9

1939 High: 130.3 January 4th. Low: 98.8 April 8th.

TOTAL DEALINGS IN NEW YORK			
1939	Stock Exchange		Curb Shares
	Shares 000's	Bonds 000's	
June 1	600	5,610	89
" 2	400	5,400	80
" 3	180	2,570	36
" 5	350	4,520	74
" 6	600	7,140	109
" 7	530	6,720	104

* Two-Hour Session

New York Prices

	Close Latest June 1, 1939		Close Latest June 8, 1939	
	1, 1939	8, 1939	1, 1939	8, 1939
1. Rails and Transport				
Atchafalaya	29 1/2	28 1/2	29 1/2	28 1/2
Balt. & Ohio	5 1/4	5 1/4	5 1/4	5 1/4
B.M.T.	11 1/2	11 1/2	11 1/2	11 1/2
Can. Pacific	4 1/2	4 1/2	4 1/2	4 1/2
Ches. & Ohio	3 3/4	3 3/4	3 3/4	3 3/4
G.N. Ry. Pk.	21 1/2	21 1/2	21 1/2	21 1/2
Illinois Cent.	12 1/2	12 1/2	12 1/2	12 1/2
N.Y. Central	15	15	15	15
Norfolk Pac.	8 3/4	8 3/4	8 3/4	8 3/4
Pennsylv. R.	18 1/2	17 3/4	18 1/2	17 3/4
Southern Pac.	13 1/2	13 1/4	13 1/2	13 1/4
Southern Ry.	15 1/2	15	15 1/2	15
Union Pac.	97	95 1/4	97	95 1/4
Greyhound	19	19	19	19
2. Utilities and Communications				
Am. W. Works.	10	10	10	10
C. & S.	1 1/2	1 1/2	1 1/2	1 1/2
Con. Edison	31 1/2	31	31 1/2	31
Col. Gas & El.	6 1/4	6	6 1/4	6
El. Bond & Sh.	8 3/8	8 3/8	8 3/8	8 3/8
Nat. Pwr. & Lt.	7 1/2	7 1/4	7 1/2	7 1/4
N. American	21 1/2	22	21 1/2	22
Pac. Gas & El.	30	32 1/2	30	32 1/2
Pac. Lighting	48 1/2	48 1/2	48 1/2	48 1/2
Pub. Serv. N.J.	37 1/2	37 1/2	37 1/2	37 1/2
Stan. Gas & E.	3	2 3/4	3	2 3/4
United Corp.	21 1/2	21 1/2	21 1/2	21 1/2
Un. Gas Imp.	12 1/2	13	12 1/2	13
Amer. Tel.	164 1/2	167 1/2	164 1/2	167 1/2
Inter. Tel. For.	71 1/2	73 1/2	71 1/2	73 1/2
West. Union	20 1/2	20 1/2	20 1/2	20 1/2
Radio	6 1/2	6 1/4	6 1/2	6 1/4
3 1/2% Pref.	64	63 1/4	64	63 1/4
3. Extractive and Metal				
Am. Rol. Mill	14 1/2	14 1/2	14 1/2	14 1/2
Beth. Steel	58	57 1/2	58	57 1/2
Beth. Steel P.	109 1/2	107 1/2	109 1/2	107 1/2
Republic St.	16 1/2	16 1/2	16 1/2	16 1/2
U.S. Steel	48 3/4	48	48 3/4	48
U.S. Steel P.	108 1/2	107 1/2	108 1/2	107 1/2
Alaska P.	8 1/2	8 1/2	8 1/2	8 1/2
Am. Metal	30	30 1/2	30	30 1/2
Am. Smelting	42 1/2	42 1/2	42 1/2	42 1/2
Anaconda	24 1/2	24 1/2	24 1/2	24 1/2
Bohn Alum.	22	21 1/2	22	21 1/2
Cerro de Pas.	38	39	38	39
Int. Nickel	48 1/2	48 1/2	48 1/2	48 1/2
Kennecott	52 1/2	52 1/2	52 1/2	52 1/2
Patino Mines.	10	9 3/4	10	9 3/4
Tex. G. S.	29	29 1/2	29	29 1/2
U.S. Smelt.	52 1/2	52 1/2	52 1/2	52 1/2
Vanadium	21	21 1/2	21	21 1/2
Atlantic Refg.	20 1/2	20 1/2	20 1/2	20 1/2
Phillips Petr.	35 1/2	35 1/2	35 1/2	35 1/2
Shell Union	12	12 1/2	12	12 1/2
Shell Un. P.	105 1/2	105 1/2	105 1/2	105 1/2
Socony Vac.	11 1/2	11 1/2	11 1/2	11 1/2
Stan. Oil Cal.	26 1/2	26 1/2	26 1/2	26 1/2
Stan. Oil N.J.	44	43 1/2	44	43 1/2
Texas	39 1/4	39 1/4	39 1/4	39 1/4
4. Manufacturing				
Briggs	21 1/2	21 1/2	21 1/2	21 1/2
Chrysler	69 1/2	69 1/2	69 1/2	69 1/2
Elec. Autolite	28 1/2	29	28 1/2	29
Gen. Motors	43 1/2	44 1/2	43 1/2	44 1/2
Hudson Mtr.	5	5 1/2	5	5 1/2
Nash Keltner.	7	6 3/4	7	6 3/4
Packard Mtr.	31 1/2	31 1/2	31 1/2	31 1/2
American Can.	23 1/2	23 1/2	23 1/2	23 1/2
Boeing Airplan.	22 1/2	22 1/2	22 1/2	22 1/2
Douglas Air.	69 1/2	69 1/2	69 1/2	69 1/2
United Aircraft.	37 1/2	36 3/4	37 1/2	36 3/4
Air Reduction.	53 1/2	52 1/2	53 1/2	52 1/2
Allied Cheml.	167 1/2	167 1/2	167 1/2	167 1/2
Col. Carbon	88	88	88	88
Dupont	145 1/2	148 1/2	145 1/2	148 1/2
Un. Carbide.	74 1/2	74 1/2	74 1/2	74 1/2
U.S. Ind. Alc.	16 1/2	17	16 1/2	17
Allis Chalmers	35	35 1/2	35	35 1/2
Gen. Electric	35 1/2	35 1/2	35 1/2	35 1/2
West. Elec.	95 1/4	98 1/2	95 1/4	98 1/2
American Can.	91 1/2	94 1/2	91 1/2	94 1/2
Addressograph.	21 1/2	21 1/2	21 1/2	21 1/2
Caterpillar.	45	45	45	45
Cont. Can.	37 1/2	38	37 1/2	38
Ingersoll Rnd.	102 1/2	102	102 1/2	102
Int. Harvester.	59 1/2	60	59 1/2	60
Johns. Manville.	76	75 1/2	76	75 1/2
Am. Radiator.	12 1/2	12 1/2	12 1/2	12 1/2
Corn Prods.	62 1/2	63 1/2	62 1/2	63 1/2
I. Case & Co.	79	78	79	78
Glidden	17	18 1/2	17	18 1/2
G. Am. Trans.	47	47 1/2	47	47 1/2
Allied Stores.	9	9 1/2	9	9 1/2
Celanese of A.	18 1/2	18 1/2	18 1/2	18 1/2
Ind. Rayon	20 1/2	20 1/2	20 1/2	20 1/2
Colgate Palm.	14 1/2	14 1/2	14 1/2	14 1/2
Eastm'n Kdk.	165	167	165	167
Glite	6 1/2	6 1/2	6 1/2	6 1/2
Loew's	44 1/2	44 1/2	44 1/2	44 1/2
20th Cen. Fox.	20 1/2	21 1/4	20 1/2	21 1/4
5. Retail Trade, etc.				
Mont. Ward.	50 1/2	50 1/2	50 1/2	50 1/2
J. C. Penney.	88	87 1/2	88	87 1/2
Sears Roebck.	74 1/2	74 1/2	74 1/2	74 1/2
Walgreen	18 1/2	19	18 1/2	19
Woolworth	46 1/2	46 1/2	46 1/2	46 1/2
Borden	20 1/2	20 1/2	20 1/2	20 1/2
Gen. Foods.	44 1/2	44 1/2	44 1/2	44 1/2
Kroger Grey.	25	26	25	26
Nat. Biscuit.	26 1/2	27 1/2	26 1/2	27 1/2
Nat. Dairy	16 1/2	15 1/2	16 1/2	15 1/2
Am. Tob. B.	84 1/2	84 1/2	84 1/2	84 1/2
Lorillard	22 1/2	23 1/2	22 1/2	23 1/2
Reyn. Tob. B.	37 1/2	40 1/2	37 1/2	40 1/2
Nat. Distillers.	25 1/2	25 1/2	25 1/2	25 1/2
Schenley Dis.	13 1/2	13 1/2	13 1/2	13 1/2
6. Finance				
Comel. Credit	47 1/2	46 1/2	47 1/2	46 1/2
Com. Inv. Tr.	78	75 1/2	78	75 1/2
Com. Inv. Tr.	50 1/2	52 1/2	50 1/2	52 1/2

* ad

Capital Issues

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Conversions	New Money
June 10, 1939			
To the Public	6,000,000	...	5,910,000
To Shareholders	31,240	...	93,720
By S.E. Introduction ..	60,000	...	59,250
By Permission to Deal ..	189,208	...	229,010
Savings Certs. week to June 3, 1939	Dr. 100,000	...	Dr. 100,000
Including Conversions			
Year to date			
1939 (New Basis)	56,138,706	...	53,907,639
1938 (New Basis)	91,090,880	...	76,856,507
1939 (Old Basis)	34,200,239	...	32,989,174
1938 (Old Basis)	64,952,057	...	51,667,799

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp.	Foreign ex U.K.
1939 (New Basis)	30,919,053	22,668,586	320,000
1938 (New Basis)	54,961,416	19,465,862	2,429,229
1939 (Old Basis)	18,260,333	14,408,841	320,000
1938 (Old Basis)	33,625,930	15,842,745	399,124

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1939 (New Basis)	30,357,893	3,000,856	20,548,890
1938 (New Basis)	42,164,732	7,041,045	27,650,730
1939 (Old Basis)	25,609,935	928,447	6,450,792
1938 (Old Basis)	33,863,766	12,240,231	15,325,537

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

Commonwealth of Australia.—Issue of £6,000,000 4 per cent. registered stock at 98½; redeemable at par January, 1964, or from 1961 on notice. A Trustee stock. Proceeds for defence (to be spent in U.K.). Population

1938: 6,864,000. Public debt, June, 1938: £A.686,142,710 in Australia; £stg. 544,252,619 in London; £stg. 44,630,432 in New York. Excess of exports, 1937-38: £stg. 11,848,000. Total revenue, 1937-38: £A.89,458,154. Lists closed at end of banking hours on June 7. Underwriters take up 80%.

FORTHCOMING ISSUE

Parnall Aircraft Limited.—It is proposed to create 1,200,000 new 5s. ordinary shares, ranking for final dividend for year to July 31,

marked improvement in the statistical position of the rubber market has been reflected mainly in the substantial premiums of forward over spot prices, but a further rise in spot prices is not unlikely.

* * *

Agricultural Development.—The publication of Sir Reginald Dorman-Smith's comprehensive Bill, rather surprisingly entitled the Agricultural Development Bill, clears up some of the ambiguities contained in the statement of policy made by the Minister a fortnight ago. The standard price for fat sheep is to be 10d. per lb. of dressed carcass weight, not live weight, as some wishful thinkers have hopefully argued. The standard quantity will not remain unalterably at 27 million head of sheep; if for two successive years the average market price falls below the standard price the latter will be reduced by $\frac{1}{8}$ d. for each quarter of a million by which the sheep population exceeds 26 millions, and if this action fails to restore the balance within two years the basic number will be reduced to 25 millions, until market prices have again equalled or exceeded the standard price. The section which deals with barley is drawn up in vague terms, presumably because the Government and the brewers have not yet decided on the type of subsidy to be given to growers of malting barley. But the Bill provides for a special subsidy to barley growers for the 1938 and 1939 harvest. The Bill also provides finance for the Government's stocks of agricultural machinery, but no mention is made of the stocks of fertilisers, which, according to the Minister, have also been acquired, or of stocks of seed which will certainly be necessary if the production of cereals is to be rapidly expanded in wartime. There is still no hint of any State encouragement towards land drainage, unless the annual grant of not more than £60,000 per annum for twenty years to the Agricultural Mortgage Corporation is regarded as an indirect subsidy; the grant will presumably enable the Corporation to lower the rates for its loans, which still remain at the high level which prevailed when the Corporation issued its 5 per cent. debentures.

* * *

The Co-operative Congress.—The Co-operative Congress held at Margate during Whitsuntide was quiet and undemonstrative compared with its predecessors. Mr W. B. Neville, the general manager of the London Co-operative Society, in his presidential address to the 2,000 delegates, deplored the dissipation of co-operative economic energy by "propagandists who find a first-class platform in the co-operative movement for the advocacy of their various specifics for the ills of a very sick world," and stressed the fact that the co-operative movement was essentially a trading and industrial organisation. He argued for the fuller development of co-operative factories and banking, and urged that in some circumstances it would be advantageous to take a controlling interest in established business rather than embark on limited production in a co-operative factory. On this point Mr Neville quoted figures showing the disposition of the funds of the Co-operative Wholesale Society. The assets at the end of 1938 totalled £140,229,269, of which only £25,187,125 is credited to land, buildings, machinery, stocks and investments in the joint co-operative enterprises. £81,330,718 has been placed with British Government long-term securities, while of £19,013,510 invested in other directions £904,317 is in commercial undertakings. He showed that in 1920 the percentage of all co-operatively produced commodities to total

sales was 20.5. In the eighteen following years to 1938 it rose to 21.8 per cent. only—a slow progression compared with the increase in retail sales. To follow up Mr Neville's proposals co-operative trade would have to be reorganised on modern lines and stimulated by the creation of a scientifically trained research and development department to seek new ways of reaching the public. The president's view of the economic foundation of co-operation impressed the Congress and gave pause to the arguments of the extreme political elements which have tended to divert the movement from its commercial functions.

* * *

Rise in Shipping Freight Rates.—The improvement in *The Economist's* index of tramp shipping freight rates continued during the past month, but at a much faster rate than between March and April.

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

	Average, 1913	Apr., 1938	May, 1938	Feb., 1939	Mar., 1939	Apr., 1939	May, 1939
European waters ..	110.0	108.2	109.2	105.8	106.4	113.8	119.8
North America ...	113.1	114.0	111.0	110.7	111.3	111.3	113.2
South America ...	123.4	131.7	132.3	117.1	104.7	97.2	103.2
India	106.3	106.0	111.7	108.2	109.6	114.8	122.2
Far East and Pacific	117.4	109.2	106.2	98.7	94.6	97.0	99.7
Australia	127.9	113.0	113.0	110.0	108.3	107.7	109.1
Total	116.3	113.7	113.9	108.4	105.8	106.9	111.2
1913 = 100	100.0	97.7	97.8	93.1	91.0	91.8	95.6

The increase was widespread, only one of the component series—homeward trade in the Bay—showing a slight decline.

	Index No.	Inc. or Dec. Points		Index No.	Inc. or Dec. Points
Home trade	113.4	+ 8.1	South America:—		
Bay—outwards ...	126.5	+10.9	Outwards	72.6	+ 7.6
Bay—homewards ..	129.0	— 1.6	Homewards	133.7	+ 4.4
Mediterranean:—			India—outwards ..	109.4	+ 8.4
Outwards	106.9	+ 9.7	India—homewards ..	134.9	+ 6.4
Homewards	129.5	+ 0.4	Far East, etc.	99.7	+ 2.7
North America ...	113.2	+ 1.9	Australia	109.1	+ 1.4

At the beginning of the month there was a consistent demand for tonnage at advanced values all round, the grain trade being particularly heavy. After a period of quieter conditions in the middle of the month there was a strong revival of demand from the River Plate last week and general chartering showed a moderate improvement.

* * *

Lower Tea Supplies.—The International Tea Committee has now published estimates for the supply of tea during the season which began on April 1, 1939. The quota for the season was fixed at 90 per cent. of the standard amounts, against 92.5 per cent. for the 1938-39 season, and supplies from the co-operating countries will reach 727.56 million lbs. against 747.80 million lbs. a year ago. The carry-over of unused licences from last season amounts to 26.47 million lbs., giving total permissible exports from the restricting territories (India, Ceylon and D.E.I.) at the rate of 754.05 million lbs. Owing to the war in China, the combined exports from the non-restricting countries in the new season should be below rather than above those in the preceding twelve months, so that world supplies may be some 15 million lbs. or so below the 1938-39 level. This decline in supplies coincides with a steady improvement in world absorption. For the first eleven months of last season world absorption is estimated at 803.67 million lbs., a rise of no less than 30 million lbs. compared with the previous year. It is especially satisfactory that this increase was shared by practically all the important consuming territories with the exception of the American continent, in which the Tea Development Committee has now intensified its propaganda. Supplies in the present season are still sufficient to meet any expected increase in absorption without a rise in prices.

INDUSTRIAL REPORTS

THE big improvement in the latest unemployment figures is reflected in the news from industrial centres. All districts report further increases in activity and in many cases it is becoming difficult to obtain supplies of both steel and coal. The output of coal for the week ended May 27th, at 4,768,600 tons, is 250,000 tons higher than in the corresponding week last year. The production of iron and steel is approaching a record.

In the lighter industries activity is also well maintained; the combination of Government orders and fine weather has been very beneficial to the cotton textile trade. The United States has invited ten of the major cotton exporting countries to a conference in the United States on September 5th to discuss the possibility of a world cotton marketing agreement. It is now thought that the consideration of an American cotton export subsidy is likely to be postponed until after this meeting, and raw cotton prices have, therefore, advanced.

Coal

Sheffield.—In the industrial section there is a steady call for steams, chiefly under contract, but there is room for improvement in the demand for smalls, of which stocks are considerable. Coking smalls are moving more freely owing to heavier consumption of furnace coke and the additional blast-furnaces in operation. Household demand has been reduced by the hot weather and that from public utility undertakings is normal for the season.

The export market is stronger, with a good demand for washed doubles and singles. Forward inquiries are on a good scale and bunker coal is in moderate request. The reduction of 1s. per ton in the Cartel price of furnace coke for export is likely to promote a better demand. All other prices are unchanged.

*

Newcastle-on-Tyne.—The inability of Germany to meet her engagements in the export of coking coal is diverting considerable trade to this district. Durham coking collieries are now so heavily committed that they have little coal to offer for delivery this year, and prices have advanced to as much as 20s. 6d. per ton f.o.b. Northumberland steam collieries are fully occupied so far as large coal is concerned, but there is still difficulty in disposing of smalls. Patent oven coke is steady under a good export demand.

*

Glasgow.—The market has been affected by the continued fine weather. There has been a marked contraction in demand in certain directions, chiefly the household trade, but also among the public utility undertakings. The supply position has therefore been much easier than for a month or two past. The shipping trade is keeping up well, and the improvement in this direction is one of the most encouraging features of the whole trade. Scandinavian markets have

been well represented in the increased business. Industrial demand is good owing to the continued activity in the iron and steel and ancillary trades. Employment at the collieries is good and prices are steady.

*

Cardiff.—Although current inquiries are not quite as urgent as they were a few weeks ago, there is a steady volume of new business and the collieries are now well stemmed over the next two or three months. The original quotas have been virtually exhausted, and at a meeting of the Central Council in London on Thursday applications for additional inland and export supply allocations of considerable quantities were considered from the principal coalfields. The tonnage position is favourable, and it is anticipated that this week's shipments will be well up to the pre-Whitsun improved levels. Outputs are better, and the production of the coalfield in the week ended May 20th was 110,000 tons greater than in the corresponding period last year. Second-class steam large coals are now available in increased quantities, but there is a scarcity of best large steam grades for prompt shipment, and dry sized classes are scarce and strong. Coke is very firm and the improved position in the patent fuel trade is being well maintained. Prices are nominally unaltered. It is reported that under the International Coke Cartel the prices for the Scandinavian countries have been reduced by 1s. per ton.

Iron and Steel

Sheffield.—Business this week has been on a good scale, especially in the steel section. It is becoming impossible to guarantee early delivery for basic steel billets, and the call for acid qualities is becoming more widespread. Business in wire rods and small steel bars is very active, while for strip there is substantial buying.

There is a very full demand for basic pig and output is being increased. Some use is being made of the accumulated stocks of forge and foundry iron at furnaces, but users show little disposition to buy forward until the duration of the existing range of fixed prices is announced. Deliveries of hematite are often being held up until the lower quotations come into operation, but some new business is being arranged for the third quarter of the year. There is no change in finished iron, though better orders for common bars are reported.

The output of steel in Sheffield is reaching a record tonnage, both for ordinary and special qualities. While the quantity of armament work continues to grow, there is also a very encouraging inflow of commercial orders, mainly on home account, but with a substantial volume from overseas.

*

Middlesbrough.—Shipments of pig iron from the Tees during May amounted to 4,384 tons, an increase of

2,700 tons over the previous month; but shipments of manufactured iron and steel totalled only 30,650 tons in May, against 32,900 tons during April.

Producers of basic steel are working to capacity, but increased commercial demands added to the volume of Government orders are necessitating the import of further quantities of semi-finished steel. Imports of this class of material during May were the highest since February, 1938.

The production of basic pig iron has increased since the beginning of the year, but it is all required for consumption in the local steelworks. The present restricted output of Cleveland foundry iron is ample for current needs, though foundries are taking slightly better tonnages. East coast hematite is in moderate request.

Demand for heavy steel melting scrap is very strong and steel makers have no hesitation in taking deliveries of any quantities offered at control prices. Good Durham blast-furnace coke is in ample supply, whilst imports of foreign ore remain about the same level.

*

Glasgow.—Users of every description of steel material are urging makers to give early delivery. Makers of light structures in Glasgow and in different districts in Lanarkshire have an exceptionally heavy amount of work on hand and are absorbing substantial quantities of steel. Supplies of Continental semis have helped to relieve the situation for some of the re-rolling industries, but there is still anxiety in many industries about supplies of their raw material. In every branch of the steel trade in this district there is intense activity and orders on the books are sufficient, in most cases, for many months' work.

*

Cardiff.—Practically all branches of the iron and steel industry in South Wales are very active. All the available pig iron furnaces are in blast and 96 per cent. of the steel furnaces. The tinplate industry is this week operating at approximately 70 per cent. of its capacity under the pooling scheme. Owing to the continued scarcity of scrap the melting furnaces are using increased quantities of pig iron, but foreign scrap is expected, and it is reported that from 15 to 20 vessels have been chartered for the transport of between 120,000 and 150,000 tons from the United States. The inland demand for tinplates is quieter but export business is more active, and it is expected that shipments may increase owing to the failure of Germany to fulfil contract deliveries. Prices are nominally unchanged, but those for tinplates will be reviewed again next month.

*

News from Abroad.—The demand on international steel markets shows no signs of recession. It is now felt that the favourable situation will be maintained over the whole of this year.

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

MATURED AND BOTTLED AT CHATEAU DE COGNAC

THE COMMODITY MARKETS

There is a certain reduction of purchases made against a possible emergency, since the most urgent amplification of stocks has now been effected.

Inquiries are being received from practically all steel-importing countries for the whole range of steel products. Semi-products are in particular request, chiefly from Great Britain, and it is expected that another supplementary quota for the English market will soon be fixed. Ship-plates are in keen demand, but buyers are trying to work down prices, assisted by American and other offers outside the price agreement. Otherwise, official prices are now being paid without much difficulty. Occasionally producers have been able to make price increases. On the Swedish market, for example, the quotations for plates and wire rods have been marked up. Furthermore, extras are sometimes being charged for quick delivery, particularly in the case of thin sheets.

The future price policy has recently been the subject of much speculation in market circles. Up to now, the request for a general price increase has been resisted in official quarters. It is to be expected that this problem will be finally dealt with about the end of this month.

Textiles

Cotton (Manchester).—Business has not been of a general character, but the undercurrent of inquiry remains more encouraging. Raw cotton prices have continued to advance owing to less favourable weather reports from the American belt. Also, there is now less expectation of an export subsidy, for it is thought that no action will be taken in Washington before the proposed International Conference in the United States in September. The tight spot position in Liverpool is becoming more pronounced and spinners are finding it difficult to secure supplies of certain types of material.

The yarn market has not been very active, but spinners have obtained some fair orders. Most of the American demand has run on coarse counts. Egyptian spinners are now receiving rather improved delivery instructions from Germany. Export business in piece-goods has been patchy. Rather less support has come from India, but useful orders have been secured in printed and dyed styles for the minor outlets of the Far East, South America and the Continent. The hot weather has had a marked effect upon clearances of light summer materials in the retail establishments, and the wholesale houses have reported much better deliveries.

★

Wool (Bradford).—Government orders have led to better conditions throughout the whole of the West Riding industry. Mills that have been comparatively quiet for months have shared in the increased orders placed, and very few carding machines are standing idle to-day, particularly in the woollen section.

The fixing of the price for 50's tops has given stimulus to other qualities, and there has been a great run upon New Zealand fleece and slipes in particular, whose prices are moving against the buyers.

THE strong upward movement in the prices of non-ferrous metals which occurred last week has not been maintained; with a slow demand, London prices of copper, tin, lead and spelter are all lower than a week ago. Wheat prices have also declined, on the reports of favourable rains in Canada, the United States and the Argentine. The undertone of most markets remains firm, however, as industrial activity in this country is steadily increasing. American crude oil prices were marked up last week, in the face of a noticeable increase in the demand for motor oils, and prices of raw cotton have also improved.

Moody's index of wholesale prices in the United States, reflecting the fall in the prices of important commodities, declined from 144.4 (December 31, 1931 = 100) on May 31st to 143.6 on Wednesday.

Metals

Copper.—After its recent rise, the price of standard cash copper reacted slightly and closed on Wednesday at £42 6s. 3d. per ton, a net loss of 8s. 9d. on the week. Demand was slack owing to the approach of the quiet season. There were no reports of further curtailments of production in the United States, although Kennecott and Phelps-Dodge are known to be preparing a certain reduction of their supplies.

★

Tin.—Demand in this market was very quiet this week and tin prices closed on Wednesday £1 10s. down at £225 15s. per ton. The price is now approaching the upper limit suggested by the pool agreement and consumers are obviously taking no steps to carry larger stocks, as the probability of a further large rise in price is small. At present, of course, new supplies are well below requirements, so that sooner or later the price must rise to about £230. When that limit will be reached depends largely on the result of next week's meeting of the International Committee, at which the quota for the third quarter of this year will be fixed. The statistical position would justify an increase in the quota of at least 5 per cent., but as the Committee may be in favour of selling some of the buffer stocks at an early date in order to accumulate liquid funds, the maintenance of the present quota is not impossible.

★

Lead and Spelter.—Lead prices lost 6s. 3d. to close on Wednesday at £14 7s. 6d. per ton, while that of spelter declined by 1s. 3d. to £14 2s. 6d. per ton. The turnover of the L.M.E. has increased this week, due to freer offerings rather than to a genuine rise in demand. The low rate of building activity still has a depressing effect on lead consumption, while the demand for spelter for A.R.P. purposes has fallen off of late.

Grains

GOOD rains have fallen in the wheat belt in both Canada and the United States, and much more favourable reports have been received of the condition of the growing wheat. The average of various unofficial estimates of the American crop indicates a harvest of about 700 million bushels, against 931 million bushels last year. Conversely, the hot, dry weather in Europe during the past fortnight has also benefited the wheat crop. In view of these favourable developments, the rise of wheat prices in Chicago has been checked and Liverpool prices are also rather easier. The maize market has also relapsed into a dull state, except for some speculative buying before the Argentine crop estimate of 5.15 million tons, a reduction of 250,000 tons on the previous estimate. The premiums for cargoes afloat have now disappeared. The rise in freight rates for immediate shipments has steadied the market for North African barley but the volume of business is small.

Other Foods

Provisions.—The seasonal improvement in the prices of Dominion butters continues and the hot weather brought a sharp rise in the price of Danish butter as well. After some weeks at a low level, egg prices in London improved last week.

★

Colonial Produce.—Dealings in the futures market for raw sugar have been small and centrifugals for prompt shipment are now quoted at 7s. 6d. per cwt., a fall of 6d. per cwt. from the prices obtained last week. Refined prices were reduced on Monday by 3d. per cwt. to meet a quieter demand.

★

Fruit and Vegetables.—The spell of hot weather has stimulated the demand for fruit and salads. Large supplies of English gooseberries are now on the London markets and realise good prices. Demand for strawberries is brisk and a large turnover is being done in English asparagus and tomatoes. The trade in old potatoes has fallen off, as demand is now concentrated on the new crop.

Miscellaneous Commodities

Oils and Oilseeds.—The market for these products have a firm tone. Indian linseed sells steadily, but English crushers have no interest in Plate linseed, whose price, affected by the import duty and the rise in freights, is out of line with that of Indian; America, however, is taking good quantities from the Argentine until the domestic crop is harvested. Supplies of Egyptian cotton seed on the spot are at a discount, and new crop is offered at £6 per ton for September loading; prices of linseed oil are firmer in sympathy with those of linseed.

★

Rubber.—The market has remained firm, except for a short period of weakness at the end of last week, and price are little changed. The prospects of the rubber market are discussed in note on page 617.

COMPANY MEETINGS

J. LYONS AND COMPANY, LIMITED

INCREASED BUSINESS AND PROFITS

POLICY OF NORMAL DEVELOPMENT DESPITE POLITICAL TENSION

FURTHER FACTORY EXTENSIONS

FACILITIES FOR STAFF SERVING IN FORCES

SIR ISIDORE SALMON ON COMPANY'S PROGRESS

The forty-fifth ordinary general meeting of J. Lyons and Company, Limited, was held, on the 6th instant, at the Trocadero Restaurant, Piccadilly Circus, London.

Sir Isidore Salmon, C.B.E., D.L., J.P., M.P. (one of the managing directors), presided.

REPORT OF THE DIRECTORS

The directors have the pleasure to submit their forty-fifth annual report, with a balance sheet and profit and loss account, made up to March 31st last, showing the financial position of the company at that date.

The business done by the company during the past year shows satisfactory progress, but the continued unsettled conditions make essential the providing of still more substantial contingency reserves against further abnormal expenses. After setting aside a sum for this purpose, the amount brought in from trading account shows an increase of £980 on last year's figure.

	£
The balance of trading account after providing reserve for contingencies (including N.D.C.) is	1,011,980.00
To which is to be added the amount brought forward from last year	145,188.74
Showing available for distribution a total of	1,157,168.74

From this total the following dividends have been paid or provided:—

On preference and preferred ordinary shares to March 31, 1939	490,353.27
On ordinary, "A" ordinary, proportional and "B" proportional profit shares—interim paid December 1, 1938	154,689.42

And the directors propose to deal with the balance as under:—

To pay a final dividend of 2s. 10d. per share on the ordinary and "A" ordinary shares, making 4s. 6d. per share for the year ended March 31, 1939	236,055.34
To pay a final dividend of 6.8d. per share on the proportional and "B" proportional profit shares, making 10.8d. per share for the year ended March 31, 1939	26,916.66
Leaving to carry forward to next account	249,154.05

The dividends received from subsidiary companies have been included in the company's trading account. In the aggregate the profits of the subsidiary companies exceeded the declared dividends. Losses of subsidiary companies so far as they concern this company have been dealt with in this company's accounts.

The board and the company have suffered a loss during the year in the death of Mr G. A. Pollard. He was held in the highest esteem both by his colleagues and the staff, and his passing is keenly felt.

Since the close of the year Mr J. M. E. Sierra has been appointed an employee director.

Messrs G. W. Booth and B. A. Salmon retire from the office of director, and being eligible offer themselves for re-election.

Messrs H. H. G. Bennett and L. H. Lampitt, employee directors, retire and are eligible for re-election.

Messrs Turquand, Youngs, McAuliffe and Company, the auditors, retire and are eligible for re-election.

(Signed) ISIDORE SALMON } Managing
HARRY SALMON } Directors.

Cadby Hall, London, W.14.
May 19, 1939.

CHAIRMAN'S SPEECH

Mr H. H. G. Bennett (one of the secretaries) having read the notice convening the meeting and the report of the auditors,

The Chairman said:—Ladies and gentlemen, my colleagues and I are pleased to welcome you once again at the annual general meeting and to lay before you the accounts of the company's forty-fifth year of trading.

LATE MR G. A. POLLARD

Before dealing with the main business of the meeting, it is my sad duty to refer to the loss we sustained just before the close of the year in the death of our friend and colleague, Mr G. A. Pollard. Mr Pollard had served the company zealously and untiringly for nearly 35 years and had been our colleague on the board since 1919. He was held in the highest esteem by us all, directors and staff alike, and his service to the company will be remembered with gratitude. We deeply mourn his passing.

Since the close of the financial year, as you will have seen from the report before you, we have appointed Mr J. M. E. Sierra an employee director. Mr Sierra has been in the company's service for more than 30 years and is our chief engineer. We are delighted to welcome him now as one of our colleagues.

It may be advisable to begin my comments on the figures by a word or two on the subject of the paragraph in the report which explains how the additional sum in the balance brought in from trading account is arrived at.

PROVISION FOR A.R.P.

This paragraph was inserted to drive home the fact that this balance is what remains after providing for contingencies, but it may be well to mention that the year's trading figures have borne a charge of £12,000 for expenses of Air Raid Precautions. Having in mind, however, that such expenses will be very heavy in the future, this method of treating them cannot be maintained. We cannot continue to charge them against revenue as if they were ordinary expenses of trading, and therefore, after allowing for common contingencies including provision for N.D.C., we have provided in the contingencies reserve a further sum to meet them. This provision, however, may not be sufficient, for in present circumstances it is next to impossible to arrive at a satisfactory estimate, and this must be borne in mind in looking to the future.

ADDITION TO CARRY FORWARD

Last year, you will remember, we suspended what had been for some years a regular practice—namely, the placing of a sum of £100,000 annually to reserve. Instead, we carried the surplus forward in the profit and loss account, making the comment that if our provision for N.D.C. were not sufficient we could draw upon

its balance for any deficiency. That, however, has not been necessary, but we have followed the precedent again this year, carrying forward the surplus in the profit and loss account. This figure, as you will see, now amounts to £249,154, so we should have a more ample amount to draw upon for air raid or other precautionary measures if our contingencies reserve should not be sufficient to meet these demands.

DISTRIBUTIVE POLICY

You will gather from these remarks that the year has been for us good one in that increased business has given increased profits, but that, as I have said, in these troublous times we do not feel justified in regarding these profits as available for distribution.

The balance of trading account is £1,011,980; adding to this carry forward from last year, £145,188, we have a total available for distribution of £1,157,168. Out of this we have paid or provided for preference, preferred ordinary, and interim dividends a sum of £645,042. From the balance we propose to pay the same interim dividends on ordinary, "A" ordinary, and proportional profit shares as last year, which will leave to carry forward to the next account the sum of £249,154, or £103,966 more than was brought forward from last year.

That, I think, is all that is necessary to be said on the report and profit and loss account, and I will now pass on to the figures of the balance sheet.

You will see we have again shown last year's figures side by side with this year's for purposes of comparison. We have again used in the balance sheet the decimal notation, our object being to draw some attention to our conviction that the adoption of decimal coinage would be of real value to the country. I am pleased to say that the Decimal Association, whose object is the achievement of this step, is receiving encouragement in its efforts from a number of bodies representative of the commercial interests of the community.

BALANCE-SHEET FEATURES

On the property and assets side of the balance sheet the first item, freehold land, buildings, etc., shows a further net increase of some £350,000, representing additional expenditure on buildings—mainly in factory extensions—and on new equipment and plant. The next item, investments, is £35,000 more than last year, accounted for by the provision of capital for another subsidiary company. Loans to subsidiary and associated companies are down by £33,000, of which £20,000 represents the repayment of part of the loan to Cumberland Hotels, Limited. The remainder reflects a quite normal fluctuation in the current financial requirements of subsidiaries. The figure of £200,000 in respect of a mortgage on freehold property has, you will see, disappeared, the mortgage having been repaid to us during the year in accordance with its terms. Stock in trade at £2,764,000 shows an increase of £166,000; this and debtors and cash call for no comment.

On the capital and liabilities side, mortgages are down by £17,000, representing repayments of principal and redemption policy premiums during the year. Trade and other creditors, etc., show an increase of £188,000, while the two items subsidiary companies, current accounts and deposits have together increased by £25,000. The surplus is, in round figures, £104,000 more—the amount added this year to the carry forward.

INTERNATIONAL SITUATION AND BUSINESS

The last six months of the year under review have been a period of unprecedented international tension, which, unfortunately, still continues. The great re-armament programme made necessary by it is placing on the country an increasingly heavy burden, which must have its effect upon our economic life for many years to come, even if, as we are all fervently hoping, the threats of war disappear. It may appear strange to talk or to think of development of the business in these conditions; but while it is likely that the slogan "business as usual," of which we heard so much in the last war, will not be heard again in time of war, we feel it is quite appropriate at this moment, and is serving the best interests of the country.

We are not retarding the normal development of the business; for we cannot supinely await a catastrophe which, however much it threatens to overwhelm us, may never materialise. Inertia in an undertaking of this magnitude must lead to retrogression—a result which would leave us less well equipped to meet and survive the catastrophe.

CONTINUED IMPROVEMENTS

We have accordingly been adding to our factories where necessary to meet the increasing demand for our various products; we

have continued our programme of improvement and modernising in our teashops and in other ways followed the normal course of development of the business.

During the year the Popular Café, Manchester, has been closed. This was one of the establishments in the Midlands and North of England which we acquired some 30 years ago. The licence attached to the premises was, unfortunately, a very restricted one, which meant that there was very limited scope for increase of business. We did not, therefore, feel justified in incurring the great expense involved in bringing the premises up to our present-day standard, and as an opportunity occurred of disposing of them on favourable terms, we took advantage of it.

The immediate burden of taxation has fortunately not been heavily added to this year, although one particular item in the Budget—the increased sugar duties—will cost us a considerable sum per year. But there are increasing demands being made upon industry for time and services on the country's behalf, the cost of which, though not easily assessable, is nevertheless very substantial. This is not meant as a grumble but as a reminder of what is demanded of us all in these times and of the fact that these expenses have the effect of additional taxation, although they do not appear in the Chancellor's Budget.

STAFF AND NATIONAL SERVICE

We, in common with others, readily bear our share of the necessary burden of ensuring the safety of the country, and acquiesce cheerfully in the efforts the country is making to be prepared. I think it is generally agreed that the response of employers to the need for co-operation in the increase of the auxiliary forces by giving facilities for their men to attend drills and annual training has been magnificent.

We ourselves have not lagged behind in this respect. Our employees serving in any unit of these forces are, and indeed have been for many years past, given leave to attend annual training in addition to their usual paid annual holiday. During attendance at annual training we make up their service pay to their normal wages and give them an additional allowance according to their personal circumstances. We shall do the same for those of our staff who, as members of the Auxiliary Forces, are called up for special service under the new Act—limited to the period of one month for each man.

CO-OPERATION ON FOOD PROBLEMS

In the crisis last September we were able to co-operate with various Government Departments and public authorities in schemes for meeting the food problems which then seemed likely to confront them. Fortunately, the emergency passed off and no call was made upon us beyond the preparation we made and the advice we gave at the expenditure of considerable time and energy. If an emergency should arise again we shall have gained valuable experience in conjunction with the authorities concerned and be ready and willing to place our productive resources at their disposal.

I referred earlier in my speech to the expenditure we have already incurred on air raid precautions. We had, even before the Civil Defence Bill was introduced, prepared a scheme for the protection so far as is possible of our personnel and premises, so great a proportion of which is in the vulnerable area of London. Indeed, for many months past a great deal of our thought and time has been devoted to this matter.

A.R.P. WORK

We have made good progress in the provision of concrete-lined trenches and shelters at our Greenford factories. At Cadby Hall, where we have large basement areas, suitable strengthening by means of struts is being provided. At both these places we have erected steel and concrete lookout towers. Large numbers of our employees have received, and others are still receiving, training in various A.R.P. services—such as first aid, anti-gas measures, decontamination, and fire fighting. We are providing equipment for all these services and for fire precautions, and we have a gas van so that these anti-gas wardens and first aid parties may be practised in the wearing of gas masks in the actual presence of gas. The response of our staff to the call for volunteers for these services has been very gratifying.

In conclusion, I want to say that once again our thanks are due to the members of our staff of all grades for their unflinching zeal in carrying out their duties. The successful results are due in no small measure to their loyalty and devotion to the company's interests and we want them to know that we appreciate the services they

render. I am sure that you, as shareholders, wish to be associated with us in this tribute to them.

I now propose the resolutions, which the secretary will read, and shall ask Mr Harry Salmon to second them.

The Secretary then read the resolutions as follows:—"That the report of the directors and the balance sheet submitted to this meeting be and are hereby adopted; that the payment of interim dividends of 1s. 8d. per share on the issued ordinary and 'A' ordinary share capital of the company, and 4d. per share on the proportional profit and 'B' proportional profit share capital of the company be and is hereby confirmed; and that a final dividend be paid for the year ended March 31, 1939, of 2s. 10d. per share to the holders of ordinary and 'A' ordinary shares of the company, and 6-8d. per share to the holders of proportional profit and 'B' proportional profit shares of the company who were on the registers on the 5th day of May, 1939."

MR HARRY SALMON'S REMARKS

Mr Harry Salmon, J.P. (one of the managing directors): Mr. Chairman, ladies and gentlemen,—I do not feel it is necessary for me to make a lengthy speech in seconding the resolutions, but there is one matter I should like to refer to. The chairman mentioned the restrictions on the licence of the Popular Café, Manchester, and that has prompted me to refer to a licensing matter which was recently discussed in "another place." A Bill called the Licensing (Declaration of Justices) Bill received on May 17th its first reading in the House of Commons. In introducing it Captain Arthur Evans said that some of the justices who, at Quarter Sessions recently, refused to confirm new licences granted by the local justices for establishments in the West End, were shareholders in companies operating restaurants and hotels in that district.

Obviously against his own wish, but in deference to the wish of the House, he stated that two of the justices were shareholders in this company. As we do not know their names we are unable to confirm or deny that statement, though we cannot think that any consideration of that kind influenced their minds; but even if it did, we should regard such an excess of zeal as detrimental to the company's interests. It would have been contrary to the directors' policy, for we have never in the whole course of the company's existence opposed or joined in opposing an application for a licence.

I should like to add that we were asked by a group of West End restaurants to join them in opposing the applications, but, as always, we declined to do so. In any case, we find it difficult to conceive an over-supply of restaurants in a district like the West End of London—the hub of the world—with its constant influx of enormous numbers of visitors from every part of the country, and, indeed, the world. In our view its need for licensing facilities cannot be judged on the same basis as those of an area where the population is stationary.

I have pleasure in seconding the resolutions.

The Chairman: Before I put the resolutions, are there any questions? (A pause.) Then I have much pleasure in putting the resolutions which have been proposed and seconded.

The resolutions were carried unanimously.

RE-ELECTION OF DIRECTORS

Major M. Gluckstein (one of the managing directors): Ladies and gentlemen,—I have pleasure to propose the re-election of Mr G. W. Booth and Mr B. A. Salmon. If I do not dilate at length on their abilities and their value to the company it is only in deference to what I know is their wish.

Mr Booth is a very familiar figure to you, for he has served the company for more years than perhaps he cares to be reminded of. His ability and energy are unabated, and we look forward to many more years of happy association with him.

Mr B. A. Salmon, though not yet a veteran, has spent his whole business life in the service of the company and has reached that maturity which comes of many years of experience.

I am sure you will agree that the company is fortunate in having two such men to assist in the direction of its affairs, and I therefore cordially recommend them to you for re-election. (Applause.)

Mr A. J. Wood: I have pleasure in seconding that.

The resolution was carried unanimously.

Mr G. W. Booth, on behalf of Mr B. A. Salmon and himself, thanked the shareholders for their re-election. The welfare of the company, he said, was their chief interest and they would continue to work for that welfare to the best of their ability.

The chairman then proposed the re-election of Mr H. H. G. Bennett and Dr L. H. Lampitt as employee directors of the company. Both these gentlemen, he said, had given yeoman service to the company and he could not speak too highly of their usefulness and

the way in which they did all they possibly could to assist the company.

Mr Harry Salmon seconded the resolution, and it was carried unanimously.

Mr H. H. G. Bennett, on behalf of Dr Lampitt and himself, thanked the shareholders for their re-election. Their work for the company was as near pleasure as work ever could be, and was made so by the kindness and consideration they always received from those they were proud to call their colleagues on the board. He assured the shareholders that they would continue to give whole-hearted devotion to the interests of the company.

On the motion of Mr G. L. Lyon, seconded by Mr F. J. Sims, the auditors, Messrs Turquand, Youngs, McAuliffe and Company, were re-appointed.

VOTE OF THANKS TO DIRECTORS AND STAFF

Mr A. J. Wood said it had been his privilege on many previous occasions to propose a vote of thanks to the directors and staff, and he did so this year with particular pleasure in view of the difficult conditions obtaining during the past financial year. The crisis in September dislocated business all round and the Christmas shopping week was one of the worst ever known. In spite of all that, the results obtained far exceeded the anticipations of the most optimistic. He would like to add that he was sure the directors had the support of the shareholders in conserving the resources of the company as they had done in view of the international position. (Applause.)

Mr F. M. Wharton, in seconding the resolution, said that the prosperity of the company continued in such a way that it might be thought by some that it went on automatically, as if the directors had discovered the secret of some wonderful perpetual motion, but he felt sure that all those present would agree with the proposer of this resolution that it was, in fact, due to the work and ability of the board and of their associates and employees, who had maintained profits in very difficult times. (Applause.)

The vote was unanimously accorded amid applause.

The chairman said that on behalf of his colleagues and himself he would like to thank Mr Wood and Mr Wharton for the very kind way in which they had submitted the resolution and the shareholders generally for their acceptance of it.

The proceedings then terminated.

LISBON ELECTRIC TRAMWAYS, LIMITED

SUCCESSFUL YEAR—INCREASED PROFIT

The forty-first ordinary general meeting of this company was held, on the 7th instant, in London.

Mr A. N. Rye, M.I.E.E. (the chairman), said:—The traffic still continues to be satisfactory. During the year 131,987,670 passengers were carried, which is an increase over the preceding year of 5,224,975, and again constitutes a record.

The working profit for the year as shown in the accounts at £171,498 5s. 11d. is an increase of £5,736 19s. 1d. on the preceding year.

The board now have pleasure in recommending the declaration of a final dividend of 4½ per cent. net on the ordinary shares. This with the interim dividend that has been paid will make 7½ per cent. net for the year, which is at the same rate as for last year.

The Lisbon municipal authorities have under consideration a town planning scheme and we have assured them that when they are ready to discuss with us the transport requirements which may be necessary for their scheme our company will be willing to give careful consideration to their proposals. We do not yet know what will be required, but it appears probable that considerable capital outlay may be necessary. As, however, the scheme is for the progressive development of Lisbon, it is expected that any expenditure on our part will be spread over a period of years.

It may be of interest to mention that on March 31st last we had on our pay roll in Portugal 3,853 employees, excluding casual labourers. Another interesting fact is that of this large number only 16 are British, which, I think, is clear evidence that we are giving full effect to the wishes of the Portuguese authorities that we should employ Portuguese in preference to foreign personnel. No company could wish for a more loyal, competent and trustworthy body of men than our Portuguese staff.

Our relations with the Portuguese Government departments and the municipal authorities of Lisbon continue on a very friendly basis, and it is our policy to meet their requirements to the utmost of our ability, while they on their part are always willing to consider any views we put before them.

The report and accounts were unanimously adopted.

SUEZ CANAL COMPANY

REPLY TO ITALIAN CLAIMS

PRINCIPLES ACTUATING BOARD'S POLICY

MARQUIS DE VOGÜE'S SPEECH

The annual general meeting of the Suez Canal Company was held, on the 5th instant, in Paris.

M. le Marquis de Vogüe, chairman of the board of directors, presided.

The Chairman said:—Encouraged by the results obtained, and fortified by your confidence, we shall pursue our policy, without being affected by contradictions or criticisms to which, in the confusion of present times, it may give rise. These are singularly troubled times indeed, when the essential principles of moral law are flouted, when the pledged word is no longer considered as sacred, when integrity is considered "a luxury reserved for the rich," when from an official platform the words, "force is the foundation of relations between peoples," can be hurled to an exulting crowd. It is a new law which is being evolved, founded on violence and envy, and where the Rome of the glorious days, the Rome of "jus gentium," would have difficulty in recognising her generous and civilising inspiration.

By reviving ways of which this great ancestor had condemned the barbarism, the would-be innovators have shown a desire to try their hand on your company.

ITALIAN CLAIMS

It is in Italy that the movement started, by a veritable crusade in which all the papers of the peninsula enrolled, great and small, those of the capital and those of the provinces, with a unanimity the source of which is not difficult to guess. Relying on inaccuracies as regards facts, on errors of dates or figures which denote an extreme bad faith if they are deliberate and an extreme ignorance if they are not, its promoters and their allies have striven to contest our rights, to belittle our management, to cast doubt upon our integrity.

Our modern crusaders have even summoned history to their aid. According to them, Ferdinand de Lesseps was no more than an impostor skilled in the art of parading in borrowed plumes. The Canal, they say, is the work of three Italians: Negrelli, who drew up the plans; Paleocapa, who supervised the work; and Torelli, who carried out the propaganda and brought in the subscriptions.

Now, Negrelli, a talented Austrian civil engineer and a member of the "Société d'Études," founded by Infantin, in which he was at the head of a German group, died in 1858, a year before work was even started on the execution of a plan which was not his own and of which a Frenchman, Linant de Bellefond, was the inspirer. Paleocapa, in a letter dated the same year, 1858, asks to be excused by de Lesseps for not being able to collaborate on account of his having been stricken with blindness. Moreover, it is well known that the execution of the work was entrusted almost entirely to French civil engineers under the direction of Mougél and later of Voisin. As to Torelli, on the eve of the opening of the Canal, when all work was practically finished, he wrote to a friend in the following terms:—"In Italy people are beginning to take the great enterprise seriously—it is somewhat late, but better late than never." Indeed, only 2,719 shares had been taken up in Italy, scarcely more than ¼ per cent. of the capital—whereas de Lesseps' appeal had been answered in France by the purchase of 207,888 shares—i.e. 52 per cent. of the capital.

The professed object of all this clamour, where political purposes can be seen behind the claims to imaginary rights, is to secure seats on the board for Italy and an extensive reduction in transit dues, pending the dispossession of your company and its replacement by an International Commission. In answer to pretensions actuated by such a spirit and formulated in such a manner, we shall only state once again the principles which guide your board in carrying out the mandate which you have entrusted to them.

PRINCIPLES OF BOARD'S POLICY

In the first place, it is an unalterable and absolute rule for the board not to operate the Canal, as it is accused of doing, by stint-

ing on what it should do and for the sole benefit of the shareholders. Conscious of the responsibility assumed towards Egypt, from whom it holds its rights, and towards universal trade, in the interest of which these rights are exercised, the first and foremost care of your company is to endow the Canal, in advance wherever possible, with all the improvements called for by the growing requirements of navigation.

Furthermore, your board have always applied themselves to making reductions of dues and increases of dividends go together, showing thus their firm will not to dissociate the interests of ship-owners from those of shareholders.

The company, at the instigation of the board, has gone even further, and, anticipating an idea which is sometimes considered an achievement of modern outlook, has for over 50 years admitted to the management of the undertaking representatives of users of the Canal. By virtue of an agreement signed by Ferdinand de Lesseps in 1883, seven seats on the board were reserved for representatives of the British mercantile marine. Other shipowners, chosen in France, Holland or Germany, joined the board later on. Circumstances may lead the company not to stop at that, but the company is sole judge of the opportuneness of a decision. It is, in any case, indispensable that representatives of users, when joining the board, should do so with the desire to collaborate loyally in the proper running of the concern, and not with the intention of thwarting it, for it would be ridiculous to open the door of a house to someone wishing to gain admittance merely to ransack it.

EGYPTIAN, BRITISH AND FRENCH INTERESTS

In maintaining these points of view, which are, you will agree, founded on reason itself, we are certain of being in complete agreement with the Governments whose opinions weigh with us, and in the first place with the Egyptian Government. The Suez Canal is in Egyptian territory; this sometimes appears to be forgotten. If Egypt thought fit to entrust the construction and management of the Canal to a private company, and if she has organised its protection within the limits of treaties and conventions signed by her, that brooks no interference. It is Egypt's rights which we defend when we defend our own, and the Egyptian Government, in safeguarding the free exercise of our rights within the terms of the concession granted us, and which we administer under its control, is serving at the same time the interests of Egypt, both present and future.

Besides, it must always be borne in mind that Great Britain is the largest shareholder in the company, and that the majority of the capital belongs to the French. Hence the obligation for the British and French Governments to defend, the one, their own interests, and the other the interests of their nationals. They are each devoting themselves thereto with a firmness to which we are pleased to pay tribute.

Everything incites us, therefore, to continue on our road without any change in our course of action, deaf to unjust criticisms and empty threats.

The meeting unanimously approved all the resolutions presented by the board.

ANNUAL REPORT

The following are extracts from the directors' report:—In 1938 shipping through the Canal was slightly less than during 1937. To the reduction in sterling receipts resulting from this fall in traffic was added the effect of two reductions in dues: one made on April 1, 1937, the influence of which was felt during the first quarter of 1938; the other, which was only in force during the last two weeks of the year. As to expenditure, it would have remained approximately the same had it not been for a monetary factor: the rise in the price of gold which brought about increases in charges for debentures, for interest on and amortisation of shares, and for the service of certain debts at present on the gold basis.

The reduction in receipts and the increase in expenditure have brought about an appreciable reduction in the net results of the year, which, expressed in Egyptian pounds, are 18.6 per cent. less than 1937. On the other hand, the depreciation of the French franc has once again swollen, although to a lesser extent than last year, the results which, converted into French francs at the average rate for 1938, show a surplus of receipts of 953,021,522.81 f., an increase of 11.8 per cent. over 1937.

As last year, to this figure must be added a purely financial profit which amounts to 65,074,859.74 f. and arises from the advantageous

conditions in which, during the year, transfers of funds have been made between London and Paris.

BURDEN OF TAXATION ON SHAREHOLDERS

These results warrant our proposing to fix at 900 francs the gross revenue of the Action de Capital, whilst at the same time making all necessary allocations to amortisation and reserve funds. This revenue of 900 francs represents, as compared with that of the previous year, an increase of 9.75 per cent., which approximates the rise in the cost of living in France during the last year. Thus, in spite of the slowing down of general economic activity, the purchasing power represented by the gross revenue of the Action de Capital will have remained practically constant.

If such is not the case for the net revenue, this is due on the one hand to the increase in the rate of French taxes, on the other hand to the fact that profits distributed this year will be subject for the first time to Egyptian income tax. This tax, which was voted last January, affects all payments made since September 1, 1938; its rate, which is at present 7 per cent., is to be gradually increased to 10 per cent. during the next three years. Taking the French taxes into account, the fiscal load to be borne by most shareholders of the company has become extremely heavy. It is consequently our earnest wish that between the Egyptian and French Governments a convention on double taxation should rapidly materialise, permitting a limitation of the total fiscal burden imposed by the two States.

TRAFFIC THROUGH THE CANAL

Traffic through the Canal in 1938 amounted to 6,171 transits, representing 34,418,000 tons net register. Although this tonnage shows a reduction of 2,073,000 tons, or 5.7 per cent., on the exceptional figure for 1937, it is nevertheless greater than that for any other year, in particular 1929, a year of great commercial activity.

The reduction, as compared with 1937, is due for the greater part to the falling off of Italo-Abyssinian traffic, which, from one year to the other, dropped by 1,222,000 tons—i.e. more than one-third. Apart from this particular traffic, the reduction is of 851,000 tons—i.e. 2.6 per cent.

The classification of net tonnages by nationalities shows that British traffic still occupies the first place, with a tonnage of 17,358,000 tons, which is 50.4 per cent. of the total, against 47.3 per cent. in 1937. On the other hand, Italian traffic, while still occupying second place, has fallen by more than one-fifth from one year to the other, and its percentage is now only 13.4 per cent., after having been 16.1 per cent. in 1937 and 20.2 per cent. in 1936. Then come Germany, the Netherlands, and France.

The number of passengers has fallen from 697,800 to 479,802, the reduction being mainly in passengers of Italian nationality.

Goods through the Canal have, as usual, been more affected than tonnage by causes of depression. The total weight of goods reached 28,779,000 tons, 12.2 per cent. less than in 1937.

The north-south movement, which depends on European exports, has been particularly affected, having had to suffer not only from the state of economic crisis, but also because of the restrictions due to the Sino-Japanese conflict.

From south to north the total was 21,011,000 tons, a reduction of 1,608,000 tons, or 7.1 per cent., on the exceptional results of 1937.

IMPROVED EFFICIENCY

The conditions in which, in 1938, transits of the Canal were made, were fully satisfactory. They bear witness to the continuity of progress made since its origin in the functioning of the great highway of international commerce which the Suez Canal constitutes. Thus, thanks to the improvements carried out it has been possible, in spite of the growth of traffic and the increase in the dimensions of transiting ships, to ensure that these can transit the Canal with ever-increasing ease and security. Whilst during the early years of the working of the Canal there was an average of 150 groundings per thousand transits, this figure was reduced in 1900 to 17; in 1938 it was only three, and even this reduces itself to 1½ per thousand if groundings due to causes of *force majeure*, such as sudden squalls, fogs, or engine breakdowns, are eliminated.

The results just analysed show (as always with a certain time-lag) the evolution of world economy. This economy remained very much depressed during the whole of 1938, and the examination of the present situation does not give much hope of an immediate recovery.

The revival which has shown itself during the last few months in European exports to China and Japan—exports which, as we have already stated, had considerably fallen last year—is, however, to be noted as a favourable symptom as regards Canal traffic. The future remains uncertain and will remain so as long as the evolution of world economy is dominated by the uncertainty of the international political situation. But the day when, as all of us wish, these anxieties disappear, there is every reason to believe that economic activity and international exchanges will rapidly develop; the firmness shown during the last few months by the gold price index of primary commodities is, in this connection, an encouraging indication. The traffic of the Canal which, in spite of present circumstances, shows a remarkable resistance to a reduction would then have every chance of regaining its upward trend.

The full report may be obtained upon application at the company's Inquiry Office, 6 Bishopsgate, London, E.C.2.

HENDERSON'S TRANSVAAL ESTATES, LIMITED

EMINENTLY SATISFACTORY RESULTS

MR W. L. CASTLEDEN'S SURVEY

The twenty-seventh ordinary general meeting of Henderson's Transvaal Estates, Limited, was held, on the 7th instant, at River Plate House, Finsbury Circus, London.

Mr W. L. Castleden (deputy chairman and managing director), who presided in the absence of the chairman, Sir Abe Bailey, in the course of his speech said:—The profit for the year is £73,592—rather more than £2,200 below that of the previous year. Adding to this the balance of £52,064 brought into the accounts, we have a credit to profit and loss amounting to £125,656. Out of this your directors recommend a first and final dividend of 12½ per cent. for the year, less income tax, the same dividend as for the previous two years, leaving £55,226 to be carried forward, subject to the directors' additional remuneration amounting to £1,565 14s. 11d.

On the revenue side the most satisfactory and important feature is the increase in our return from dividends and interest by about £2,700. Owing to the conditions which have prevailed throughout the year, the opportunities for making any profit from share dealings practically disappeared and our revenue had no assistance from this source, which last year produced £4,108.

It is with satisfaction that, notwithstanding the general low level of market quotations, we are again able to inform you that on March 31st the market value of our quoted investments in the aggregate was in excess of book values; the same remark applies to the holdings in our own subsidiary and associated companies.

During the Henderson Consolidated Corporation's financial year, which ended on December 31, 1938, income generally was well maintained and there was an increase in the return from coal interests. The demand for farming land, however, was negligible and no properties were disposed of during the twelve months. The corporation repeated the previous year's dividend of 15 per cent. and carried forward a balance of £31,891.

DELAGO BAY DEVELOPMENT CORPORATION

This corporation during the financial year ended June 30, 1938, earned a slightly smaller net profit but, nevertheless, was again able to pay a dividend of 4 per cent.

The Tweefontein United Collieries, Ltd., continues to maintain its satisfactory position among the leading coal producers of the Transvaal. Although the tonnage actually sold during the year ended September 30th last showed a slight reduction, the profits for the year were on a higher level, which enabled the company to increase the rate of dividend paid on the Ordinary share capital from 15 per cent. to 17½ per cent., the Preference dividend being maintained at the maximum rate of 10 per cent. for the year.

Perhaps, ladies and gentlemen, I may be forgiven for reminding you that, during the past fifteen years—years which have included both the world economic crisis and a series of international crises—the shareholders of this company have received no less than 108 per cent. in dividends, or an average of over 7 per cent. per annum; while, at the same time, we have continued to build up the strength of the company to its present sound position. (Hear, hear.) I trust that the account which I have just given you of the company's affairs will have satisfied you that we are in a position to face the future with comparative confidence.

The report and accounts were unanimously adopted.

ASSOCIATED NEWSPAPERS LIMITED

THE HON. ESMOND HARMSWORTH'S REVIEW

A DIFFICULT YEAR

The thirty-fourth annual ordinary general meeting of Associated Newspapers Limited (proprietors of *The Daily Mail*, the *London Evening News*, and the *Sunday Dispatch*), was held, on the 8th instant, in the Memorial Hall, Farringdon Street, London.

The Hon. Esmond C. Harmsworth, the chairman, presided.

The Secretary (Mr J. P. Hobbs, F.C.I.S.) read the notice concerning the meeting and the report of the auditors.

The Chairman, in moving the adoption of the annual report and balance sheet, said:—Ladies and gentlemen, the directors' report and the balance sheet have been in the hands of shareholders for several days, therefore, with your approval, I will take them as read.

The profit of the company for the year to March 31st last, after providing for interest on the company's 3½ per cent. registered notes, depreciation of plant and machinery, National Defence Contribution, income tax, etc., was £445,266 ls.

The dividends on the 5 per cent. preference shares and 7 per cent. ordinary shares have been paid.

During the year two interim dividends of 4 per cent. each were paid on the deferred shares, one in July and the second in January. It is now proposed to pay a final dividend, making a total of 12½ per cent., less tax, for the year.

From the balance on the appropriation account £100,000 has been allocated to reserve for contingencies.

The balance sheet is presented in the same form as previous years, and there are few items that call for comment.

Share and loan capital are unaltered except for the reduction of the amount of the 3½ per cent. registered notes by £25,000, this amount having been drawn in October last, for repayment of 101 per cent. on November 1st, in accordance with the terms of the issue.

The reserve account and pensions funds are unchanged. In the item for dividends, provision has been made for the final dividend on the deferred shares. With regard to creditors and reserves for contingencies, I might mention that there is a considerable decrease in the amount included for ordinary trade creditors this year.

On the assets side of the balance sheet the book values of properties and plant, after depreciation, show a reduction of £86,455. The item for stocks of paper, etc., is £79,183 less than last year, as we were carrying considerably smaller stocks of newsprint.

The item amounts owing by subsidiary companies shows a reduction on last year, and the small alteration in the figures for investments is mainly accounted for by an arrangement concluded in respect of one of our provincial newspapers. The return the company received from its total investments amounted during the year to just under 6 per cent., and the return from our investment in our provincial newspapers was slightly in excess of 6 per cent. I think shareholders will regard these results as satisfactory.

Debtors remain practically the same as last year. Cash at £459,783 6s. 10d. shows a healthy increase.

ANGLO-NEWFOUNDLAND DEVELOPMENT COMPANY, LIMITED

The Anglo-Newfoundland Development Company has recently announced its final dividend for the year of 3½ per cent., making 6 per cent. in respect of 1938 as compared with 8 per cent. for the previous year.

As you are aware, the Newfoundland Company derives a large part of its profits from its mining interests, and owing to the much lower average prices of lead and zinc for 1938 as compared with 1937 the company received considerably less revenue from its interest in the Buchans Mine. On the newsprint side of the business there was some increase in profit, but as the result of a drastic shrinkage in world consumption of pulp and paper products in 1938 the Anglo-Newfoundland Company, in common with many other newsprint manufacturers, was compelled to reduce its scale of operations and with the increased cost of production applicable to a smaller output the advantage of a higher price was largely offset.

In the past year or two the Newfoundland Company has spent large sums on improvements and additions to its plant and

machinery and has thereby put itself into a good position to take advantage of any improvement in the trade in the future.

I can again repeat that we are well satisfied with the position and prospects of this company and with our investment in it. The Anglo-Newfoundland Company's annual meeting will be held shortly and the chairman's speech will be published as usual in *The Daily Mail*.

ADVERTISEMENT REVENUE

With regard to advertising, there is no need for me to refer at length to the great difficulties of the year which every business has had to face.

A state of affairs developed in which effort and enterprise were negated to a considerable extent by the threats of obscurities of the European situation.

Although our publications retained their pre-eminence in the advertising field, it was only to be expected that they would be among the newspapers most affected by the general setback, seeing that in normal times they enjoy perhaps the highest advertisement revenue of any group of newspapers in the country.

It is, however, both gratifying and significant that for the year under review our sum total advertisement revenue should have reached its very high figure.

"THE DAILY MAIL"

Throughout the last financial year *The Daily Mail* again carried more trade display advertising than any other newspaper in the country.

This lead in advertisement revenue, which *The Daily Mail* has maintained now, year after year, over all competitive publications, continues as a highly satisfactory feature.

It demonstrates, in a very practical manner, that *The Daily Mail* continues in its unique position as the most powerful advertisement medium in the country, and is the first newspaper to be considered whenever national advertising appropriations are being allocated.

"THE EVENING NEWS"

The position with *The Evening News* also gives rise to satisfaction. In net sales to the public *The Evening News* has a big lead over its nearest rival to the extent of hundreds of thousands of copies per day, and the ascendancy is just as marked in the direction of advertisement revenue.

During the year under review nearly 30 per cent. more trade display advertising was carried by *The Evening News* than that apportioned to the second London evening newspaper.

Trade display advertising includes store and drapery announcements which are keyed for the purpose of keeping check on response. Such advertising can thus be accepted as a guide to the comparative pulling powers of the newspapers being used.

It is significant to note, therefore, that over our last financial year *The Evening News* carried more store and drapery advertising than the two other London evening newspapers combined.

In single column inches the actual 12 months' total for store announcements in *The Evening News* is nearly double that for the second London evening newspaper and well over double that for the third.

"SUNDAY DISPATCH"

In Sunday journalism the *Sunday Dispatch* continues to hold, and to an extent improve, its great position among Sunday newspapers. This applies not only to net sales but to advertisement revenue as well.

As one indication, records for the six months ended March 31, 1939, show that the *Sunday Dispatch* carried more advertising, in comparison with the corresponding period of the previous year, to the extent of nearly 1,000 single column inches.

The Overseas Daily Mail has again had an excellent year. There is evidence enough that this popular weekly edition of *The Daily*

Mail, with its special colour issues, is undoubtedly doing good work for British trade, especially in the Empire markets.

Individually and collectively, therefore, your publications have come through a period of alarms and unrest in a manner which speaks for their strength and prestige.

The confidence can most definitely be expressed that every move towards the settled conditions favourable to normal buying and selling will see an immediate corresponding advance in the advertisement revenue of your newspapers.

In support of this is the fact that in volume of display trade advertising *The Daily Mail*, in particular, well maintained its lead over all other newspapers during the opening months of the current financial year.

It is with satisfaction that I can report that the sales of our three papers, *The Daily Mail*, *Evening News* and *Sunday Dispatch*, are all—at the present time—in excess of those for the corresponding period last year.

IDEAL HOME EXHIBITION

The *Daily Mail* Ideal Home Exhibition was held at Earls Court for the first time, and 473,869 visitors paid for admission. Many exhibitors reported that business at the Exhibition was better than elsewhere in the country, and in a large number of instances that results had exceeded what they had expected.

International interest in the Exhibition was shown by exhibits, which included those of Australia, the Dominion of New Zealand, the Indian Coffee Market Expansion Board, and a number of Continental countries. National Services took up the opportunity the Exhibition offered for close and friendly contact with the public. There were successful exhibits representing the Navy, the Army, the Air Force, Territorial Army and the Home Office A.R.P. Section.

We might claim, finally, that *The Daily Mail* in presenting and maintaining its unique Exhibition at an even higher standard than usual gave to the people and the business of Great Britain a wholesome centre for relief from the stress of the times.

Our provincial newspapers maintained their position both in regard to sales and advertising revenue, and although they had to bear an increase in the cost of newsprint, the dividends they paid to this company gave the satisfactory yield on our investment to which I have already referred. During the year your directors were able to effect a merger of our paper in Leicester—the *Leicester Evening Mail*—with the opposition paper the *Leicester Mercury*. Under this arrangement both papers continue their separate entities but with the elimination of unnecessary and costly expenditure. So far the results have fully justified the arrangement made.

NEWSPRINT

In my reference to the Anglo-Newfoundland Development Company, Limited, I mentioned the subject of newsprint. During the year under review your company had to bear a heavy increase in the cost of this raw material, and the fact that this rise coincided with a lower output of newsprint by the Anglo-Newfoundland Company with increased costs of production and a falling off in that company's profits from its mining interests, meant that the dividends from our investment in Anglo-Newfoundland Development Company, Limited, did not show the increase for which we had hoped.

A review of the newsprint position at the present time would not indicate that there should be any further increase in price in the immediate future.

In the directors' report on the printed balance sheet reference is made to the reduction in the company's profits. I have already explained that the extra cost of newsprint is one of the main reasons for the reduction. There is also the fact that this year's profits are reduced by the income tax payable on the higher profits of last year, for, as you know, income tax assessments are always made on the previous year's earnings. For the rest we must look to the unprecedented conditions existing in an unsettled world, which applied to a greater part of the period covered by the accounts you have before you. I do not propose to introduce a gloomy note into my speech, but I suppose there is hardly a business of any kind in the country which has not felt the effects of the tension and unsettled conditions through which we have been passing.

A newspaper business is, of course, particularly susceptible to such conditions as it not only suffers a loss in revenue from advertisements, but in its service to its readers it is called upon to incur heavy extra expenditure on such items as sending extra correspondents to

different parts of the world and the printing of special late editions in times of crises, etc. In spite of these facts, however, I hope you will agree that we should count ourselves fortunate in the strength and stability of our business, and the fact that we have been able to make such a good showing. As to the future, I find it difficult to make a forecast, but I can only say that your directors are satisfied that any improvement in the international situation and in world trade generally should be reflected in the results of your company.

Last year, as you know, we decided to alter our policy of paying quarterly dividends on the deferred shares and paid two interim dividends, one in July and a further one in January, and in passing the accounts to-day you are asked to approve the payment of the final dividend of 4½ per cent. It is obvious that it is necessary to continue this prudent policy and this year we propose to pay an interim dividend on the deferred shares in January, 1940, and the final dividend when we meet again next June.

This year I want to pay a specially warm tribute to our many loyal friends connected with the industry, particularly to the advertisers and advertising agents, who have shown great courage under trying conditions, and also to the wholesale and retail newsgagents. May I also acknowledge to our staff throughout the business our thanks and appreciation for their loyalty and good work.

The chairman concluded by moving the adoption of the report and accounts.

Mr Stanley Bell (managing director) seconded the resolution, which was carried unanimously.

The retiring directors were re-elected, and the auditors, Messrs Lever, Honeyman and Company, were reappointed.

The proceedings terminated with a vote of thanks to the chairman and directors.

MALACCA RUBBER PLANTATIONS, LIMITED

REPLANTING PROGRAMME

The thirty-third annual general meeting of the Malacca Rubber Plantations, Limited, was held, on the 6th instant, in London.

Mr Charles Emerson (the chairman) said that last year he had indicated that it was unlikely that profits for the year which he now had to review would be as considerable as those obtained for 1937, and that had proved very definitely the case. They had made a profit of £41,722, or less than half that obtained for the previous year. They regretted that they were unable to recommend a dividend on the ordinary stock. They were impressed with the necessity of conserving their financial resources in view of their heavy replanting programme.

The problem of replanting was the most important one that confronted all the senior rubber plantations at the present time. At the end of the year this company had an area of 1,350 acres already replanted; during the current year they were dealing with a further 1,050 acres, and they had sanctioned for treatment in 1940 an area of 1,040 acres. That gave a total of 3,440 acres, which was a very considerable area even in relation to their large total acreage. Looking further ahead, it was exceedingly difficult to give any definite estimate of the areas which would subsequently have to be treated.

There was a marked and significant contrast between the crop they had been allowed to export for the year under review and that for 1937. For 1937 their exportable crop had amounted to 5,985,628 lbs., whereas for 1938 the figure was 3,591,267 lbs. The adverse effect on production costs was obvious; there had been an increased cost of production and less rubber to sell. The decline in profits would have been steeper but for advantageous forward sales. For the current year the standard assessment was 6,957,822 lbs.

Their financial resources, despite the heavy inroads on them made by their replanting operations, were still very considerable, but, as it was apparent that large demands would be made upon them before they had finished replanting their older areas, a conservative financial policy was indicated, and was in the best interests of investing shareholders.

The report was adopted.

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

BOOTS PURE DRUG COMPANY, LIMITED

LORD TRENT'S REVIEW OF A SUCCESSFUL YEAR

The fifty-first annual general meeting of Boots Pure Drug Company, Limited, was held, on the 8th instant, in Nottingham.

The Rt. Hon. Lord Trent, chairman of directors, said:—Our trading profit, after providing for contributions to staff pension funds, management remuneration, income tax and National Defence Contribution, amounts to £951,009—an increase of £10,677.

The profits before taxation have only once been beaten, and that was in 1936-37, when chemists' trade was exceptionally good. The figures on our profit and loss account emphasise the heavy burden of taxation which is now being borne by industry.

Repairs and renewals, whilst less than the abnormally high figure of last year, are well up to our average of the past few years. Depreciation shows an increase of over £11,000.

The net balance amounts to £776,292—an increase of £13,667. After payment of all preference and preferred ordinary dividends, and of four quarterly dividends of 6 per cent., less tax, on ordinary shares, we have a balance of £295,542, which, together with the balance brought forward, amounts to £642,272, against £598,862 last year. Your directors recommend the payment of a bonus of 3d. per share, free of income tax, on the ordinary shares, absorbing £80,000. This, together with the allocations to which I have already referred, will leave £248,724 to be carried forward to next year.

EMERGENCY STOCKS

During the past year our total stock was turned over at a faster rate than ever before—and this, in spite of the fact that we felt it desirable prior to the crisis last autumn to increase our stocks of essential drugs, surgical goods and first-aid requisites. Our precautions proved more than justified, for we were sold out of the increased stocks in our branches in a very short time.

The Ministry of Health has advised all hospitals to carry a month's stocks of essential drugs and dressings. It is clear, from our experience last autumn, that the need is no less urgent for the public to provide themselves with essential medical requirements. In fairness to themselves, to the manufacturers and distributors, and particularly to the transport services, those who can should lay in a stock of first-aid requisites and everyday medicines before a possible emergency and not wait until too late.

During the past year we have opened fewer branches than usual, but, in addition to 20 new branches, which bring the total up to 1,195, we closed five and we have rebuilt, enlarged and improved 50, and actually our expenditure on shop properties exceeded that of any previous year.

RECORD SALES

We are beginning to reap the benefit of our new factories in reduced manufacturing costs, which we have already passed on to our customers in the form of lower prices for a number of articles. In a year of disturbed conditions and heavy unemployment our total sales transactions again beat all previous figures and increased by over four millions, while the number of prescriptions dispensed increased by over half a million, and was easily a record.

Our figures reflect the great care which was taken, and which in point of fact is continuously taken, to control every item of our expenditure.

The new dry goods factory and the building which comprises the new canteen and the school for juvenile workers were opened at Beeston during the year, and have proved a most valuable and highly appreciated addition to the Beeston group. We now possess premises worthy of the school which has contributed so much to the creation of a contented, keen and efficient staff. During the year over 19,000 visitors were shown over the Beeston factory, that has won tributes from so many quarters and is regarded as a model of what a factory should be.

Our medical specialities are increasingly prescribed by the medical profession as their worth becomes better known.

Two years ago I mentioned that we had sent representatives to Toronto to obtain the earliest information about Protamine Insulin (with Zinc) Suspension. This step has been fully justified, since the product has become of increasing importance. That the manufacture of this product is not controlled in this country by foreign interests is due solely to our action.

The sales of our agricultural products are steadily increasing. During the past year our veterinary department, in conjunction with official bodies, have carried out a great deal of research, and two of the results which have proved very successful have been for the

treatment of black-head disease in turkeys and sway-back disease among sheep.

HORTICULTURE

Our research department have done a great deal of investigation on rooting stimulants in association with high authorities on the biological side of the work. Whilst we are actively pursuing what I might term "long range" scientific work, we have also taken steps to cater for the hundreds of thousands of amateur gardeners in this country.

You will recall that a year ago we appointed Mr C. H. Middleton, of broadcasting fame, as our horticultural consultant. During the past year we have organised a series of public meetings for garden-lovers in eleven cities, and Mr Middleton has addressed large and enthusiastic audiences.

It is especially gratifying to be able to report a steady increase in our export trade during a period when the general conditions for foreign trade were deteriorating. Export trade is a matter of such vital importance to the country that we intend to develop energetically all possible openings in this direction, either on our own account or possibly in co-operation with other pharmaceutical manufacturers.

The first valuation of the general staff pension fund, which was inaugurated on April 1, 1935, has now been completed. It shows that while the surplus was somewhat less than had been provisionally estimated, the fund is established on a sound basis.

The two chief factors affecting the result were, firstly, the rate of mortality was considerably lower than that expected from the official tables, and, secondly, practically the whole of the funds were invested in gilt-edged securities, which, whilst providing a sound foundation, gave a low yield.

Once again I am delighted to put on record our keen appreciation of the contribution made by the staff to the success of the firm and to the high esteem in which it is held by the public. The knowledge that the staff can be relied upon to do their utmost for the company in all circumstances is a source of great strength to us and provides ample justification, if justification were needed, for all the schemes of staff welfare to which I have referred again and again in my annual speeches.

We have special reason to be proud of the splendid way in which they faced the many problems which confronted them last September.

NATIONAL SERVICE

For many years we have granted full pay to Territorials whilst in camp, and given them their full holidays with pay in addition to the fortnight spent in camp. When the scheme for training women for the Civil Nursing Reserve was announced, we decided to place those attending their hospital course on the same footing as the Territorials, namely, to grant full pay in addition to their paid holidays. This applies in peace time, both in the case of men and women Territorials and Auxiliary Nurses, but does not apply to the men called up under the Military Service Act, whose places will, of course, be kept open for them.

During the past two years we have been training volunteers for our own A.R.P. requirements. In addition, we have a large number trained for local authorities' schemes. Altogether in the defence services and trained or under training for A.R.P. in either our own or local authorities' schemes we have 5,200 people.

He would be a rash man who would venture at the present time to hazard any forecast of the coming year's results. In normal times the affairs of this country are conducted on the assumption that there is no danger of war in the next ten years. Until it is once again safe to make an assumption of that sort it will not be possible to look ahead with any degree of certainty. But with this proviso it is perhaps permissible to call attention to the brighter side of the picture.

At the present time trade as a whole is good, in spite of bad patches in the country, and we are fortunate in having branches situated in districts where there has been a great improvement in unemployment figures, as well as in places where trade is not so good. We have a great and growing goodwill both on the professional side of our business and also with the public at large. We look ahead, therefore, without complacency but with complete confidence in the knowledge that we are prepared, as far as it is humanly possible to be prepared for anything that the future may bring.

The report and accounts were unanimously adopted.

BEECHAMS PILLS, LIMITED

NEW RECORD IN PROFITS

ENCOURAGING OUTLOOK

The eleventh ordinary general meeting of Beechams Pills, Limited, was held, on the 8th instant, at the Hotel Victoria, London.

Mr Philip E. Hill (chairman of the company) presiding, said: Ladies and gentlemen,—The profit of £723,663 creates a new record in the company's history. The year under review has been a most eventful one, not only from the company's point of view in the acquisition of two very important new businesses—Macleans and Eno's—but also from the extremely difficult trading conditions which have existed (and to some extent still exist), occasioned by world affairs.

Although we are all tired of the continual references to "unsettled political conditions," unfortunately any predictions which we may make with regard to the future must be subject to a nearer return to normality.

EXPORT TRADE

Dealing first with export trade, which I consider of the highest importance both from the point of view of your company, but even more so from a national standpoint, I feel that this present year should exceed anything hitherto achieved.

When your directors purchased the Eno business one of their principal motives in doing so was to take advantage of the wide-spread export organisation belonging to that company and to obtain the benefit of its specialised export experience covering a long period of time.

We have already made arrangements for our company and its subsidiary and associated companies to take advantage of Eno's unique position. We are utilising their factories and old-established selling organisations throughout the world to manufacture and sell our lines, and when this policy has been fully developed it should result in big economies in manufacturing and selling costs. Eno's export director has just completed a comprehensive tour of Egypt, India, Ceylon, Malaya, New Zealand and Australia, while our own export manager has just returned from an extensive tour of the West Indies, U.S.A., Canada and the South and Central American markets.

Sales to date show steady progress all round, and we are justified in anticipating important increases in our overseas profits.

Turning to our home trade, last year we received only a portion of the annual profits from Macleans and Eno's, and this year we shall have the benefit of a full year's trading. Since the acquisition of the Maclean and Eno businesses we have been able to effect very considerable economies in manufacture, administration and selling, a considerable portion of which economies will be realised in this year's accounts. We should be able to look forward to sales reaching a higher level, and we anticipate successful results from Livaclean and Lucozade—two new lines marketed by Macleans.

PROPOSED REPEAL OF MEDICINE DUTIES

An event of outstanding importance during the past year—probably the most important event which has ever happened in the history of the proprietary medicine and proprietary article business—is the proposed repeal of medicine duties. It is, of course, too early for one to make any accurate forecast as to the extent of the benefit it will prove to our business; but one thing is already abundantly clear, and that is, that it opens up a vista of great possibilities. When the repeal comes into force, as presumably it will in September next, a much wider field of distribution will be available. Exactly how we shall deal with that is a matter which requires the most careful consideration.

We have already been approached by some of the largest potential distributors in the country, who, in consequence of the conditions which previously existed, have in the past been prevented from dealing in our type of merchandise. There is also no doubt that as we get nearer to September, we shall be approached by many others. Our first consideration will be to deal fairly and equitably with the whole of our distributors—old and new, large and small.

CURRENT YEAR

In conclusion I feel I am not unduly optimistic in looking forward to this year's results with added confidence. Personally, I shall be very disappointed if this time next year I am not able to refer to the fact that the record of profits established this year has been well broken. I have always had the greatest belief in the future of this business, and I feel that its prospects to-day are greater than at any time since its formation.

The report and accounts were unanimously adopted.

CALLENDER'S CABLE AND CONSTRUCTION COMPANY, LIMITED

15 PER CENT. DIVIDEND FOR THE TWENTIETH YEAR

SIR FORTESCUE FLANNERY'S REVIEW

The forty-third ordinary general meeting of Callender's Cable and Construction Company, Limited, was held on the 7th instant, in London.

Sir J. Fortescue Flannery, Bart., H.M.L., M.Inst.C.E., the Chairman, first referred to the sad loss sustained in the death of the late Sir Tom Callender.

Continuing, he said:—I have frequently had the good fortune to announce increasing business and consequent higher profits, but on this occasion the vicissitudes of trade have operated, and the income for the year 1938 is considerably less than for 1937. Later on I shall outline the circumstances which have caused this reduction.

Nevertheless, we have made more than sufficient profits to pay a dividend of 15 per cent. for the 20th year in succession, which is eminently satisfactory. Indeed, with the exception of 1936 and 1937 the gross profits are the highest in the history of the company.

Unfortunately the international position did not clear, but worsened until the crisis in September, with the consequence that for many months the demand for supplies from our Erith Works was further restricted, and it is only within the last month that a return to more normal conditions has been experienced.

Taking the balance sheet, we have expended £164,919 on additions during the year to the freehold property and machinery, which, with the amount reported to you last year, makes £323,000 in two years.

PROFIT AND ALLOCATION

Taking the profit and loss account itself, the profits from manufacturing account and contracts, including interest and dividends on investments, are £723,306 or roughly £200,000 less than last year. This has been due to the slowing down of orders owing to the international crisis, especially in supertension work.

After providing £60,000 for depreciation of plant, buildings and machinery and £60,000 for income tax and £15,000 for National Defence Contribution and the appropriate sums for interest on the Debenture stock and the dividends on the Preference stock, there remains a net balance of £244,112. Bringing in the balance from last year, £565,023, there remains for consideration £809,135.

Your directors, therefore, recommend that there shall be paid a dividend of 15 per cent., of which 5 per cent. was paid last November, and that £250,000 be transferred to reserve, leaving to be carried forward £390,548.

The question uppermost in all your minds is probably the reasons for your directors considering it not desirable to pay the special cash bonus for the year 1938, as for the last two years. The first reason is that this was not a year of unusual prosperity, in which a special cash bonus is justified. An additional reason is the existing threatening international situation. Your company, with considerable foreign and overseas interests, are specially obliged to have such considerations prominently in their minds in relation to the appropriation of any surplus.

Further, there are heavy expenses of an unusual nature which the company has to face during the coming year. (1) The expenditure for air raid precautions estimated in the neighbourhood of £50,000, and (2) the still further expenditure of over £10,000 on the safeguarding of machinery as a consequence of the recent Factories Act.

The considerations I have mentioned will convince any reasonable man and woman that at the present time it is but being prudent to "plough in" to the resources of the company any surplus.

THE OVERSEAS TRADE

As regards our general trading we experienced a heavy demand for our products from abroad during the year, and the export business was large—made up of a steady stream of orders from our friends and clients overseas, who continue to place their faith in Callender Cables. Our trade in Australia and New Zealand has been maintained for all classes of our manufactures. In South Africa our business has been steady and well above the average of the last few years. In India there was an absence of any very large contract, but the level of our important exports to India has been very well maintained.

As regards the future, whilst the beginning of this year was affected by slackness of orders, there has been a substantial improvement in the last month, and at present our Erith works are very busy, particularly in respect to the manufacture of cables for supertension transmission.

The report and accounts were unanimously adopted.

BURMAH OIL COMPANY, LIMITED

SIR JOHN CARGILL'S SPEECH

The thirty-seventh annual general meeting of the members of the Burmah Oil Company, Limited, was held, on the 2nd instant, in the Merchants' Hall, Glasgow.

Sir John T. Cargill, Bt., the chairman, in moving the adoption of the report, said that last year he had ventured the fairly content forecast that results for 1938 should not be materially inferior to those of 1937. The actual results broadly confirmed that forecast. Their trading profits, for reasons then envisaged, were lower than in 1937, but, thanks to larger investment income, the overall reduction in profits was only £147,039, despite somewhat greater provision for depreciations, increased charges for taxation, and the cost of the duty on the increase in capital and of the issue of bonus ordinary shares. When allowing for the lower amount brought forward from 1937 and that year inherited from 1936, the disposable balance for 1938 of £4,652,517 was less than that of 1937 by £156,923.

CONSUMPTION IN 1938

There could be no better barometer of confidence and of the trade activity generally which went with it, or of the reverse, than was furnished by the demand made or not made on the products of petroleum. Contrary to all past experience, petroleum consumption had encountered an actual setback in 1938 and not merely a decline in the rate of expansion, and that was significant of the unhappy and unsettling conditions affecting world trade. With that falling away in demand for petroleum products, there had necessarily been a falling away also in the demand for tanker tonnage; freights had consequently declined considerably and the c.i.f. value of products had fallen.

The industry was thus facing, even although he was confident only temporarily, a situation in which, while readily available supplies were probably greater than they had ever been from producing sources geographically more widely distributed, demand for defensive or offensive stocking precautions by Governments disturbed by political conditions in Europe and the Far East was drying up, one could only hope for good. Demand by ordinary consumers was disappointing; even although there were countries where consumption continued to expand, aggravating those unfavourable conditions, production in certain countries continued imperfectly controlled.

So much for the general world position of the industry; their own markets in India and Burma could not escape world influences but, even if the increase was only small, there was an overhead expansion in them in 1938. Provincial Governments in India in their search for revenue were, however, now encroaching on the sources of Central revenues by imposing on petrol and other petroleum products their own consumption or sales taxes on the top of the excise or customs duties of the Central Government, and one could not be too happy about the effects of all this on the future volume of consumption.

There were at the moment also movements in Provincial India to fix maximum and minimum selling prices for petrol and kerosene. Politically-agitated labour unrest also continued to be a matter of grave concern in India and Burma, although it would be a mistake to conclude that the conditions were universally applicable in those countries or that anything more than a particularly vocal and active minority of trouble-makers was responsible, or that the policies which those people advocated had the sympathy of any material section of the population.

NEED FOR CAUTIOUS OUTLOOK

All those conditions, however, had necessarily required consideration by the board in arriving at their decisions and recommendations in respect of the disposable balance after depreciations of the 1938 profit, for, unless there were some improvement in values between now and the end of the year—and frankly he could see no grounds for expecting that—their trading results in the current year could quite definitely register a still further setback. It would be unwise also on this occasion to look to their investment income for the necessary compensation.

While not ignoring the fact that not too favourable conditions were still in operation and the necessity for conservatism and caution in one's outlook on the immediate future, he thought it only right to emphasise also the necessity for maintaining a proper sense of proportion and perspective. That they would find in their balance sheet, which was an open book for all to read, of their ability to come through and smiling anything which the industry as a whole, or even in its best parts, could survive. Taking the long view and assuming fair treatment and the peaceful enjoyment of the enterprises which they had built up, he saw no reason for pessimism as to the further future.

The report was adopted.

THE MINING TRUST, LIMITED

PROGRESS AT MOUNT ISA

The tenth annual general meeting of The Mining Trust, Limited, was held, on the 8th instant, at Winchester House, Old Broad Street, London, E.C.

Earl Castle Stewart, M.C., chairman of the company, said:—Referring to the assets, shares in subsidiary companies standing at £3,324,208 show an increase of £1,188 by reason of the repurchase at a profit of 3,700 shares of Mount Isa Mines, Limited, which had been sold in the previous year. The increase in "Other Investments" by the sum of £56,982 is the result of the payment of outstanding calls due on 882 shares of Saudi Arabian Mining Syndicate, Limited, and the acquisition of a further 1,315 shares. Cash resources amounted to the satisfactory figure of £279,891, an increase of £20,887 over the previous year. Income for the year totalled £124,767. Total expenditure amounted to £20,274, and shows a decrease of £4,419, mainly due to a reduction in the technical advisory fees payable by the company. The balance of income over expenditure amounts, therefore, to £65,690, and this has been applied to reducing the debit balance to £892,065.

MOUNT ISA MINE

In view of the fact that the largest single investment of the Mining Trust is a very important holding of first debenture stock and 80 per cent. of the issued share capital of Mount Isa Mines, Limited, it seemed to your directors important that some representative of your company should visit the property this year. Accordingly, Mr Mitchell, the chairman of your Technical Committee, and myself went to Australia in the early months of this year. I will say that we came back convinced that the technical management at Mount Isa is exceptionally able.

Mount Isa is a large but somewhat low-grade mine, and without the greatest economy in management and skill in production it would not have been possible during the last operating year, when the price of lead fell from £23 3s. 1d. to £17 9s. 3d., to have earned and paid all interest upon the large amount of debentures and loans outstanding, and to have earned for the second year in succession a small profit. There has been a further improvement in the average mill extractions for the past year amounting to 5.9 per cent. silver, 5.9 per cent. lead and 2.3 per cent. zinc, whilst operating costs show a reduction over the similar costs for the previous year.

OTHER INTERESTS

With regard to New Guinea Goldfields, you recollect that by agreement with the principal shareholders the chairmanship of this company was offered to Mr Kruttschnitt. The agreement which Mr Kruttschnitt was able to make with the Koranga Gold Sluicing Company, whose property adjoins part of our own, will certainly facilitate the working of the Wau alluvials, where there are considerable deposits which can be worked at a profit.

Our investment in the Saudi Arabian Mining Syndicate has been considerably increased during the year; the pier and oil storage tanks have been completed at Jeddah; the mill, which is capable of handling 300 tons per day, has been erected, together with the necessary diesel engine power plant and pipe line for the water supply. Milling started at Mahad Dahab upon the first of this month.

The Big Bell Mine in Western Australia has now paid off advances amounting to £346,920 (Australian) and has declared a first interim dividend of 3s. 6d. (Australian) per share on account of 1939. Mining Trust, in consequence, has received from this source a refund of £17,346 (Australian) and a first dividend amounting to £3,500 (Australian).

BRITANNIA LEAD COMPANY

The Britannia Lead Company has again been in successful operation throughout the year. B.L.C.O. lead is now a well-known brand and finds ready sale, and the company's by-products are disposed of without undue difficulty.

The Britannia Lead Company paid to the Mining Trust, Limited, £14,943 in fees and commissions and carries forward a total profit since commencement of operations of £33,290.

Throughout the year metal prices have been disappointingly low, and whilst Mount Isa continues to earn sufficient to pay interest on debentures and loans we cannot at present hope for any dividend upon our holding of the ordinary shares of that company. Under these circumstances it seems to your directors that it would be better to wait a while before coming to a decision as to the advisability of a capital reconstruction, which naturally would not be carried through unless it were the intention of the directors to recommend a dividend.

The report and accounts were unanimously adopted.

EAST GEDULD MINES, LIMITED

YEAR OF OUTSTANDING PROGRESS

RECORD PRODUCTION AND DIVIDENDS

The twelfth ordinary general meeting of East Geduld Mines, Limited, was held at Johannesburg on May 4, 1939.

Mr P. M. Anderson, chairman of the company, presided, and, in the course of his remarks, said:—Shareholders will have noted that 1938 has been another year of outstanding progress for the company. It was the first full year in which the plant as enlarged in 1937 has been in operation, with the result that records were established in the quantity of ore milled, gold production, working costs per ton milled and in the dividends distributed, which exceeded one million pounds for the first time. It is interesting to record that during the eight years that production has taken place just over five million pounds have been distributed to shareholders.

The ore milled during the year amounted to 1,751,800 tons, being an increase of 255,800 tons compared with the previous year. The yield per ton, at 5.77 dwt., showed a slight decrease, but this was more than offset by an increase of 2s. 2d. per ounce fine in the average price obtained for the gold production. Working costs, which averaged 16s. 2d. per ton milled, reflected a net reduction of 11d. per ton milled, mainly due to a lower charge for development redemption. The main capital expenditure programme having been completed, the funds required for sundry items of a capital nature are provided through charges to working costs.

PROFIT AND DIVIDENDS

The substantial increase of 69,072 ounces fine in the gold production, together with the effect of the higher price of gold and lower working costs, resulted in an increase of about £403,000 in the gross profit, which totalled £2,190,410. Out of this, £1,025,600, or nearly 47 per cent., had to be provided for taxation, the net profit amounting to £1,158,870, or £186,066 more than for the previous year. With the balance brought forward at the beginning of the year there was £1,266,932 available for disposal, of which £1,035,000, equal to 11s. 6d. per share, was absorbed in the distribution of two dividends totalling 5½ per cent., an increase of 8½ per cent. over the previous year; and, after providing for the additional remuneration due to the directors and our proportion of the outstanding liability under the Miners' Phthisis Act, a balance of £220,132, or £112,071 more than last year, remained to be carried forward to the current year's accounts. A substantial portion of this balance is represented by your company's holding of 134,400 shares in The Grootvlei Proprietary Mines, Limited.

DEVELOPMENT WORK

Development work during the year continued to disclose most satisfactory results. Of the 24,192 feet driven, 20,360 feet were on reef and sampled and 14,650 feet, or 72 per cent., were payable, the average value being 13.2 dwt. over a width of 35 inches. As I explained when addressing you last year, it is no longer necessary to carry out development work on the same scale as in past years owing to the strong ore reserves position. These were recalculated at December 31st last on the basis of a slightly lower pay-limit than in the previous year and showed a substantial increase of 1,400,000 tons to the impressive total of 11,500,000 tons having an average assay value of 6.0 dwt. over an estimated stoping width of 58 inches, the value being one-fifth of a dwt. lower and the width 2 inches less in comparison with the figures for the previous year.

THE CURRENT YEAR

Working results for the first quarter of the current year show an improvement over the corresponding period of last year, the tonnage milled having increased by 18,000 tons to 444,000 tons, though the yield per ton milled decreased slightly. Working costs per ton milled, at 15s. 6d., show a further substantial reduction of 8d. in comparison with the average for the whole of last year. The working profit increased by £91,428, to £599,218, in comparison with the first quarter of last year, due to an increase of 8s. 10d. per ounce fine in the price of gold, combined with the additional output of 4,460 ounces fine and the lower working costs. Development work during the quarter totalled 5,323 feet, of which 3,695 feet were on reef and sampled and 1,700 feet, or 46 per cent., were classed as payable, the average value being 12.7 dwt. over 33 inches, equivalent to 418 inch-dwt.

The Grootvlei Proprietary Mines, Limited, in which your company has a valuable share interest, commenced production in September last and is earning profits at a steadily increasing rate, which will continue until normal conditions are reached and full benefit is

derived from the recent increase in the capacity of the reduction plant.

I feel sure that shareholders will agree that the results for the past year have been eminently satisfactory and that the mine has attained a very sound position. I need hardly add that, in the light of the information I have given you and that contained in the reports before you, the outlook for your mine can be viewed with confidence.

The report and accounts were adopted.

THE GROOTVLEI PROPRIETARY MINES, LIMITED

MR P. M. ANDERSON'S REVIEW OF OPERATIONS

The thirty-second ordinary general meeting of The Grootvlei Proprietary Mines, Limited, was held at Johannesburg, on May 4, 1939.

Mr P. M. Anderson, chairman of the company, presided, and in the course of his remarks said: The Report and Audited Accounts for the past year cover an important stage in the promising career of the company, namely, its entry into the ranks of gold-producing mines of the Witwatersrand.

Trial runs of the reduction plant, which is of the latest and most modern design, took place in August, production started in September, and in October the ore milled amounted to just over 60,000 tons, the plant thus reaching its initial nominal capacity with a rapidity that is a tribute to all concerned in its design and operation.

During the four months to the end of last year 230,500 tons were milled and, after allowing for the initial losses incurred, the net working profit for this period amounted to £8,841. This was increased by sundry revenue to £12,019 and that amount was carried forward to the current year. During this period a high proportion of low-grade development rock was sent to the mill to supplement the ore from stopes as it takes time to open up and equip stope faces sufficiently to supply the requisite amount of ore for a large mill from that source. You will appreciate, therefore, that the average grade of the ore sent to the mill has been below what would obtain under normal conditions and, furthermore, the yield has been adversely affected for the time being by the usual absorption of gold in a plant where crushing is not done in the presence of a solution of cyanide. That steady improvement in grade may confidently be expected is illustrated by the fact that the yield per ton milled has risen from an average of 3.30 dwt. for the four months ending December last to 4.28 dwt. for the first quarter of the current year and to 4.52 dwt. for last month. It will, however, be some time before results become quite normal, especially as the plant has only recently been extended from a nominal capacity of 60,000 tons to 80,000 tons per month. You will be glad to hear that the enlarged plant is functioning satisfactorily and should reach full capacity in a month or so.

Capital expenditure during the year totalled £915,616 and at the end of the year the balance of capital funds in hand amounted to £497,099, which should suffice to cover not only the cost of the recent extension of the reduction plant to a nominal capacity of 80,000 tons per month, but also the contemplated further extension to 120,000 tons per month which it is hoped to decide upon next year.

Another important event during the year was the completion of sinking at No. 3 Shaft. This shaft, which has been fully equipped to its final depth of 4,164 feet, will serve to open up a further section of your extensive property.

DEVELOPMENT WORK AND ORE RESERVES

Development work during the year, excluding shaft sinking and stations, totalled 37,247 feet, and the results obtained were satisfactory. Of 22,450 feet on reef and sampled, 13,125 feet, or 58 per cent., were payable with an average value of 11.9 dwt. over 32 inches, equivalent to 379 inch-dwt. The payable footage is well distributed over the work done.

The ore reserves as at December 31st last amounted to 3,750,000 tons of an average value of 5.5 dwt. over an estimated stoping width of 55.5 inches. In comparison with the position as at the end of the previous year there has been an increase of 1,250,000 tons, while the value and width have decreased by 0.3 dwt. and 2.0 inches respectively.

CURRENT YEAR

Working results for the first quarter of the current year reflect the satisfactory progress that is being made. The tonnage milled totalled 200,500 tons; the working revenue was £318,145, or 31s. 9d. per ton milled; and the working profit £93,763, or 9s. 4d. per ton

milled. Working costs averaged 22s. 5d. per ton milled. These included a charge of 5s. for development redemption, which, in the normal course of events, should be gradually reduced. During this period 14,751 feet were driven and of 8,990 feet on reef and sampled, 57 per cent., or 5,100 feet, were classed as payable, the average value being 12.6 dwt. over 27 inches, equivalent to 340 inch-dwt. The figures for the quarter include the results of the first development work done from No. 3 Shaft and I am sure you would like to have some details of this work. Up to the end of March, 830 feet were on reef and sampled and 500 feet, or 60 per cent., were payable, the average value being 12.1 dwt. over 27 inches, equivalent to 328 inch-dwt. These results are distinctly encouraging as they have been obtained in exposures which are about a mile to the east of the nearest workings from No. 4 Shaft. Development work in this section of the mine will be accelerated when the main haulage from No. 3 Shaft connects with the haulage from No. 4 Shaft, an event which is expected to take place next month.

The progress made in bringing the mine to the profit-earning stage and the steady improvement since are gratifying, and I feel that we have every reason to view the future of the mine with confidence. According to present indications, the Company will be in a position to declare its first dividend next month.

The company's shareholding in the Palmietkuil Gold Mining Company, Limited, remains intact.

The report and accounts were adopted.

MARIEVALE CONSOLIDATED MINES, LIMITED

ENCOURAGING DEVELOPMENT RESULTS MAINTAINED

The fourth ordinary general meeting of Marievale Consolidated Mines, Limited, was held at Johannesburg on May 5, 1939.

Mr P. M. Anderson, Chairman of the company, presided, and in the course of his remarks said:—Since we met last year the encouraging development results in the area tributary to Nos. 1 and 2 Shafts—to which I then referred—have been fully maintained. The incline from No. 1 Vertical Shaft was sunk 4,241 feet during the year and the 9th, 11th, and 12th Levels opened therefrom. The No. 2 Incline was extended 1,168 feet and the 9th and 10th Levels started, while connection between the shafts was made on the 5th and 7th Levels. The total footage of development on reef and sampled was 17,780 feet or about 2,000 feet less than in the previous year, but the percentage payable improved 30 per cent. to 56.6 per cent., and the value was 14.2 dwt. over 23 inches, equivalent to 327 inch-dwt., which compares with 230 inch-dwt. for the year 1937.

The opening up of the eastern side of the property from No. 2 Shaft has been delayed by the intrusion of further water-bearing fissures which had to be dealt with by cementation. The dyke which appeared in No. 2 Incline Shaft down to the 7th Level has been found to traverse the property to No. 1 Incline, which it crossed between the 12th and 14th Levels. It has a down-throw of about 160 feet, but entails no loss of reef-bearing area, and, beyond temporarily delaying development eastwards on the 9th, 11th and 12th Levels from No. 1 Shaft, causes no real inconvenience. Development is proceeding below the dyke on the 9th and 10th Levels at No. 2 Shaft and on the 14th Level at No. 1 Shaft. Work at the Nos. 3 and 4 Shafts on the Draaikraal section of the property has been suspended for reasons of economy. It will be appreciated that, in framing the initial development programme for a property as large as ours, with about seven miles of sub-outcrop, prospecting at a number of places was justified, but that, at the stage we have now reached, it is essential to expend the available funds on the development of areas where payable ore can be obtained quickest and to defer to a later date, the investigation of other areas that hold out promise of yielding satisfactory ore.

ORE RESERVES

At December 31st the consulting engineer estimated the ore reserves at 1,100,000 tons having an average assay value of 6.1 dwt. over an assumed stoping width of 39 inches. At that date 37,405 feet had been sampled, of which 15,280 feet were payable, averaging 14.7 dwt. over 20 inches. During the first quarter of this year a further 6,005 feet of development on reef has been accomplished and the sampling results show 71 per cent. payable, having an average value of 11.4 dwt. over 25 inches.

When, at the end of last year, it was decided to proceed with

the erection of a reduction plant with a nominal capacity of about 500,000 tons per annum, it was not thought possible to have the plant ready for operation or the mine ready to feed the plant fully and continuously until early next year, therefore this approximate date was mentioned in the circular to shareholders dated December 30, 1938. However, work both on the surface and underground has proceeded so well that there is now every hope that this date will be improved upon, provided that deliveries of machinery from overseas are according to schedule. Work on the plant, which is designed for easy and economical expansion should results justify such a step, is well in hand. It is expected that virtually the whole of the plant to be imported from overseas should be shipped by about the end of next month.

CASH POSITION

At the year end the cash available, after deducting creditors and credit balances, was about £52,600, and the offers of shares, dealt with in the circular to which I have referred, provided a further £709,100, which shareholders have been informed may be about £150,000 short of the amount required to bring the property to the producing stage. While it is still too early to say whether this estimate will prove to have been correct, it seems likely that the speeding up of our programme may result in the amount of temporary finance needed being somewhat less.

The report and accounts were adopted.

GEDULD PROPRIETARY MINES, LIMITED

SUCCESSFUL RESULTS—INCREASED PROFIT

The thirty-eighth ordinary general meeting of Geduld Proprietary Mines, Limited, was held at Johannesburg, on May 4th, 1939.

Mr P. M. Anderson, Chairman of the company, presided, and in the course of his remarks said: The satisfactory position of the Company has been fully maintained during the past financial year, and there is remarkably little variation in the operating results as compared with those of the preceding year.

A record was again achieved by milling 1,328,500 tons, which is 27,500 tons more than in the previous year and was due to bringing into commission an additional tube-mill towards the middle of the year. The yield per ton milled was lower by one-tenth of a dwt. and working expenses per ton milled rose by about 1½d., due to equipping the property with water-borne sewerage which cost 4½d. per ton milled. Owing to the increased tonnage milled and the average price obtained for gold being 2s. 2d. per ounce higher, the working profit, at £1,355,617, was slightly better than that of the previous year. Due principally to increased dividends received on our shareholding in East Geduld Mines, Limited, sundry revenue increased by £53,631 to £404,285. After providing £620,020 for taxation and debiting £4,140 for donations and sundry contributions, the net profit was £1,135,742, or £51,392 more than in the previous year. Including £252,492 brought forward from the preceding year, the funds available for disposal totalled £1,388,234, after allowing for £36,000 utilised in subscribing for our proportion, amounting to 9,600 shares, of the Grootvlei Proprietary Mines' increase of capital; our proportion of the outstanding liability under the Miners' Phthisis Act, directors' additional remuneration, and two dividend distributions, totalling 15s. per share which absorbed £1,095,643, a balance of £247,791 remained to be carried forward to the current year's accounts.

DEVELOPMENT WORK

As you are aware, major development work was completed some years ago, and the work now being done consists almost wholly of the exploration of various small faulted areas, of larger areas where initial development gave unpromising results, and the systematic testing of leaders above and below the main reef. Fluctuations in the development results can, therefore, be expected, and in general, as time goes on, payability becomes less; but, notwithstanding this, the results for the year were satisfactory. The total footage driven was 13,377 feet, of which 9,660 feet were on reef and sampled. 4,000 feet, or 41 per cent., were classed as payable, averaging 7.8 dwt. over 33 inches, equivalent to 259 inch-dwt. This work did not quite suffice to fully maintain the ore reserves, which were reduced by the small quantity of 50,000 tons to 9,050,000 tons of an average value of 4.9 dwt. over 57 inches. The width is unchanged and the value is one-tenth of a dwt. less than at the end of the preceding year.

A borehole which is being put down east of No. 2 Shaft for the purpose of sand-filling worked out areas of main reef has passed through the Black Reef and Kimberley Reef Series without disclosing any values of economic importance. Further work of an exploratory nature will be done to determine the extent to which the reefs in these upper series occur in your property and whether they would warrant active development.

THE CURRENT YEAR

During the first quarter of the current year 337,500 tons were milled and the working revenue amounted to £582,123. The working costs averaged 14s. 8d. per ton milled, and the working profit was £335,028, or £7,487 more than in the corresponding period of the previous year. Development work proceeded normally, the footage payable being the same as in the first quarter of last year and the average value somewhat better at 9.1 dwt. over 34 inches.

Our substantial shareholdings in East Geduld Mines, Limited, and in The Grootvlei Proprietary Mines, Limited, remain unchanged since we last met. The Grootvlei plant commenced production in September and operating results are steadily improving.

The report and accounts were adopted.

VAN DYK CONSOLIDATED MINES, LIMITED

GRATIFYING RESULTS

The fifth ordinary general meeting of Van Dyk Consolidated Mines, Limited, was held at Johannesburg on May 5, 1939.

Mr P. M. Anderson, Chairman of the company, presided, and in the course of his remarks said:—There is every reason to be gratified with the results achieved during the past year. The excellent progress made in every direction reflects great credit on all our technical staffs and operatives.

The equipment programme of the company has been carried out in accordance with the time schedule and the 60,000 tons per month plant was completed during April, so that crushing of mine ore started at the beginning of May. Since then the feature of the year's work has been the smoothness with which all units of the equipment have functioned and the rapidity with which the mine has responded to the demands of large-scale production.

The first units of the extension of the plant to a nominal capacity of 80,000 tons per month came into operation during December, and by the end of February of this year the full plant had been brought into commission. It is probable that the rated capacity of the plant will in due course be exceeded by about 10 per cent.

The output of gold has steadily increased each month but normal production has not yet been reached, as there is still some absorption of gold in the new plant and the value of the ore coming from the mine is not yet up to average.

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No explanation appears in the W. J. BUSH AND COMPANY report of the sharp drop in total profits from £134,617 to £73,124. A moderate decline in earnings is shown by FISHER AND LUDLOW, whose net profits amount to £160,564 against £168,531; the dividend, however, has been reduced from 20 to 15 per cent.

MISCELLANEOUS

Wm. Cory and Son.—Profit for year to March 31, 1939, after depreciation, £764,310 (£777,338). Preference dividend, £42,500 (same). Ordinary dividend, 20 per cent., absorbing £590,019, as before. To investment reserve, £100,000 (nil). Carry-forward raised from £975,758 to £998,549. Cash, £614,014 (£488,809). Investments, £3,668,454 (£3,607,042). Debtors, £1,755,493 (£1,851,415). Creditors, £1,803,303 (£2,071,153).

William Baird and Company.—It is proposed that this company should amalgamate with Scottish Iron and Steel, and sell certain assets (as at December 31, 1938) for 750,000 6 per cent. cumulative £1 preference and 1,200,000 £1 ordinary shares of the Scottish company, which will change name to Bairds and Scottish Steel. Baird then

will be wound up and its assets transferred to a new Baird company for £2,476,833 in 1,857,625 £1 ordinary shares (that is, one new £1 ordinary for £1 existing ordinary stock, at 6s. 8d. premium). Meetings, June 26th and 27th.

Anglo - Palestine Bank.—Deposits increased during 1938 from £6,844,919 to £7,269,524. Cash, etc., amounted on December 31, 1938, to £1,195,684, against £1,063,082. Reduction during the year from £681,799 to £505,819 in bills, etc., discounted, but an increase from £2,690,201 to £3,098,458 in investments. Loans, advances, etc., at £3,419,193, compare with £3,010,144. Net profit for 1938, £86,660, against £97,046. To contingency account, £40,000 (£25,000). "A" ordinary dividend reduced from 10 to 6 per cent.

Hambros Bank.—Profit for year to March 31, 1939, £270,363 (£323,884). Directors' fees, £15,497 (£15,206). To contingency reserve, £100,000 (£170,000). Ordinary dividend on £10 shares (£2½ paid) 18 per cent., and 6 per cent. on fully-paid £1 "A" shares, both as before. Carry-forward raised from £87,478 to £94,445. Total assets, £29,759,982 (£31,105,357).

Shipley Collieries.—Net profit for year to March 31, 1939, £147,703 (£120,364). Ordinary dividend and bonus raised from

YEAR'S PROFITS

During the period ending December 31st last 508,000 tons were milled and the gold recovered therefrom, which averaged 4.2 dwt. per ton, was realised for £761,908. Working costs amounted to £591,464, equivalent to 23s. 3d. per ton milled, which included a charge of 5s. 3d. per ton for development redemption. Profit-earning commenced in June and, after accounting for starting-up losses, there remained at the end of the year a net working profit of £170,444, to which has to be added sundry revenue of £2,663, making a total of £173,107. Against this, £1,630 was debited for donations and contributions and £5,000 was set aside to meet taxation and Government share of profits, leaving a net profit of £166,477 to be transferred to the appropriation account.

The small amount set aside for taxation and share of profits is due to the comparatively small initial profit. Larger amounts will have to be provided in future, but under present conditions it appears unlikely that such provision would at any time during the next ten years exceed 25 per cent. of the working profits.

After allowing for our proportion of the outstanding liability under the Miners' Phthisis Act, directors' additional remuneration, and a maiden dividend of 3d. per share declared last December which absorbed £68,750, the carry-forward is £95,858.

DEVELOPMENT WORK

Turning now to the development position, the footage accomplished last year totalled 50,356 ft., of which 27,480 ft. were on reef and sampled. The proportion payable was 48 per cent., having an average value of 12.2 dwt. over a reef channel width of 26 in., equivalent to 316 in.-dwt. These figures show a substantial improvement in value as compared with the preceding year.

A large proportion of the total footage accomplished was necessarily off reef in work connected with the general layout, such as cross-cuts, haulages, ore passes, etc.

The centrally-situated incline haulage-way from the outcrop to the 11th Level horizontal haulage connecting Nos. 2 and 3 Shafts has made satisfactory progress, in spite of bad ground in places, and is expected to be completed in about three months' time. When this is in commission it should greatly facilitate the opening-up of the outcrop section and improve ventilation. A centrally situated incline is also being sunk below the 11th Level haulage, and preparation is being made for an incline from No. 4 Vertical Shaft.

The development work done during the year resulted in a substantial increase of 450,000 tons in the ore reserves. The re-estimate of these at the end of the year showed 2,250,000 tons of an average value of 5.8 dwt. over an assumed stoping width of 40 in.

During the first three months of the current year 238,400 tons were milled and yielded 4.75 dwt. per ton. Working costs averaged 22s. 8d. per ton milled, and the working profit amounted to £149,165. Development work is at a slightly increased rate, so that the advance was 15,467 ft., compared with 11,591 ft. in the first quarter of the previous year. Fifty-one per cent. of the footage sampled was classed as payable, having an average value of 8.9 dwt. over 29 in.

The report and accounts were adopted.

12 to 12½ per cent. To reserves: General, £35,000 (£32,955); investment, £10,000; Workmen's Compensation, £5,000. Carry-forward raised from £51,950 to £60,510.

Antofagasta (Chili) and Bolivia Railway.—Gross receipts, 1938, £750,874, a fall of £133,279 or 15.07 per cent. Working expenses, £558,834, a reduction of 2.08 per cent. Net receipts, £192,040, a decline of £121,417 or 38.73 per cent. A further 1½ per cent. of preference dividend arrears has been paid. Carry-forward reduced from £135,030 to £128,780.

Imperial Tea Company.—Profit, 1938, £95,264 (£127,153). For tax and N.D.C., £16,500 (£25,500). Ordinary dividend, 8 per cent. as before. To reserve, £25,000 (£35,313). To buildings and machinery reserve, £5,000 (£8,000). Carry-forward reduced from £4,264 to £2,258.

Morgan Crucible Company.—Trading profit for 15 months to March 31, 1939, £543,590, against £552,409 for year 1937. Other income, £47,266 (£20,616). To tax and N.D.C., £157,980 (£179,954). Preference dividend, £98,736 (£81,712). Ordinary dividend, 9½ per cent., absorbing £149,936, against 8½ per cent., absorbing £134,874. Carry-forward raised from £104 to £362.

(Continued on page 638)

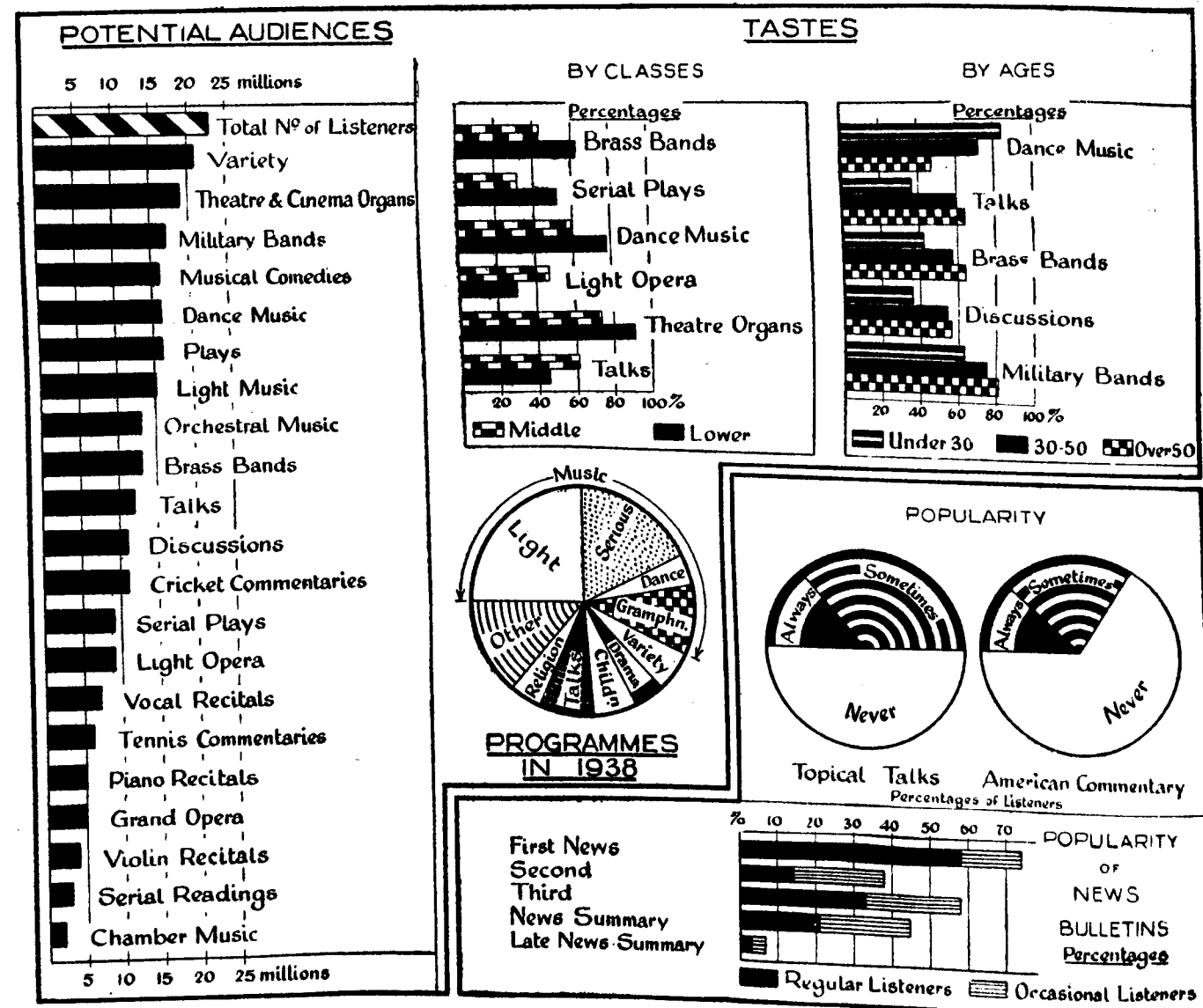
CURRENT STATISTICS

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

The B.B.C.'s Audiences



The diagrams of potential audiences and the analysis of tastes by age and class are based on B.B.C. enquiries made in July, 1938. It should be noted that, as many listeners interpreted the term orchestral music in a very wide sense, thirteen million is probably too great a figure for those who like, say, a symphony concert. The section on the popularity of talks and news bulletins is based on an enquiry made in January, 1938, when bulletins were broadcast at 6.00, 7.00, 9.00, 10.00 and 11.30 p.m. The diagram of programmes in 1938, unlike the other, shows not what listeners like, but what was actually broadcast. It is based on the number of hours of programmes actually broadcast, and account being taken of relays.

Finance

GOVERNMENT RETURNS

For the week ended June 3, 1939, total ordinary revenue was £7,188,000, against ordinary expenditure of £43,423,000 and £245,000 issued to Sinking Funds. Thus, including sinking fund allocations, the deficit accrued since April 1, 1939, is £110,281,000, against £81,181,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	Apr. 1, 1938 to June 4, 1938	Apr. 1, 1939 to June 3, 1939	Week ended June 4, 1938	Week ended June 3, 1939
ORDINARY REVENUE	10,383	10,186	7	6
Income Tax	5,310	5,600	290	460
Sur-tax	12,630	12,940	1,310	2,660
Estate, etc., Duties	2,970	2,500	850	...
Stamps	1,210	3,140	140	270
Nat. Defence Cont.	70	200	...	10
Other Inland Rev.	...	...	...	...
Total Inland Rev.	32,573	34,566	2,597	3,406
Customs	38,629	42,011	4,131	3,239
Excise	18,580	18,295	776	556
Total Customs and Excise	57,209	60,306	4,907	3,795
Motor duties	4,301	4,151	162	...
P.O. (Net Receipt)	4,210	4,510	210	Dr. 20
Crown Lands	240	290	...	...
Receipts from Sundry Loans	365	267	90	...
Misc. receipts	756	827	...	7
Total Ordinary Rev.	99,654	104,917	7,966	7,188
SELF-BAL. REVENUE	11,890	11,840	1,090	1,120
P.O. and Broadcasting	11,890	11,840	1,090	1,120
Total	111,544	116,757	9,056	8,308

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	Apr. 1, 1938 to June 4, 1938	Apr. 1, 1939 to June 3, 1939	Week ended June 4, 1938	Week ended June 3, 1939
ORDINARY EXPENDITURE	69,255	68,336	29,926	28,494
Interest & Management of National Debt	1,189	957	419	...
Payts. to N. Ireland	...	...	...	...
Other Consol. Fund Services	369	396	10	32
Total	70,813	69,689	30,355	28,526
Supply Services	108,997	144,460	14,660	14,897
Total Ord. Expend.	179,810	214,149	45,015	43,423
SELF-BAL. EXPENDITURE	11,890	11,840	1,090	1,120
P.O. and Broadcasting	11,890	11,840	1,090	1,120
Total	191,700	225,989	46,105	44,543

After reducing Exchequer balances by £279,559 to £2,389,876, the other operations for the week (as shown below) raised the gross National Debt by £36,201,000 to about £8,397 millions.

WEEK'S CHANGES IN DEBT

NET INCREASES (£ thousands)		NET REPAYMENTS, ETC.	
Treasury Bills	39,688	Pub. Dept. Adv.	3,600
War L'n. Acts	200	Nat. Sav. Certs.	100
Tithe Act	340	P.O. and Telegr.	300
		N. At. Shipping	27
	40,228		4,027

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to June 3, 1939, are shown below:—

Ordinary Exp.		Ordinary Rev.	
214,149	214,149	104,917	110
		Dec. in balances	110
		Gross borr. 110,172	...
		Less—	...
		Sinking fds. 1,050	...
		Net borrowing	109,122
	214,149		214,149

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1938						
June 4	575.0	308.7	43.9	2.0	929.6	352.6
1939						
Feb. 11	381.0	502.4	38.8	...	922.2	541.2
" 18	365.0	498.6	38.9	...	903.5	537.5
" 25	351.0	500.0	40.2	...	891.2	540.2
Mar. 4	345.0	509.8	40.2	6.0	902.0	450.0
" 11	351.0	503.2	45.9	...	900.2	549.1
" 18	355.0	505.7	41.8	...	903.5	547.5
" 25	366.0	502.2	43.4	...	911.6	545.6
" 31	892.4	...	27.9	...	920.3	...
Apr. 8	387.0	510.8	34.4	...	932.2	545.2
" 15	394.0	511.7	35.4	...	941.2	547.2
" 22	402.0	498.0	39.1	...	939.1	537.1
" 29	409.0	498.7	50.8	...	958.5	549.5
May 6	419.9	513.0	42.1	4.5	978.6	555.1
" 13	429.0	510.2	44.6	...	983.8	554.8
" 20	439.0	506.2	43.8	...	989.0	550.0
" 27	449.0	505.6	44.7	...	999.3	550.3
June 3	459.0	535.3	41.1	...	1,035.4	576.4

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

TREASURY BILLS

Date of Tender	Amount (£ millions)			Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted	
1938				
June 3	50.0	83.1	50.0	51
1939				
Feb. 10	20.0	71.2	20.0	12 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
" 17	40.0	73.8	40.0	10 1.32
" 24	45.0	57.9	45.0	14 7.44
" 31	45.0	55.8	42.0	25 6.72
Apr. 6	35.0	58.0	32.0	26 2.83
" 14	30.0	51.3	31.0	31 2.37
" 21	30.0	66.0	30.0	26 10.35
" 28	30.0	63.5	30.0	24 3.67
May 5	30.0	60.7	30.0	15 11.77
" 12	30.0	58.3	30.0	13 4.61
" 19	30.0	60.8	30.0	13 3.63
" 26	43.0	58.3	40.0	13 1.91
June 2	45.0	64.0	45.0	13 1.65

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 June 2nd applications at £99 16s. 8d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted at about 73 per cent. and applications at higher prices in full. Applications at £99 16s. 9d. for bills to be paid for on Saturday were accepted in full. £45.0 millions of Treasury bills are being offered on June 9th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
Twenty weeks to:—		
May 21, 1938	13,542,407	10,156,803
May 20, 1939	12,606,487	9,454,829
Week to:—		
May 21, 1938	640,942	480,706
May 13, 1939	641,145	480,859
May 20, 1939	617,908	463,431

BANK OF ENGLAND RETURNS

JUNE 7, 1939

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt.	11,015,100
In circula.	498,370,865	Other Govt.	288,101,625
In Bnkg. De-		Securities	68,589
partment	27,789,140	Silver Coin.	814,686
		Amt. of Fid.	300,000,000
		Gold Coin &	...
		Bullion (at	...
		148s. 4d. per	...
		oz. fine)...	226,160,005
	526,160,005		526,160,005

BANKING DEPARTMENT

£		£	
Props. Capital	14,553,000	Govt. Secs.	114,176,164
Rest	3,279,917	Other Secs.	7,800,963
Public Depts.*	18,401,277	Discs, etc.	22,607,611
Other Depts.	36,104,203	Securities	30,408,574
Bankers	100,622,937	Gold & Silver	27,789,140
Other Accts.	36,104,203	Coin	587,456
	172,961,334		172,961,334

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

THE WEEK'S CHANGES

Both Departments	Amt. June 7, 1939	Compared with	
		Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	498,371	- 1,405	+ 7,650
Deposits: Public	18,401	+ 19,938	+ 6,669
Bankers	100,623	+ 18,232	+ 10,487
Others	36,104	- 981	+ 680
Total outside liabilities	653,499	- 4,093	+ 4,511
Capital and rest	17,833	+ 26	+ 30
COMBINED ASSETS			
Govt. debt and securities	413,293	- 3,794	+ 101,955
Discounts and advances	7,801	- 198	+ 137
Other securities	22,676	- 5	+ 2,435
Silver coin in issue dept.	815	- 98	+ 806
Gold coin and bullion	226,748	- 29	+ 100,519
RESERVES			
Res. of notes & coin in banking department	28,376	+ 1,433	- 8,168
Proportion of reserve to outside liabilities—			
(a) Bank. dept. only	18.2%	+ 1.2%	- 4.8%
(b) Gold stocks to deposits and notes	34.7%	+ 0.2%	- 15.7%

† Revalued from Mar. 1, 1939, in accordance with the Currency and Bank Notes Act, 1939.

COMPARATIVE ANALYSIS*

	(£ millions)				
	1938	1939			
	June 8	May 17	May 24	May 31	June 7
<i>Issue Dept.:</i>					
Notes in circ.	490.7	493.6	494.6	499.8	498.4
Notes in banking dept.	35.7	32.5	31.6	26.4	27.8
Govt. debt and securities	199.9	298.1	298.1	298.2	299.1
Other secss.	0.7	1.0	1.0	1.0	0.1
Silver coin	0.0	0.9	0.9	0.9	0.8
Gold, valued at 1. per f. oz.	326.4	226.2	226.2	226.2	226.2
	84.9	148.2	148.2	148.2	148.3
<i>Deposits:</i>					
Public	11.7	16.8	25.5	38.3	18.4
Bankers'	111.1	107.3	95.4	82.4	100.6
Others	35.4	36.2	36.3	37.1	36.1
Total	158.2	160.3	157.2	157.8	155.1
<i>Bkg. Dept. Secs.</i>					
Government	111.4	113.5	114.0	119.0	114.2
Discounts, etc.	7.9	10.1	7.1	8.0	7.8
Other	20.2	21.3	21.7	21.7	22.6
Total	139.5	144.9	142.8	148.7	144.6

OVERSEAS BANK RETURNS

NOTE—The latest returns of the Bank of Greece appeared in *The Economist* of May 6th; Argentina, of May 20th; Egypt, Iran, Lithuania and Roumania, of May 27th; Bulgaria, Canada, Bohemia and Moravia, Finland, India, Japan, Norway, Reichsbank and Federal Reserve Reporting Members, of June 3rd.

BANK FOR INTERNATIONAL SETTLEMENTS.—(Million Swiss gold francs of 0.29 grammes)

	May 31, 1938	Mar. 31, 1939	Apr. 30, 1939	May 31, 1939
ASSETS				
Gold in bars	32.3	38.7	43.7	64.7
Cash	21.0	23.6	18.1	6.8
Sight funds	16.5	32.7	31.0	16.3
LIABILITIES				
Capital and reserves	140.1	142.2	146.4	143.9
(a) Commercial bills	100.3	74.7	75.9	76.1
(b) Treasury bills	53.2	32.8	29.6	34.5
Time funds at interest	282.8	258.7	249.5	232.2
Sundry bills & invests.	2.2	3.0	1.5	2.0
Other assets	149.3	149.3	149.3	150.1
LIABILITIES				
Cap. and reserves	153.2	153.1	153.1	153.1
(1) Annuit. trust	103.3	102.0	102.0	102.0
(2) Govt. deposits	183.9	143.5	127.3	109.2
Short and sight depts.	1.9	1.8	1.5	1.8
(a) Central banks	2.3	4.4	3.6	3.6
(b) Other deposits	9.8	9.7	9.6	13.2
Sight deposits—gold	7.9	4.2	4.3	7.8
Profits (dist. Jul. 1)	36.4	42.7	43.4	35.6
Miscellaneous items				

U.S. FEDERAL RESERVE BANKS

	June 9, 1938	May 11, 1939	June 8, 1939	June 8, 1939
RESOURCES				
Gold certifs. on hand	10,637	13,199	13,318	13,392
and due from Treas.	11,045	13,568	13,673	13,751
Total reserves	398	360	347	350
Total cash reserves	1	1	1	1
Total bills discounted	17	13	12	12
Total bills on hand	2,564	2,564	2,564	2,564
Industrial advances	2,590	2,581	2,581	2,580
Total U.S. Govt. secs.	14,263	16,812	16,922	17,030
LIABILITIES				
F.R. notes in circn.	4,136	4,459	4,477	4,476
Aggregate of excess mrr. bank res. over reqs.	2,710	4,190	4,220	4,280
Deposits — Member-bank reserve account	7,848	9,967	10,029	10,053
Govt. deposits	1,005	959	920	935
Total deposits	9,251	11,447	11,535	11,618
Cap. paid in and surplus	309	311	311	311
Total liabilities	14,263	16,812	16,922	17,030
Reserve to depts. and F.R. notes	82.5%	85.3%	85.4%	85.4%

U.S.F.R. BANKS AND TREASURY COMBINED RESOURCES

	June 9, 1938	May 11, 1939	June 8, 1939	June 8, 1939
Monetary gold stock	12,940	15,856	15,956	15,987
Treasury and Nat. Bk. currency	2,703	2,854	2,863	2,864
LIABILITIES				
Money in circulation	6,437	6,904	6,968	6,986
Treasury cash and deposits with F.R. Bks.	3,282	3,637	3,555	3,506

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

	June 9, 1938	May 11, 1939	June 8, 1939	June 8, 1939
ASSETS				
Gold	55,808	92,266	92,266	92,266
Bills: Commercial	7,647	10,629	9,739	8,783
Bought abroad	760	726	726	726
Advances on securities	3,558	3,441	3,401	3,512
Thirty-day advances	337	293	78	358
Loans to State without interest: (a) general	3,200	10,000	10,000	10,000
(b) provisional	40,134	20,577	20,577	20,577
Negotiable bonds	5,575	5,470	5,470	5,470
Sinking Fund Depts.	4,115	4,495	4,276	4,719
Other assets	10,078	12,353	12,191	12,290
LIABILITIES				
Notes in circulation	14,222	15,427	17,423	16,405
Deposits: Public	2,809	3,218	3,167	2,917
Private	47.1%	63.7%	64.3%	64.3%
Other liabilities				
Gold to sight liabilities				

BANK OF FRANCE.—(Million francs)

	June 2, 1938	May 25, 1939	June 1, 1939	June 1, 1939
ASSETS				
Gold	55,808	92,266	92,266	92,266
Bills: Commercial	7,647	10,629	9,739	8,783
Bought abroad	760	726	726	726
Advances on securities	3,558	3,441	3,401	3,512
Thirty-day advances	337	293	78	358
Loans to State without interest: (a) general	3,200	10,000	10,000	10,000
(b) provisional	40,134	20,577	20,577	20,577
Negotiable bonds	5,575	5,470	5,470	5,470
Sinking Fund Depts.	4,115	4,495	4,276	4,719
Other assets	10,078	12,353	12,191	12,290
LIABILITIES				
Notes in circulation	14,222	15,427	17,423	16,405
Deposits: Public	2,809	3,218	3,167	2,917
Private	47.1%	63.7%	64.3%	64.3%
Other liabilities				
Gold to sight liabilities				

BANK OF DANZIG

	May 30, 1938	May 22, 1939	May 29, 1939	May 29, 1939
ASSETS				
Gold coin and bullion	28.38	25.26	25.28	25.32
Danzig subord. coin	3.57	2.83	3.33	3.05
Balances abroad and foreign bills	6.24	4.46	3.91	3.45
Discounts	13.43	21.93	18.23	17.89
LIABILITIES				
Notes in circulation	35.54	48.32	44.78	47.67
Deposits on demand	15.62	19.12	20.78	16.31

AUSTRALIAN COMMONWEALTH BANK.—(Million £'s)

	June 7, 1938	May 29, 1939	June 5, 1939	June 5, 1939
ASSETS				
Gold and English stg.	16.01	16.03	16.03	16.03
Other coin, bullion, &c.	5.29	5.62	5.52	5.22
Call money, London	25.76	14.96	16.70	14.45
Secrts. and Treas. bills	88.58	94.50	94.43	94.37
Discounts and advances	12.75	17.42	17.28	16.99
LIABILITIES				
Notes issued	49.03	48.28	47.53	47.53
Res. pm. on gold sold	7.75	7.75	7.75	7.75
Deposits, etc.	83.51	81.86	83.85	81.29

NATIONAL BANK OF BELGIUM

	June 1, 1938	May 24, 1939	June 1, 1939	June 1, 1939
ASSETS				
Gold	2,685	3,080	3,089	3,151
Silver and other coin	53	51	55	56
Foreign exchange, etc.	742	441	63	51
Bills and securities	885	987	928	866
Advances	134	147	65	134
LIABILITIES				
Notes in circulation	4,157	4,488	4,425	34
Deposits: Govt.	43	8	20	20
Other	213	122	156	157

NATIONAL BANK OF DENMARK

	May 31, 1938	Mar. 29, 1939	Apr. 29, 1939	May 31, 1939
ASSETS				
Gold coin and bullion	117.7	117.6	117.5	117.5
Home bills, securities and loans	80.7	115.7	107.3	92.9
Emergency fund	82.2	49.0	138.6	38.6
Advances to Treasury	22.8	...	...	14.5
LIABILITIES				
Notes in circulation	408.5	436.1	448.5	434.5
Deposits	6.4	13.9	20.8	19.6
Foreign liabilities	2	...	...	...

BANK OF ESTONIA

	May 15, 1938	Apr. 7, 1939	May 15, 1939	May 15, 1939
ASSETS				
Gold coin and bullion	34.24	40.86	40.86	40.86
Net foreign exchange	15.60	18.63	16.88	15.69
Home bills discounted	10.55	12.03	13.15	12.81
Loans and advances	9.91	13.30	12.68	13.30
LIABILITIES				
Notes in circulation	48.15	53.65	52.97	52.36
Sight depts. and current accounts, of which: (a) Government	30.98	37.32	37.09	36.23
(b) Bankers	18.45	22.48	22.17	22.11
(c) Bankers	9.79	12.46	12.60	11.66
Reserve to current liabilities	63.0%	65.4%	64.1%	63.8%

NATIONAL BANK OF HUNGARY

	May 31, 1938	Apr. 30, 1939	May 23, 1939	May 31, 1939
ASSETS				
Gold coin and bullion	84.1	124.1	124.1	124.1
Foreign exchange	72.7	102.2	98.4	94.9
Int. bills, wts., & secs.	470.3	512.3	416.7	458.6
Advances to Treasury: Long term	120.0	200.1	203.3	203.3
Czech-Kr. exch.	...	96.0	95.9	95.9
LIABILITIES				
Notes in circulation	583.6	895.6	802.1	868.0
Current accounts, and sight liab.	221.2	187.0	205.6	191.6
Cash certificates	69.7	99.0	99.0	99.0

BANK OF JAVA.—(Million florins)

	June 4, 1938	May 27, 1939	June 3, 1939	June 3, 1939
ASSETS				
Gold and silver	136.94	134.92	135.76	135.72
Discounts, advances & other investments	75.12	79.4	76.32	79.13
Foreign bills	2.45	12.22	11.39	13.81
Other assets	50.56	71.67	69.95	57.51
LIABILITIES				
Notes in circulation	188.91	197.70	192.42	197.84
Deposits and bills	61.65	86.89	78.23	74.58

NATIONAL BANK OF JUGOSLAVIA

	May 31, 1938	Apr. 30, 1939	May 31, 1939	May 31, 1939
ASSETS				
Gold	1,828	1,917	1,918	1,918
Other foreign exchange	350	485	478	525
Discounts and advances	1,550	1,976	1,819	1,835
Government advances	2,241	2,229	2,229	2,230
LIABILITIES				
Notes in circulation	5,985	7,423	7,112	7,298
Deposits	2,503	1,568	1,741	1,624

BANK OF LATVIA

	May 30, 1938	May 22, 1939	May 29, 1939	May 29, 1939
ASSETS				
Gold coin and bullion	77.59	92.78	92.83	92.83
Silver coin	13.61	11.84	11.78	11.66
Foreign currency	41.78	46.21	39.01	39.64
Treas. notes and change	8.45	8.30	9.37	8.84
Short-term bills	50.43	52.55	52.13	53.04
Loans against securities	83.52	110.19	101.72	101.28
LIABILITIES				
Notes in circulation	64.53	89.72	87.25	88.37
Deposits & currnt. accs.	132.55	149.71	138.40	140.78
Government accounts	65.47	72.00	69.82	70.45

NETHERLANDS BANK

	June 7, 1938	May 29, 1939	May 30, 1939	June 5, 1939
ASSETS				
Gold	1481.2	1209.5	1209.5	1209.5
Silver	19.3	17.5	17.4	18.0
Home bills, etc.	8.6	11.6	11.6	11.6
Foreign bills	5.4	2.7	2.7	2.7
Loans and advances in current account	329.7	216.0	212.0	209.6
LIABILITIES				
Notes in circulation	932.1	1056.0	1046.4	1033.9
Deposits: (a) Govt.	138.0	33.3	30.0	36.1
(b) Other	794.6	388.6	397.2	400.3

RESERVE BANK OF NEW ZEALAND

	May 30, 1938	May 22, 1939	May 29, 1939	May 29, 1939
ASSETS				
Gold	2.80	2.80	2.80	2.80
Sterling exchange	18.28	4.80	4.76	4.56
Advances to State	3.78	19.44	19.70	19.52
Investments	2.74	3.77	3.77	3.77
LIABILITIES				
Bank notes	13.82	15.72	15.68	15.57
Demand liab. State	4.67	2.79	2.31	2.55
Banks and others	7.61	10.89	11.36	11.01
Reserves to sight liab.	80.8%	25.8%	25.6%	25.1%

BANK OF POLAND

	May 31, 1938	Apr. 30, 1939	May 31, 1939	May 31, 1939
ASSETS				
Gold	440.8	443.2	443.4	443.5
For. exch. and balances	20.3	12.6	12.3	14.4
Bills discounted	647.1	512.3	537.8	548.2
Loans against securities	31.9	117.6	103.4	151.8
Treas. bills discounted	40.1	117.5	90.8	117.8
Other State credits	...	515.0	515.0	515.0
Securities	127.6	146.5	151.0	152.7
LIABILITIES				

EXCHANGE RATES—cont.

NEW YORK

New York on	June 1, 1939	June 2, 1939	June 3, 1939	June 5, 1939	June 6, 1939	June 7, 1939
London—	Cents	Cents	Cents	Cents	Cents	Cents
60 days	467 ²⁵ / ₃₂	467 ²⁵ / ₃₂	467 ²⁵ / ₃₂	468 ⁵ / ₃₂	468 ⁵ / ₃₂	467 ²⁵ / ₃₂
Cables	468 ¹ / ₁₆	468 ¹ / ₁₆	468 ¹ / ₁₆	468 ¹ / ₁₆	468 ¹ / ₁₆	468 ¹ / ₁₆
Demand	468 ¹ / ₁₆	468 ¹ / ₁₆	468 ¹ / ₁₆	468 ¹ / ₁₆	468 ¹ / ₁₆	468 ¹ / ₁₆
Paris, Fr.	2-65	2-65	2-65 ¹ / ₁₆	2-65 ¹ / ₁₆	2-65 ¹ / ₁₆	2-65 ¹ / ₁₆
Brussels, Bel.	17-03	17-03	17-03	17-03	17-02 ¹ / ₂	17-02 ¹ / ₂
Switzerland, Fr.	22-55 ¹ / ₂	22-55 ¹ / ₂	22-55 ¹ / ₂	22-55 ¹ / ₂	22-55 ¹ / ₂	22-55 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	40-13 ¹ / ₂	40-13 ¹ / ₂	40-13 ¹ / ₂	40-13 ¹ / ₂	40-11	40-11
Amsterdam, Guilder	53-56 ¹ / ₂	53-56 ¹ / ₂	53-56 ¹ / ₂	53-56 ¹ / ₂	53-56 ¹ / ₂	53-56 ¹ / ₂
Copenhagen, Kr.	20-91	20-91	20-91	20-91 ¹ / ₂	20-92	20-92
Oslo, Kr.	23-53	23-54	23-54	23-54	23-55	23-54 ¹ / ₂
Stockholm, Kr.	24-12 ¹ / ₂	24-13	24-13	24-13	24-13	24-12 ¹ / ₂
Athens, Dr.	0-85 ⁷ / ₈	0-85 ⁷ / ₈	0-85 ⁷ / ₈	0-85 ⁷ / ₈	0-85 ⁷ / ₈	0-85 ⁷ / ₈
Montreal, Can. \$	99-780	99-825	99-855	99-900	99-885	99-915
Yokohama, Yen	27-33	27-33	27-33	27-33	27-34	27-34
Shanghai, \$	16-15	16-15	16-10	16-12	16-12	14-70*
B. Aires, Peso	29-05	29-06	29-07	29-07	29-06	29-06
Rio, Milreis†	5-50	5-50	5-50	5-50	5-50	5-50

Usance: T.T.

* Nominal.

† Official.

IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended June 8, 1939

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
GOLD					
South Africa	2,452,232	£	Eire	2,968	£
S. Rhodesia	72,356	...	Palatinate	4,916	...
New Zealand	27,664	...	Canada	8,219	...
Netherlands	1,303,035	1,583	Netherlands	8,958	...
Belgium	32,853	...	Luxembourg	1,982	...
Egypt	164,888	...	Switzerland	1,485	5,372
Peru	119,471	...	United States	2,888,838	13,616
Total*	4,043,741	171,474	Total*	2,899,674	43,159
SILVER					
Gibraltar	...	4,500	Bombay	2,700	...
British Malaya	117,450	...	Bermuda	5,500	...
Hongkong	6,521	...	Denmark	1,607	...
New Zealand	2,094	...	Egypt	43,880	...
Germany	4,903	...	United States	148,386	...
Belgium	10,719	24			
France	12,649	92			
Total*	37,025	122,284	Total*	154,080	49,780

* Including other countries.

MONTHLY STATEMENT OF LONDON CLEARING BANKS

(000's omitted)

Average Weekly Balance May, 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	45,151	1,716	8,123	3,060	44,839	9,700	48,198	3,206	34,586	33,777	3,777	236,133
Balances with and cheques in course of collection on other banks in Great Britain and Ireland	12,066	696	2,205	2,188	10,384	3,065	12,619	283	7,328	9,010	1,775	61,619
Items in transit	...	...	...	...	3,517	660	...	...	...	...	...	4,177
Money at call and short notice	22,394	1,763	8,452	7,194	24,720	5,624	24,650	3,736	14,436	24,488	6,019	143,476
Bills discounted	45,178	730	5,543	354	35,332	3,244	50,522	1,454	25,144	32,565	656	200,722
Investments	96,885	6,882	29,004	9,789	107,662	30,709	116,264	14,213	76,238	105,705	11,187	604,538
Advances to customers and other accounts	203,531	10,921	29,985	8,621	165,922	47,088	214,193	16,687	142,734	133,622	14,668	987,972
Liabilities of customers for acceptances, endorsements, etc.	16,146	931	7,990	3,199	37,798	7,621	19,638	693	9,334	21,897	2,045	127,292
Bank premises account	7,433	412	1,621	740	7,501	2,808	9,752	601	7,425	5,162	1,048	44,503
Investments in affiliated banks and subsidiary companies	7,004	...	...	...	3,624	...	8,016	...	2,514	2,993	...	24,151
	455,788	24,051	92,923	35,145	441,299	110,519	503,852	40,873	319,739	369,219	41,175	2,434,583
LIABILITIES												
Capital paid up	15,858	1,000	2,976	1,060	15,810	4,160	15,159	1,500	9,479	9,320	1,875	78,197
Reserve fund	10,750	1,000	2,977	530	9,500	3,550	12,410	1,150	8,500	9,320	900	60,587
Current, deposit and other accounts	413,034	21,120	78,980	30,056	378,184	95,166	456,645	36,160	292,426	328,667	36,355	2,166,793
Acceptances, endorsements, etc.	16,146	931	7,990	3,199	37,798	7,621	19,638	693	9,334	21,897	2,045	127,292
Notes in circulation	...	...	...	...	7	...	...	1,370	...	15	...	1,414
Reduction of bank premises account	...	...	...	300	...	...	...	...	...	...	...	300
	455,788	24,051	92,923	35,145	441,299	110,519	503,852	40,873	319,739	369,219	41,175	2,434,583

(Continued from page 633)

Manchester Collieries, Ltd.—Profits for year to March 31, 1939, after tax and N.D.C., £296,699 (£331,306). From reserves no longer required, £20,039, making £316,738. To amortisation reserve, £49,844 (£43,327), and £29,564 (£29,564) is written off goodwill. Depreciation of railway wagons, £19,583 (£21,146). Ordinary dividend maintained at 5 per cent. Carry-forward, £122,363 (£122,428).

Armstrong Whitworth Securities.—Total income for 1938, £31,638 (£13,576). Expenses, £7,876. Provision for taxation, £7,268. Net balance, £16,494. Carry-forward, £17,700 (£1,206).

Tronoh Mines.—Net profit, 1938, £47,755 (£247,905), plus surplus on realisation of investments, £9,830 (£28,690). Ordinary dividend, 15 per cent., absorbing £45,000, against 60 per cent., absorbing £180,000. Written off property, etc., £71,695 (£74,298). Carry-forward, £42,938 (£102,048).

Ruston and Hornsby, Ltd.—Report for year to March 31, 1939, shows net profit of £301,406 (£254,876). To reserves: Stock, £30,000 (£30,000); plant, etc., £20,000 (£20,000); pensions, £10,000 (nil); taxation, £20,000 (£20,000); general, £50,000 (£57,450). Carry forward, £55,957 (£61,801). Ordinary dividend raised from 7½ to 12½ per cent.

Straits Plantations.—Net profit year to March 31, 1939, £15,216 (£47,532). To property reserve, £2,500 (£10,000). To staff reserve, £100 (£100). Ordinary dividend reduced from 5 to 2½ per cent. Carry-forward, £23,638 (£26,190).

Vitamins, Ltd.—Net profit for year to March 31, 1939, before tax and N.D.C., £43,010 (£29,528). To general reserve, £7,500 (£5,000). Carry-forward increased from £4,767 to £7,084. Ordinary dividend raised from 2½ to 35 per cent.

Titanine, Ltd.—Net profit for year to March 31, 1939, £39,100 (£23,623). To tax and N.D.C. reserve, £7,500 (£3,800). Ordinary dividend raised from 20 to 22½ per cent. for year.

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended June 4 (£'000)					Aggregate Gross Receipts, 22 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Goods	Total	Passenger	Merchandise	Coal & Coke	Goods	Total
L.M. & S.—	680	433	238	671	1,351	9,754	10,443	5,968	16,411	26,165
1938	609	434	175	609	1,218	9,697	10,092	6,126	16,218	25,915
1939	398	321	216	537	935	6,320	7,382	5,572	12,954	19,274
L. & N.E. (a)—	405	329	203	532	937	6,314	6,989	5,663	12,652	18,966
1938	273	193	100	293	566	4,076	4,257	2,511	6,768	10,844
1939	246	179	81	260	506	4,089	4,299	2,508	6,807	10,896
Great Western—	273	193	100	293	566	4,076	4,257	2,511	6,768	10,844
1938	246	179	81	260	506	4,089	4,299	2,508	6,807	10,896
1939	406	60	27	87	493	6,304	1,342	709	2,051	8,355
Southern—	374	62	27	89	463	6,370	1,307	731	2,038	8,408
1938	1757	1007	581	1588	3,345	26,454	23,424	14,760	38,184	64,838
1939	1634	1004	486	1490	3,124	26,470	22,687	15,028	37,715	64,185

(a) Week ended June 3

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures	£	£	£	£
Gross receipts, first half 1938, over first half 1937	— 780	— 638	— 318	— 105
Gross receipts, second half 1938, over second half 1937	— 2,423	— 1,812	— 926	— 54
Gross receipts, first half 1939, over first half 1938	— 250	— 308	+ 52	+ 53
22 weeks to June 4, 1939	— 11-36	— 14-00	+ 2-36	+ 2-40
Av. weekly decrease, 1st half 1939	— 133	+ 2	— 60	— 30
Latest week compared with 1938...	— 165	— 27	— 70	+ 40
Latest week compared with average 1927-30	— 165	— 27	— 70	+ 40

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended June 2, 1939 (£'000)			Aggregate Gross Receipts 22 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—	2-2	0-3	2-5	40-9	9-5	50-4
1938	2-7	0-4	3-1	41-8	9-4	51-2
1939	10-1	9-4	19-5	191-4	191-2	382-6
Great Northern—	12-6	10-8	23-4	198-5	220-8	419-3
1938	33-4	38-7	72-1	665-0	788-2	1,453-2
1939	42-4	34-6	77-0	671-4	891-4	1,562-8

DIVIDEND ANNOUNCEMENTS

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

Company	*Int. or Final	Total	Pay- able	Prev. Year	Company	*Int. or Final	Total	Pay- able	Prev. Year	Company	*Int. or Final	Total	Pay- able	Prev. Year
RAILWAYS	%	%		%	Langlaagte Estate	2½*	%	July 31	5*	Lindley (C.) & Co.	10*	%	%	%
Bengal and N. Westn.	8*	...	July 31	8*	Malayan Tin	2½*	...	June 22	7½*	London Produce	6*	...	July 15	10*
Rohilkund & Kumaon	8*	...	July 31	8*	New Goldfields (Ven.)	5*	...	June 22	5*	Marston Thompson	7½†	15†	...	15†
TEA & RUBBER					New State Areas	15*	...	July 31	15*	Metal Industries	2½†	5	...	7½
Anglo-Ceylon & Gen.					Randfontein Estates	11½*	...	July 31	11½*	Neuchatel Asphalt	...	2½	June 24	2½
Ests.	6†	10	...	10	S. Malayan Tin	2½*	...	June 21	3½*	Newman and Watson	...	6	...	Nil
Attaree Khat Tea	12½†	17½	...	20	Van Ryn Deep	8½*	...	July 31	12½*	Ohlsson's Cape Brews.	12½†	17½	July 7	17½
Borelli Tea	12½†	17½	...	20	Witwatersrand Gold	12½*	...	July 31	10*	Pye Limited (Def.)	...	25	...	25
British Assam Tea	10†	5	June 23	6	INDUSTRIALS	2†	3½	...	3½	Revo Electric	a12½†	a17½	...	17½
British Indian Tea	10†	5	June 28	17½	Abbots Investment	7½	...	...	7½	Rio de Janeiro Flour	3*	...	...	8½
Budla Beta Tea	...	3	July 13	5	Aberthaw Cement	7½	...	...	7½	"Sanitas" Trust	(a) 8½	...	...	8½
Buket Rajah Rbr.	14†	17	...	20	African Land, etc.	17½	...	...	17½	Second Brit. Steamship	2½*	...	June 30	2½*
Busca Douars Tea	7½†	10	...	12½	Argosy Libraries	6†	8½	...	7½	Smith (E. & H. P.)	...	...	...	7
Dhendi Tea	10†	12½	...	17	Armstrong-Siddeley	13½*	...	June 16	7½*	South African Brews.	a17½†	a22½	July 13	a22½
Dima Tea	10†	15	...	17½	Boots Pure Drug	6*	...	June 30	6*	Spurling Motor Bodies	...	10	June 21	10
Eastern Assam Tea	10†	5	...	10	British Maritime Trust	3*	10	...	3*	Stanton Ironworks	(a) 6†	(a) 10	...	6*
Glenshiel Rubber	...	8	...	17½	Brooke Bond & Co.	6†	10	...	13	Sussex Brick	12½†	22½	...	20
Imperial Tea	7½†	12½	...	17½	Bush (W. J.) & Co.	25 cts	...	June 30	13	Titanine	...	10	...	10
Itakhooli Tea	5†	7	July 1	8	Canadian Celanese	2½*	...	...	2½*	Vitamins	25†	35	...	22½
Izhanie Tea	6†	10	...	12½	Card Clothing, etc.	...	7½	...	10	Weyburn Engng.	7½*	...	June 19	7½*
Jorchaat Tea	12½†	15	...	15	Conselt Iron	...	9	...	9	Whitehead Iron, etc.	c12½†	c 25	...	35
Koomsoong Tea	...	2½	...	6	Elder Dempster Lines	...	6	Aug. 2	6	Wolsley Sheep Mac.	...	10	...	5
Membuat Estates	...	2½	...	6	Forton Trust	4†	...	June 24	7½*	Yorkshire Dyeware	5†	10	...	16½
Mount Austin Rubber	...	3	...	42½	Foster Clark	7½*	5½	...	6	UNIT TRUSTS	pence	...	...	pence
Romai Tea	30†	37½	...	...	Gen. Secs. Invest.	3†	...	...	7	Brit. Imp. (Compre.)	a4-2	...	June 15	a3
Sabrang Rubber	...	2	...	6	Glacier Metal	a†	10	July 1	10	Domestic Investmt.	...	...	June 10	...
Sephinjun Bheel Tea	...	...	...	...	Globe Telegraph	2†	4½	...	7	Cumulative Invstmt.	...	...	June 15	...
Single Tea	9†	12	July	15	Goldsbrough Mort.	2†	4½	...	7	Domestic Inv. (2nd)	...	...	June 10	...
MINING					Guest Keen, etc.	a3½†	46	...	47½	First Prov. "B"	a12-90	76...	June 16	...
East Champ d'or	35*	...	July 31	20*	Hambleton Estates	...	4	...	4	Hundred Securities	...	44	...	15
Govt. Gold Mng. Areas	32½*	...	July 31	35*	Hevea Rubber Trust	...	2	...	3	Limited Invest. Fund	a3-80	...	July 15	a4-20
Kramat Pula	5†	80	June 28	125	Hick Hargreaves & Co.	8†	10	...	8	National Fixed ("D")	2(d)	...	July 1	2(d)
Kramat Pula (1939)	2½*	...	June 28	20*	White Blackman	...	15	...	20	Second Protected	a4-294 1	...	June 30	a 835
					Lillywhites Hldgs.	5*	...	June 15	10*					

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 Jan. 1 to June 7, inclusive				Prices, Year 1939 Jan. 1 to June 7, inclusive				Prices, Year 1939 Jan. 1 to June 7, inclusive				Prices, Year 1939 Jan. 1 to June 7, inclusive			
High-est		Low-est		High-est		Low-est		High-est		Low-est		High-est		Low-est		High-est		Low-est	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939	
1938		1938		1939		1939		1939		1939		1939		1939		1939		1939	
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1938		1938		1939		1939		1939		1939		1939"></							

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				Corresponding Period Last Year		
					Dividend			Carried to Reserve, Deprecia-tion, etc.		Balance Forward	
					Prefce. Amount	Ordinary Amount	Rate				
Banks											
Anglo-Palestine Bank.....	Dec. 31	£ 10,286	£ 86,660	£ 96,946	£ 11,250	£ 36,651	% 6	£ 40,000	£ 9,045	£ 97,047	% 10
Hambros Bank	Mar. 31	87,479	254,865	342,344	...	147,900	18 & 6	100,000	94,444	308,678	18&6
Financial Land, etc.											
Exploration Company.....	Dec. 31	6,110	Dr. 88,996	Dr. 82,886	...	...	...	...	Dr 82,886	1,142	Nil
Investment Corp. of Canada	Apr. 30	19,064	8,959	28,023	5,041	...	...	...	22,982	11,439	Nil
Metropolitan Association, etc.	Mar. 31	1,093	10,446	11,539	...	9,610	5†	...	1,929	9,920	5†
Metropolitan Housing	Mar. 31	10,365	84,899	95,264	22,203	41,234	7	19,720	12,107	85,914	7
Trust and Loan of Canada...	Mar. 31	2,338	Dr. 2,638	Dr. 300	...	...	...	Dr. 1,600	1,300	Dr. 165	Nil
Gas											
Plymouth Gas	Mar. 31	30,237	50,416	80,653	...	42,122	7‡	8,500	30,031	47,774	8
Iron, Coal and Steel											
Armstrong Whitworth Secs.	Dec. 31	1,206	16,494	17,700	...	...	...	...	17,700	6,089	Nil
Consett Iron	Mar. 31	215,952	477,767	693,719	40,000	210,000	7‡	257,600	186,119	777,312	10
Cory (Wm.) and Son	Mar. 31	975,758	755,310	1,731,068	42,500	590,019	20	100,000	998,549	768,339	20
Fairbairn Lawson, etc.	Mar. 31	50,071	43,490	93,561	6,424	...	...	25,152	61,985	80,465	Nil
Manchester Collieries	Mar. 31	122,428	296,699	419,127	63,837	153,975	5	78,952	122,363	331,306	5
Ocean Coal and Wilsons ...	Dec. 31	213,990	147,533	361,523	84,880	62,214	1‡	...	214,429	257,150	3‡
Ruston and Hornsby.....	Mar. 31	61,801	301,406	363,207	23,500	153,750	12‡	130,000	55,957	254,876	7‡
Shipley Collieries	Mar. 31	51,950	186,995	238,945	11,503	75,000	12‡	91,932	60,510	159,171	12‡
Stone (J.) and Company ...	Dec. 31	212,506	303,990	516,496	39,000	165,110	27†‡	95,313	217,073	331,206	27‡
Motor, Cycle and Aviation											
King's Motors (Oxford) ...	Mar. 31	2,821	23,339	26,160	4,872	10,150	40	6,573	4,565	17,958	40
Mansfields, Ltd.	Mar. 31	2,905	10,825	13,730	5,200	3,750	15	2,000	2,780	11,390	20
Rolls-Royce	Dec. 31	91,947	339,950	431,897	...	276,189	25	60,000	95,708	293,259	22‡
Spurling Motor Bodies.....	Feb. 28	3,618	20,963	24,581	...	16,950	10	4,500	3,131	17,718	10
Oil											
Attock Oil	Dec. 31	2,761	309,346	312,107	...	112,500	7‡	180,000	19,607	56,884	Nil
Venezuelan Oil	Dec. 31	157,494	2,049,375	2,206,869	119,553	1,095,004	16‡	816,546	175,766	2,045,819	22‡(b)
Rubber											
Central Perak	Dec. 31	11,144	24,689	35,833	...	9,300	2‡	15,000	11,533	42,084	7‡
Dahan	Dec. 31	Dr. 2,094	Dr. 437	Dr. 2,531	...	...	...	...	Dr. 2,531	Dr. 946	Nil
Nirmala (Java)	Dec. 31	1,394	10,051	11,445	1,631	3,459	2‡	500	5,855	16,270	2‡
Straits Plantations	Mar. 31	26,190	15,215	41,405	...	13,167	2‡	2,600	25,638	47,532	5
Shipping											
Brynmor Steamship	Mar. 31	30,495	12,452	42,947	4,350	4,877	6	712	33,008	99,951	16
Burns, Philp and Co.	Mar. 31	31,460	381,776	413,236	...	181,250	10	205,633	26,353	368,803	10
Shops and Stores											
Great Universal Stores	Mar. 31	12,181	344,023	356,204	40,598	181,250	50	115,373	18,983	294,244	50
Tea											
Assam Consolidated	Dec. 31	14,388	16,096	30,484	12,000	...	...	5,000	13,484	40,051	7
Bamgoan	Dec. 31	3,563	2,603	6,166	...	1,874	7‡	1,000	3,292	4,671	10
Borbiel	Dec. 31	7,952	6,988	14,940	...	6,660	30	1,100	7,180	9,644	40
Borjan	Dec. 31	3,569	5,071	8,640	560	3,714	15	1,000	3,366	7,203	15
Boroi	Dec. 31	3,354	4,081	7,435	...	3,600	15	200	3,635	6,919	15
Hornsey	Mar. 31	914	2,787	3,701	600	1,500	12‡	474	1,127	2,254	10
Jetinga Valley	Dec. 31	2,214	8,353	10,567	3,068	4,832	7‡	800	1,867	12,979	10
Kerala	Feb. 28	Dr. 12,059	Dr. 99	Dr. 12,158	...	...	...	...	Dr 12,158	79	Nil
Lungla (Sylhet)	Dec. 31	2,406	22,148	24,554	13,987	...	...	4,007	6,560	33,139	Nil
Moabund	Dec. 31	4,952	18,484	23,436	2,500	13,000	10	2,700	5,236	20,109	10
Pathini	Dec. 31	5,519	5,747	11,266	1,443	4,811	10	1,500	3,512	11,581	15
Rasmai	Dec. 31	9,162	16,457	25,619	1,960	14,000	25	2,700	6,959	18,424	22‡
Rupajuli	Dec. 31	1,082	4,015	5,097	...	1,826	10	2,100	1,171	6,964	10
Textiles											
Woodrow (John) and Son...	Mar. 31	9,090	8,468	17,558	4,712	2,175	3	1,501	9,170	11,019	5
Tramways & Omnibus											
British Electric Traction ...	Mar. 31	1,721,278	482,398	2,203,676	163,121	107,830	15(c)	...	1,932,725	446,572	15(c)
Para Electric Railways	Nov. 30	Dr. 88,162	Dr. 32,790	Dr 120,952	...	...	...	...	Dr 120,952	Dr 49,019	Nil
Southdown Motor	Mar. 31	19,027	240,221	259,248	...	75,000	10	160,358	23,890	226,644	10
Trusts											
First Scottish American	May 1	11,661	34,220	45,881	6,960	23,200	20	5,000	10,721	39,364	20
Monument Property Trust	Mar. 31	6,159	25,610	31,769	9,425	9,951	5	5,738	6,655	24,389	5
Northern Securities Trust...	Dec. 31	15,354	25,020	40,374	11,110	11,550	7	...	17,714	25,148	8
Second Lon. Scot. Amercn.	Apr. 30	26,102	44,215	70,317	30,000	12,000	3	...	28,317	47,123	3
Tea Share Trust	Mar. 31	575	7,610	8,185	...	3,262	3	...	4,923	8,752	7
Other Companies											
Barnagore Jute Factory ...	Mar. 31	6,932	8,759	15,691	10,000	...	...	...	5,691	17,820	5
Broadcast Relay Service ...	Mar. 31	6,555	79,222	85,777	...	47,681	12‡	30,483	7,613	70,436	10
Brown (Thomas) and Sons...	Jan. 31	1,687	23,912	25,599	7,425	6,750	5	9,500	1,924	23,212	5
Brownlee and Co.	Mar. 31	50,453	69,948	120,401	3,625	47,242	15†	15,000	54,534	58,853	12‡†
Bush (W. J.) & Co.	Dec. 31	108,312	50,634	158,946	6,250	25,000	10	13,603	114,093	110,588	13
Ebonite Container	Feb. 28	7,894	10,821	18,715	...	6,800	8	3,000	8,915	13,424	8
Findlater (Alex) and Co. ...	Feb. 28	14,560	5,719	20,279	1,535	681	6	3,500	14,563	4,703	6
Fisher and Ludlow	Mar. 31	91,010	160,564	251,574	7,000	65,250	15	71,732	107,592	168,531	20
Fisher's Foils	Apr. 30	6,390	19,141	25,531	...	3,625	5	12,000	9,906	26,406	5
Hill (R. & J.)	Mar. 31	Dr. 15,895	Dr. 2,439	Dr. 18,334	...	...	...	1,806	Dr 20,140	Dr. 32	Nil
Holbrooks, Ltd.	Mar. 31	22,204	30,488	52,692	2,800	27,000	9†	...	22,892	35,874	11†
Jury Holloware (Stevens) ...	Mar. 31	16,729	14,630	31,359	...	9,200	4	6,000	16,159	5,240	Nil
Lex Garages	Dec. 31	17,828	12,822	30,650	...	5,500	4	2,500	22,650	14,040	6
Lovering China Clays	Mar. 31	Dr. 22,364	Dr. 35	Dr. 22,399	...	...	...	...	Dr 22,399	10,517	Nil
Reed (Albert E.)	Mar. 31	124,665	181,610	306,275	26,000	50,000	5	108,788	121,487	252,969	9†
Sanders and Company	Mar. 31	7,550	14,603	22,153	...	10,875	15	3,082	8,196	24,389	15
Scottish Stamping	Dec. 31	15,108	3,339	18,447	173	1,758	2‡	...	16,516	(a)	(a)
Total Profits, 1939, in £'000's:											
To June 3.....	No. of Cos.	52,944	160,265	213,209	32,342	84,515	...	40,709	55,643	174,914	...
To June 10.....	1,258	57,504	168,027	225,531	33,183	88,533	...	43,400	60,415	183,138	...

† Free of income tax.

(a) No comparable figure.

(b) Absorbed £967,145.

(c) Includes a 10 per cent. share bonus.

Industry and Trade

COMMODITY STATISTICS

Coal

COAL OUTPUT ('000 tons)

District	Week ended		Jan.-April	
	May 20, 1939	May 27, 1939	1938	1939
Northumberland.....	302.8	305.5	4,563.7	4,500.3
Durham	609.6	606.1	11,106.5	10,440.9
Yorkshire	894.9	842.4	15,422.2	15,219.2
Lancs., Cheshire and N. Wales	354.8	353.3	5,898.0	5,894.9
Derby, Notts & Leicester	641.3	625.5	11,762.6	12,090.7
Staffs., Wores., Salop and Warwick	422.9	398.5	6,834.7	7,025.9
South Wales & Monmouth.....	831.3	811.9	12,768.8	11,616.6
Other English districts*	125.9	121.9	1,910.5	1,832.9
Scotland	631.1	623.5	10,496.4	10,462.5
Total	4,904.6	4,768.6	80,763.4	79,073.9

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton

RAW COTTON delivered to Spinners ('000 bales)

Variety	Week ended		Total Deliveries	
	May 20, 1939	June 2, 1939	Aug. 1, 1937	Aug. 1, 1938
American	18.7	13.4	1,071	865
Brazilian	4.9	4.2	246	257
Peruvian, etc.	3.1	2.6	101	109
Egyptian	7.9	5.8	301	298
Sudan Kaki	3.6	1.6	124	119
East Indian	9.5	3.7	324	371
Other countries	4.4	5.0	149	161
Total	52.1	36.3	2,316	2,180

* Corrected figures.

Metals

SALES ON LONDON METAL EXCHANGE

	Week ended
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BRITISH WHOLESALE PRICES

CEREALS AND MEAT				MAY 31, 1939				JUNE 7, 1939			
GRAIN, etc.—				s.	d.	s.	d.	s.	d.	s.	d.
Wheat—											
No. 2, N. Man. 496 lb.				23	9	23	9	23	9	23	9
Eng. 494 av., per cwt.				5	1	5	1	5	1	5	1
Liv. July per cental				4	7	4	2	4	7	4	2
Flour, per 280 lb.—											
Straight, d. d. London				24	0	24	0	24	0	24	0
Mantoba ex store				23	6	23	6	23	6	23	6
Barley, Eng. Gaz., av. per cwt.				6	7	7	0	6	4	6	4
Oats				25	0	24	9	25	0	24	9
Maize, La Plata, landed, 480 lb.				8	1	8	1	8	1	8	1
Rice, No. 2 Burma, per cwt.				8	1	8	1	8	1	8	1
MEAT—											
Beef, per 8 lb.—											
English long sides				4	8	4	8	4	8	4	8
Danish				5	4	5	4	5	4	5	4
Argentine chilled hinds				4	5	4	4	4	5	4	4
Mutton, per 8 lb.—											
English wethers				5	4	5	4	5	4	5	4
N.Z. frozen wethers				2	2	2	2	2	2	2	2
Lamb, per 8 lb.—											
N.Z. frozen				4	4	4	4	4	4	4	4
Pork, English, per 8 lb.—											
N.Z. frozen				5	2	5	2	5	2	5	2
BACON (per cwt.)—											
English				88	0	88	0	88	0	88	0
Danish				90	0	90	0	90	0	90	0
Dutch				83	0	83	0	83	0	83	0
Irish				78	0	78	0	78	0	78	0
HAMS (per cwt.)—											
Canadian				98	0	98	0	98	0	98	0
United States				88	0	92	0	88	0	92	0
OTHER FOODS											
BUTTER (per cwt.)—											
Australian				112	0	115	0	112	0	115	0
New Zealand				114	0	118	0	114	0	118	0
Danish				119	0	126	0	119	0	126	0
Dutch				120	0	127	0	120	0	127	0
CHEESE (per cwt.)—											
Canadian				71	0	71	0	71	0	71	0
New Zealand				51	0	59	0	51	0	59	0
English Cheddars				90	0	90	0	90	0	90	0
Dutch				100	0	100	0	100	0	100	0
COCOA (per cwt.)—											
Accra, g.f.				21	6	21	0	21	6	21	0
Trinidad				42	0	42	0	42	0	42	0
Grenada				36	0	37	6	36	0	37	6
COFFEE (per cwt.)—											
Santos sup. c. & l.				31	6	31	0	31	6	31	0
Costa Rica, medium to good				83	0	82	0	83	0	82	0
Kenya, medium				55	0	56	0	55	0	56	0
EGGS (per 120)—											
English (15-15½ lb.)				10	0	11	0	10	0	11	0
Danish (15½ lb.)				9	6	10	0	9	6	10	0
FRUIT—											
Oranges, Denia & Valencia (Bloods), 12 cases l.				10	0	6	0	10	0	6	0
Brazilian (Navels) boxes				5	9	7	0	5	9	7	0
Lemons, Naples boxes				10	3	11	0	10	3	11	0
Sicilian Verdelli pkgs.				12	3	17	9	12	3	17	9
Apples, N. Zealand (var.) boxes				7	9	10	0	7	9	10	0
Australian				11	0	12	0	11	0	12	0
Grapes, S. Africa boxes				3	4	4	4	3	4	4	4
Grapefruit, Italia				6	0	8	0	6	0	8	0
Florida boxes				11	6	10	0	11	6	10	0
Pears, Australian				8	0	7	0	8	0	7	0
LARD (per cwt.)—											
Irish, finest bladders				50	0	50	0	50	0	50	0
U.S.				36	6	35	0	36	6	35	0
PEPPER (per lb.)—											
Black Lampung (in Bond)				0	2	0	2	0	2	0	2
White Mustook (in Bond)				0	3	0	2	0	3	0	2
POTATOES (per cwt.)—											
English, King Edward, Siltland				6	6	5	0	6	6	5	0
Wisbech				95	0	85	0	95	0	85	0
SUGAR (per cwt.)—											
Centrifugal, 96°, prpt. shipm.				8	0	7	6	8	0	7	6
Yellow Crystals				23	6	23	3	23	6	23	3
Cubes				28	6	27	9	28	6	27	9

* Weeks ended May 25th and June 1st.

† 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.

		s.	d.	s.	d.
GOLD , per fine ounce	148	5	1/2	149	4
SILVER (per ounce)~					
Cash	17	15	1/2	17	15

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

TOBACCO (per lb.)—				MAY 31, 1939				JUNE 7, 1939			
Virginia, stemmed and un-				s.	d.	s.	d.	s.	d.	s.	d.
stemmed, common to fine				0	8	0	8	0	8	0	8
Rhodesian, stemmed and un-				2	6	2	6	2	6	2	6
stemmed				1	10	1	10	1	10	1	10
Nyasaland, stemmed and un-				0	7	0	7	0	7	0	7
stemmed				1	4	1	4	1	4	1	4
East Indian				0	4	0	4	0	4	0	4
Unstemmed				0	3	0	3	0	3	0	3

" powder	per ton	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 15 0	10 15 0
Soda Bicarb.	per ton	11 0 0	11 0 0
Crystals	per ton	5 5 0	5 5 0
Sulphate of copper	per ton	3 10 0	3 10 0
Sulphate of copper	per ton	18 10 0	18 10 0

FLAX (per ton)—				MAY 31, 1939				JUNE 7, 1939			
Livonian ZK				£	s.	£	s.	£	s.	£	s.
Pernau HD				83	0	84	0	83	0	84	0
Slavica Medium, 1st sort				83	0	85	0	83	0	85	0

Cape	}	0	4½	0	4¾
Dry and Drysalted Cape		0	6½	0	6½
		0	7½	0	7¼
Market Hides, Manchester—					

The Meaning of Tientsin

THE purpose of the Japanese blockade of the British Concession at Tientsin, it has rapidly become clear, is to inflict a resounding public humiliation upon Great Britain. The calculation is presumably that if, at one point in her widely scattered empire, Great Britain can be forced to submit to an indignity which is incompatible with the traditional status of a Great Power, the vast edifice of British rights and interests throughout the Far East, and perhaps still nearer home, may be shaken down by the shock.

To this ulterior end, every means of local pressure is being applied. Contrary to the original Japanese statement that the food supplies of the Concession would not be interfered with, the entry of fresh food, vegetables and ice is now being impeded, with a view to quickly starving the British community at Tientsin into surrender. The barbed-wire fence with which the British and French Concessions have been surrounded is being electrified at night. Inside these lines of circumvallation the Japanese are striking at the authority of the British Municipal Council by pressing its Chinese public servants to repudiate their duty to their employers, under threat of punitive measures. As for the British residents who have been constrained to pass the Japanese barrier by the exigencies of their lawful occasions, they have been deliberately insulted in public: they have been kept waiting for hours, have been pushed out of their positions in queues, and have been stripped naked under the pretext of searching them. The patent intention is to show the Chinese—and perhaps the Russians, Poles and Roumanians as well—that *Civis Britannicus Sum* is no longer the talisman that it used to be.

There is thus no doubt that the Japanese Army is on the warpath. The international settlement at Kulangsu is also being blockaded and a Japanese landing at Swatow, the only important Treaty Port not hitherto in their occupation has been followed by a peremptory demand that the foreign residents abandon their rights and decamp. The Army's attitude and intentions are not in doubt. The only question is whether or not it has completely succeeded in implicating the Government at Tokyo in its policy. It was announced at Tokyo on Friday, June 16th, that the Cabinet had decided, that day, that the Tientsin incident must be settled locally—a decision which would leave the Army a free hand. But the Government has not yet committed itself publicly to endorsing the Army's demand that Great Britain must positively co-operate with Japan in working for the achievement of Japanese aims in China, and on the 18th a semi-official statement was published at Tokyo which looks like an attempt to circumscribe the range of Japan's objectives. What Japan wants, it was here stated, is a correction of the policy of the British authorities in China as exemplified in the refusal to hand over the four incriminated Chinese. If this is all, a settlement can be reached at any moment on the basis of the British offer, which still remains open, to submit the question of extradition to a mixed Anglo-Japanese arbitral board with a neutral chairman. The United States is known to be willing to lend her good offices for mediation in this or any other way. Unfortunately, past experience indicates that, when once the Japanese Army has succeeded in engaging Japan's prestige, the Japanese Government is apt to fall into line with the soldiers, however strongly it may disapprove or even deplore their action.

We are thus faced with the likelihood that the Japanese Army will succeed in its aim of bringing the Tientsin crisis to a head on the major issue of Great Britain's status as a Great Power. We may be faced at any time now with the choice between capitulation and retaliation; and at this precise moment, when, after an unparalleled

series of setbacks and disappointments to British diplomacy, we are trying to convince the world that we shall retreat no further, the consequences of a further capitulation of a dramatically humiliating kind, even on an issue of small intrinsic importance, would be so incalculably grave that even the Prime Minister and his colleagues, who are not retaliators by nature, have publicly announced that the possibilities of retaliation are being actively studied.

Great Britain could, of course, place a partial or complete embargo on Japanese trade with the British Empire; and, if parallel action were to be taken by the United States as well, then Japan would not only find herself eventually unable to carry on her war in China, but would also be threatened with a general collapse of her economic life. No doubt the Japanese are aware of this ultimate risk, but they are also no doubt inclined to discount it for two reasons. In the first place, they reckon that they will be able to avert American co-operation with British retaliatory measures by carefully refraining from any infringement of American national interests in the Far East at this stage. The Tokyo *communiqué* of June 18th is at pains to declare that the alleged British policy, to which Japan objects, has nothing to do with the policy of other Powers having interests in China, and to deny that the rights and interests of all countries with treaty rights in China are affected by Japan's present anti-British moves.

The second consideration which must be giving the Japanese Army confidence is the knowledge that, whereas an embargo or even a long-distance blockade would take time to bring Japan to her knees, even in the unlikely event of the United States co-operating with Great Britain when American national interests were still not being touched, there are a number of British pawns—and, for that matter, of American and French pawns—on the Far Eastern chess-board which could immediately be taken, with a flourish, by the Japanese armed forces. In the event of a rupture resulting in a physical struggle, Japan could immediately seize all or nearly all British, French and American continental and insular possessions and holdings in Eastern Asia and the Western Pacific between Singapore and Hawaii. Of course, such easy local victories would not be strategically decisive, any more than the capture of Fort Sumter by the Confederates in 1861 saved the Confederacy from utter defeat and overthrow in 1865. Understanding this, President Lincoln gave the momentous order for the re-provisioning of Fort Sumter, in full awareness of the probability that the immediate result would be the fall of the fort and the outbreak of war. But have the present leaders of the Western democracies Abraham Lincoln's faith and courage? That is the crucial question which is being asked to-day not only by Japanese soldiers in China and politicians at Tokyo, but also by European dictators at Berlin and Rome, and, last but not least, by the Western peoples themselves.

The choice with which the British Government is faced is undeniably difficult. The alternative to humiliation is resistance in an area of the world where we should be helpless for many long months after the outbreak of the armed conflict which resistance might well provoke. But though it is possible to deplore the fact that British policy is faced with this dilemma, it is frankly difficult to regret that it is the present Government that has the dilemma to resolve. Ever since Sir John Simon embarked upon his Manchurian policy in the autumn of 1931, the Government has been repeatedly and precisely warned that this dilemma would some day confront it. Never have chickens more justly come home to roost. From September, 1931, to March, 1939, through all the steadily unfolding

stages of aggression against China, Abyssinia, Spain, Austria and Czecho-Slovakia, the Government of which Mr Chamberlain, Sir Samuel Hoare and Sir John Simon are the surviving mainstays has insisted that a policy of taking British risks for the sake of upholding the League Covenant would be criminal folly, and that, if only we let the aggressor "get away with" just this one—or one more—piece of aggression, the tension would pass and we could sleep again at ease. To-day, even the most convinced practitioners of this policy have been driven to confess that the British Empire can only survive in an environment of international law and order. In other words, the Government's critics were right from the start in maintaining that the Covenant was the first and last line of British defence, and that the Anti-Comintern Pact was a euphemism for

a grand design against the British Empire, which, in a lawless world, is by far the largest, the most tempting, and, in many of its parts, the most defenceless prize for the plunderer. At this moment, the Government are desperately striving, at the eleventh hour, to rebuild a rump League under the *alias* of a Peace Front. What is happening at Tientsin ought to spur them to redouble their efforts to arrive, without further delay, at the vitally necessary agreement with Russia. The price we have to pay for a Peace Front now is admittedly many times greater than it was in 1935 and infinitely greater than in 1931. But the perils of being without it are now apparent even to the most short-sighted. Blindness in high places is costing the nation very heavily in treasure already and may yet cost us still more dearly in blood.

The Armament Profits Duty

WHEN the Prime Minister made his momentous announcement of the introduction of conscription two months ago, he accompanied it with the assurance that the parallel problem of what has come to be known as the conscription of wealth was not out of the Government's mind. The proposals he had to make were not, it is true, much more precise than the very vague public notion of what constitutes the conscription of wealth; but one of the items was the promise of a tighter control over profits made out of the manufacture of defence needs. Instructions went out to the competent departments to conceive and bring to birth a new tax on the excess profits of armament firms. The departments have not found this an easy task; reports that have slipped out to the waiting public from the chamber where the *accoucheurs* have been at work have told of a long and difficult labour. But the new fiscal infant was at length displayed in a White Paper published on Tuesday of this week. It has been christened the Armament Profits Duty and, like its father, the E.P.D., and its elder brother, the N.D.C. (who suffered an accident at birth), it is destined to be known, by its initials, as the A.P.D.

The new tax results (if the obstetrical metaphor may be continued) from the marriage of two separate fiscal principles—more strictly, of two separate fiscal aspirations. The first is that "excess" profits should be subjected to heavier taxation than "normal" profits. The second is that "armament" profits should be similarly penalised. As ideals, these are unexceptionable. The difficulties start with the definitions and multiply with the assessments.

For the definition and assessment of excess profits there is a wealth of precedent to go upon, and the new tax does not depart very far from it. "Excess" profits are defined as profits in excess of those earned in a past standard period. Except for new businesses, the standard period can be selected from four: the year 1935; the year 1936; the average of 1935 and 1937; or the average of 1936 and 1937. As will be seen from the figures of *The Economist* index of profits on page 724, this choice is designed to provide a basis of profits immediately below peak levels (since the profits of 1937 can only be used in an average). For industry as a whole, the profits selected in this way should be satisfactory; it would, indeed, be hard to find a better rough way of selecting a year that was normally, but not excessively, prosperous. And for individual businesses on whom this procedure would work injustice, provision is made for appeal to a Board of Referees. This, of course, is only the main outline of the complicated machinery by which "excess" profits are defined. Provisions have had to be included for businesses that have started since the standard period and for those

that have increased their capital since then. Some particulars of these provisions, and of the problems to which they give rise, will be found on a later page.

So much for the calculation of excess profits. There remains the problem of defining what are armament profits. The draughtsmen of the new tax have wisely decided to face this problem, not by a general definition but by specific identification. The Minister of Supply will have full information on all defence contracts and sub-contracts, and he is to compile a list of businesses that "have received a sum of not less than £200,000 (per annum) in respect of armament supplies." The firms on this list will be the armament suppliers to whom the new duty applies, and their excess profits will be calculated by the method already described. The last difficulty is to decide what proportion of an armament supplier's excess profits are his excess armament profits, and this hurdle is jumped by providing that the proportion of total excess profits to be taxed is the same as the proportion of armament turnover to total turnover. The corpus of taxable excess armament profits being thus finally defined, the rate of tax is to be 60 per cent., though as a little less than one-third of this will be saved to the taxpayers in income tax and N.D.C., the net effective rate is about 40 per cent. The tax is to run for three years from April 1, 1939.

A structure as complicated as this is obviously open to detailed criticism, of which much will doubtless be heard when the companies that will be affected have had time to calculate the incidence of the tax upon them. It is already apparent that criticism will be directed against the exemption of all contractors doing less than £200,000 per annum of armament work. Even if evasion by the spawning of subsidiaries and similar devices can be prevented, it will be asked why the figure of £200,000 was selected. Administrative convenience dictates the wisdom of an exemption level in any tax. There are many big fish who will be caught above the £200,000 level. But there will be many sizable middle-sized fish who will escape. And would the net be overstrained if the limit were reduced to £100,000, or even to £50,000?

The main body of the public, however, will not be unduly concerned over these details of mechanism. It will want to know whether the new tax is a good tax. To answer that question, it is first necessary to know by what criterion A.P.D. is to be judged. By the normal fiscal tests, it is not a good tax. It will be difficult to administer and it will produce a very small revenue. But the context of the Prime Minister's announcement on April 26 shows that the main purpose of this tax is (rightly) political. It is intended to satisfy the public demand that if any excess profits originating in the armament programme can be identified, they should be heavily taxed. And if a tax on excess

armament profits is required, A.P.D., subject to quite minor adjustments, represents the nearest approach that can be made to that inaccessible ideal.

It is permissible, at the same time, to point out that this tax is hardly more than the embryo of anything that could be called the conscription of wealth. Moreover, it is an entirely new, and rather questionable, departure to introduce into the British tax system a duty whose purpose is neither to raise revenue nor to restrict the particular form of activity on which it is imposed. And though the origin of the tax lies in the search for the widest equity, it may result in detailed inequity. There are many firms that have gained business, and made "excess" profits because their competitors are busy with defence work. But they are not to pay the new tax, while their no less patriotic and no more avaricious competitors do. Or again, have the effects of re-armament upon profits been exhausted when even the last sub-sub-contractor has been drawn into the net? Is not the brewer who makes more money because the men working in an arms factory drink more beer enjoying excess armament profits just as much as the owner of the factory itself? It is true that if excessive profits are being made in a period that is dominated by re-armament expenditure, they are most likely to be found in the specifically armament industries. There is, consequently, a strong case for taxing the excess profits of these industries more than the excess profits of other industries. But is there a case for taxing them heavily

and leaving other excess profits untaxed (untaxed, that is, *qua* excess profits)?

The wider solution would, therefore, seem to be in the revival, not as the alternative to A.P.D., but as a reinforcement of it, of the Excess Profits Duty itself. The attempt was made in 1937 in the first version of N.D.C., but it had to be withdrawn in the face of strong opposition. Apart, however, from the technical defects of the first N.D.C., there is one enormous difference between the conditions of 1937 and those of 1939. Increasing profits (the real meaning of "excess" profits) two years ago were the result of natural recovery, far more than of re-armament. But to-day we have seen a natural slump start and then be stopped and reversed by armament expenditure. If the profits of any industry increase, after the beginning of 1939, to a level higher than that of a normally prosperous year, there is a very strong *prima facie* presumption that they originate, directly or indirectly, in the defence programme. By the same token, it is legitimate to tax them for the finance of re-armament. The time has not yet come to subject excess profits to very heavy taxation—indeed, they have hardly yet arisen. But there is a strong case for setting up the machinery by which they could be taxed when the time comes. The demand for the conscription of wealth could not be better answered than by the erection, in advance of the need, of such a comprehensive tax structure, adapted to abnormal times, in which the A.P.D. would take its place as a special department.

Negligence On Land and Sea

NO branch of the law is more difficult than the law of contributory negligence, and for more than a hundred years the judges have been striving, without great success, not merely to administer the law fairly but also to state it in intelligible terms. The latest attempt appears in a report of the Law Revision Committee published last week; and, in spite of the learning and ability of its members, it can scarcely be said that they have clarified what generations of judges had left obscure.

No attempt will be made here to define the words contributory negligence. Illustration is easier than definition. Conceive first of all a cyclist riding out of a drive into a main road. He is going at full speed, looks neither to right nor to left, and swings carelessly into the road with no regard to the probability of oncoming traffic. He is grossly negligent. At the same moment a car driven at an excessive speed on a zig-zag course by a drunken man reaches the drive, hits the cycle and kills the cyclist. The car driver, too, is negligent, so that the accident arises from the concurrent and contemporaneous negligence of the driver and the cyclist. In that case, if the law is rightly administered, the cyclist has been guilty of contributory negligence, and his widow must take the consequences without compensation.

Now imagine the cyclist coming out of the drive in the same reckless way, and the oncoming car driven in the same reckless way. But this time the car is thirty yards from the drive when the cyclist emerges. Being drunk the driver does not pull up but charges on and kills his man. Here, although the cyclist was no less negligent than in the previous example, he is not guilty of contributory negligence, because the driver, if he had been sober and careful, could have pulled up in time and so prevented the accident. The thirty yards would thus make the difference between contributory and non-contributory negligence. The cyclist's widow would be compensated.

Up to this point the law is the same for land and sea. But from here onwards maritime law and land law part company. The Admiralty Court, which deals with collisions between ships, must in cases of material danger weigh the

negligence on *both* sides and try to apportion the degree of negligence shown by each of the two ships. If the "Saucy Ann" collides with the "Laughing Jane" and sinks her, and the Court holds that there was contributory negligence on the part of the "Laughing Jane," it must make up its mind what percentage of the blame lay with the "Laughing Jane" and award damages accordingly.

On the land the principle is altogether different. Here contributory negligence, however small, deprives the plaintiff of all right of recovery, and the defendant's negligence, however gross, gets off scot-free. One per cent. negligence in the plaintiff and ninety-nine per cent. negligence in the defendant means a verdict for the defendant and no damages for the plaintiff. If, for example, in the recent Cheltenham case, in which a driver of a car got three years for manslaughter, it was proved in a subsequent civil action that the dead cyclist could by swerving on to a grass verge have avoided the car, then the common law rigidly administered might result in a verdict for the defence—even though the defendant were spending three years in penal servitude for criminal negligence embodied in a peculiarly shocking act of manslaughter. It is not easy for the layman to appreciate these subtle distinctions.

Nor is this all. The common law also emphasises in cases of tort another and a kindred principle which produces results not less strange and is open to criticism not less damaging. If two people have combined, either deliberately or by chance, to do injury to a third person, the third person may bring an action against them jointly and severally, and recover damages if he gets his verdict. Those damages will be given, not against either of the two defendants, but against them both, and by the common law the plaintiff is at liberty to collect them in full from either of the two defendants at choice, irrespective of the relative blame attaching to them. For example—a passenger in an Austin car driven recklessly by an intoxicated uninsured relative is injured in a collision with a Morris driven by a sober insured stranger. The reckless driving of the Austin has frightened the Morris driver, who, in the urgency of the moment, is guilty of an error of judgment. The passenger

is awarded damages and, passing over his drunken kinsman, he can collect the whole amount from the sober stranger's insurers. This is a purely hypothetical example; but, in an actual libel case tried a year or two ago, the Argus Press, as printers of a Fascist paper, had to sit idly by while their joint tortfeasors, the proprietors of the paper, ran up enormous costs and aggravated the damages to a colossal figure. The printers took no part in the fight and had clearly no sympathy with it, but the plaintiff, because of this rule in the common law, could let the peccant newspaper go unscathed and collect the whole bill from the unfortunate printer. The printer paid the piper though he had no sympathy with the tune that was played in court.

The oddity of this rule has not gone unnoticed by the pundits. Its unfairness was partially recognised in 1935 when the Law Reform (Married Women and Joint Tortfeasors) Act was passed, but the underlying anomaly still remains and the Law Revision Committee, though apparently in favour of reform, deal very briefly and not very adequately with this side of the law of tort. The changes which the Committee actually recommend may be summarised as follows: they recommend that the common law should be assimilated to Admiralty law. This means

two things: first, that if two motorists negligently damage each other or each other's property in circumstances of contributory negligence, the jury will be asked to assess the blame and state their answer in a percentage—85 per cent. to one driver and 15 per cent. to the other, etc.; secondly, that if a passenger or a pedestrian is injured in a collision between two cars in circumstances of contributory negligence, then he will be able to collect the full amount from either of the two drivers. But the jury will have assessed in percentages the relative blame of the two men, and the man from whom the injured person collects the full sum will be able, without further action, to collect from his joint tortfeasor the percentage of the damages which the jury has ordained. In other words, the right of the injured person to collect from either tortfeasor will remain, but the respective contributions of the tortfeasors, which at present can be enforced only by a second action, will now spring directly from the original action. So long as both tortfeasors are solvent the arrangement will be reasonably fair. On the other hand, if one of them is (a) insolvent and (b) insured by an insolvent company, then the other will foot the bill for both. It is not easy to render the law fair and reasonable, though resolute attempts would not be out of place.

Reconstruction in Spain

THE representation of the Spanish Civil War as one between Reds and anti-Reds or Fascists and anti-Fascists, and the final victory of the generals, has largely obscured the essential nature of the social revolution which has now been largely accomplished in Spain. The Old Spain, with its ruling class of grandees and clericals, had long been doomed. Indeed, though it survived, its foundations were severely shaken in 1899, when Spain was deprived by the United States of the last remnants of the Empire on which once "the sun never set." With the final loss of America, Spaniards devoted greater energies to their own material progress; and capitalist enterprise began to spread among certain classes and in certain regions, notably in Biscay and Catalonia. A gulf was created between Castilian on the one hand and Catalan and Basque on the other. Outside of Biscay and Catalonia shop-keeping and manual labour continued to be regarded with disdain, while, traditionally, nobleman and beggar alike were regarded with respect. Like the poor Valencian boatman in a novel of Blasco Ibañez's, many Spaniards could feel nothing but contempt for men who cultivated the ground: "they were labourers and to him that sounded like an insult."

Even during the years of the Republic it was clear that neither the mediæval attitude to work and progress, nor the old influence of the landowner and its resultant universal distrust of government, had yet been wholly overcome. Agrarian reform became a pressing necessity and industrial workers were discontented. The Government moved too slowly, and the peasants would not wait. Here was a part of the origins of the bloody Civil War. The Old Spain called on the Army to save it from destruction, knowing that it was the ambition of every Spanish general to save his country by becoming its leader. But the *pronunciamento* failed and gave way to a prolonged war. In order to win it, popular support was required, and the old class distinctions had to go. The generals became more revolutionary than the revolutionaries; the object of simply saving Old Spain was jettisoned willy-nilly. While in Republican territory the property of those who had sided with the insurrection was divided among the peasantry, in Nationalist territory the absent grandees, who had sought safety abroad, were persuaded to contribute to the Government war chest as a thank offering for the restoration of their property. On both sides the need for food was paramount over all other considerations. Anachronistic land laws were set aside and

traditional practices ignored. No longer was idleness the quality of an honoured *caballero*; it was treason.

Thus the Spain that has emerged from the war is strangely different from the Old Spain. The Falangist State, like the Communist State and indeed every modern State, demands that its people shall have a taste for organised and constant labour. Its watchword, as General Franco stated at a recent meeting of the National Council of the Party, is "Produce, produce, produce!" Spain has entered the modern world.

It is against the background of a war-weary people and a modernised State that Spain's problems must therefore be seen. First and foremost is the land problem, simply because at least half of the population is normally engaged on the land. But, whereas before the war the problem was agrarian, to-day it is agricultural. It is no longer tenure, but productivity which demands attention. True, there are still the *latifundia* of Andalusia and the dwarf-holdings of Galicia—the division of the former and the agglomeration of the latter form part of the Falangist programme. But, on the whole, the size of holdings is of less importance than the improvement of technical methods and marketing facilities and the extension of irrigation.

These are the general needs of Spanish agriculture. For the present, certain more specific matters require examination. Before the war Spain was self-sufficient in the principal foodstuffs, and was, indeed, a considerable exporter of food. Two-thirds of Spain's exports in 1935 consisted of foodstuffs, half of this or one-third of the total being fruit, mainly oranges, grown along the Mediterranean littoral. During the Civil War Nationalist Spain, with a relatively small population, possessed nearly all the cattle and a disproportionate amount of wheat, while Republican territory included nearly all the oranges and lemons, most of the wine and all the early vegetables apart from those grown in the Canary Islands. At first the Republicans were able to export oranges, new potatoes and other early vegetables and import in exchange the food they required; but, as the blockade was intensified, this became more and more difficult, and the "export" crops were neglected in favour of beans and potatoes for direct consumption. The Nationalists at different times exported both meat and wheat, almost entirely to Germany.

Now that the two parts of Spain are once more rejoined, the old "Nationalist" food surplus is required at home.

Despite small increases in area sown and in yield in certain parts of the former Nationalist zone, total supplies of wheat are very much below those of the pre-war period. Estimates of wheat production and consumption are given in the following table:—

SPANISH WHEAT SUPPLIES
(In '000 metric tons)

Crop Years	Harvest at beginning of Year	Net Imports	Consumption
1933-34	3,762	0	3,762
1934-35	5,085	0	5,085
1935-36	4,300	0	4,300
1936-37	3,307	350	3,657
1937-38	3,000	550*	3,550
1938-39	2,620	? *	?

* Exports to Germany were about 25,000 tons in 1937-38, and have been 10,000 tons in 1938-39 up to the end of March.

In three years preceding the war wheat consumption averaged 180 kg. per head per annum, compared with 160 kg. in the same period in the United Kingdom. But last year's harvest amounted to little more than 100 kg. per head per annum. Under these circumstances the present Spanish Government has found it necessary to arrange for imports. A barter agreement has been concluded with the

Argentina for the delivery of some 400,000 tons of wheat, of which 50,000 had been shipped by June 7th last. This is only temporary. It should not require very great efforts to reach the level of wheat production achieved by the relatively inefficient agriculture of pre-war Spain. More serious than the wheat problem is that of rehabilitating the "export" crops in the former Republican zone. Despite increased exports of citrus and early vegetables in April and May, the season 1938-39 is likely to have been the most unprofitable ever.

But the most urgent problems of reconstruction are to be found in the field of industry and communications. Most of the peace time industries of Madrid, for instance, have disappeared. The Catalan textile industry, which in 1933 possessed 93 per cent. of the spindles in Spain and 82 per cent. of the looms, has suffered very severely. One-fifth of the mills are estimated to have been destroyed, while in many mills textile machinery was replaced by machinery for the manufacture of war material. Before these mills can be started they will require new machines.

The railways have suffered particularly from the ravages of war. In 1936 Spain possessed some 3,000 locomotives, of which 1,700 are still in existence; but of these 700 are in need of repairs, so that the total actually usable is only 1,000. It is estimated that some 3,000 wagons and at least 1,000 locomotives will have to be supplied. Harbours, particularly those in the former Republican zones, are in need of new equipment; and many roads are in disrepair. The Government has already announced a great programme of public works including irrigation works, the construction of new and the repair of old roads, the re-equipment of harbours and the supply of railway material.

The other pressing need of the moment, the conversion of war industries back to peace-time purposes is most in evidence in the former Nationalist zone, and particularly in the North. After the conquest of the Basque country in 1937, the Nationalists, with the aid of German technicians, made great efforts to expand the production of Spain's largest iron and steel industry based on local

coal and ores. They succeeded in producing 304,000 tons of pig iron in the Biscay area last year, compared with 256,000 tons in 1934 and 241,000 tons in 1935. Similarly with regard to steel ingots and castings. Last year the production in the Biscay area was 352,000 tons, compared with 324,000 tons in 1934 and 355,000 tons in 1935. Since this region accounted before the war for nearly three-quarters of Spain's output the progress is notable.

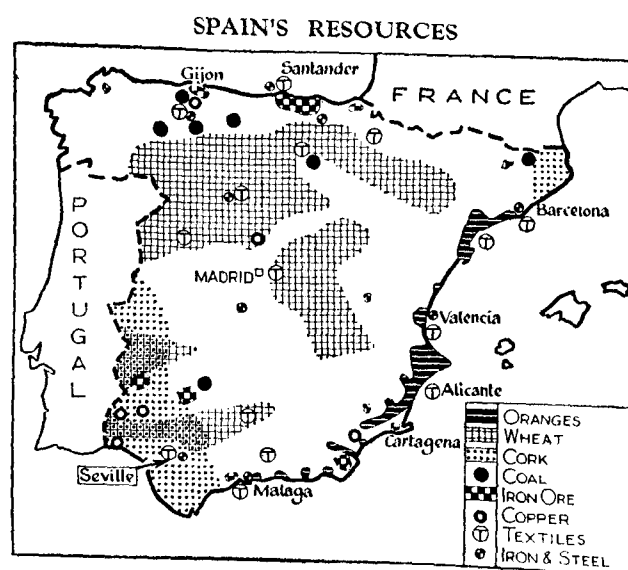
But whatever efforts Spain may make to expand her metal industry and to manufacture her own machines, she will still require to import a very considerable volume of capital goods. The question of interest to Great Britain is from whom these supplies will be obtained. There can be no shadow of doubt that Spanish interests would be served by reliance on the assistance of Great Britain and the United States. With the aid of a loan Spain would be able to tide over her inherently temporary difficulties without encroaching further on the standard of living already sunk to a very low level. The democracies are able and willing to supply Spain with all the materials, machinery and technical assistance she may require; a guarantee of non-aggression would almost certainly induce them to grant a loan. The three great democracies, which took more than half Spain's exports in 1935, are willing to do so again.

Great Britain alone in 1935 took 22 per cent. of Spain's exports against 13 per cent. sent to Germany. Spain's exports to this country since the end of the war are far in excess of her imports.

But co-operation with the democracies, though economically expedient, is politically most difficult. All the available information suggests that Spain must enter, or rather remain, within the German economic orbit. Not all the stories of German infiltration in the Spanish economy are to be believed, but it is clear that Germans now hold many of the key positions. British imports of iron ore from Spain

and Spanish ports in North Africa fell from 1,425,000 tons in 1934 and 1,430,000 tons in 1935 to 760,000 tons in 1938. German imports rose from 634,000 tons in 1934 and 1,321,000 tons in 1935 to 1,808,000 tons in 1938. British exports of coal to Spain, which continued during hostilities, have been non-existent since the war came to an end. Indeed, although no complete figures are available, British exports to Spain since the end of the war appear to be little more than a quarter what they were a year ago. It is quite clear that Germany hopes to play a very large part in Spanish reconstruction.

When Señor Serrano Suñer, on his return from Italy, warned the democracies that their plans for the encirclement of Spain would be ruthlessly checked, what he said would have been perfectly justified, were not the facts the exact opposite. No plans for encirclement exist; rather is the contrary the case. The fact is that some of Spain's leaders appear to be intoxicated with the glories of victory and their heads, like Don Quixote's, to be "filled with nothing but enchantments, quarrels, battles, challenges, wounds, complaints, torments and abundance of stuff and impossibilities." Spain's economic as well as her political future depends on whether she allies herself with the Axis or remains neutral. Perhaps General Franco will remember the advice of Sancho Panza to his master: "Do not put your thumbs between two millstones," for assuredly, if Spain were our enemy, a war between the democracies and the Axis would place her in that position.



NOTES OF THE WEEK

Moscow Mañana.—Last Wednesday's talks between M. Molotov and the British and French Ambassadors with Mr Strang, resumed after a five days' lapse of contact (semi-officially ascribed to the exigencies of tripartite negotiation), will probably be seen as crucial when the full story comes to be told. They were the occasion for the proposal of new Anglo-French suggestions designed to cover the points outstanding against final agreement. As they stood at the beginning of this week these were four in number, and as follows: the question of Baltic guarantees, the inclusion of a clause to the effect that none of the three Powers would conclude a separate armistice or peace in the event of war, and, again at the Soviet's wish, an understanding that the main agreement shall have force only after the evolution of its complementary military arrangement; finally, the form in which reference shall be made to the League of Nations. Of these only the first is a real stumbling-block: latest reports suggest that the obstacle to agreement may be removed, as was suggested here last week, by the conclusion of a general guarantee omitting names. The Soviet attitude meanwhile remains inscrutably, disappointingly, the same. The least that can be said is that informed opinion in London—as far as any available opinion on the Moscow negotiations is informed—remains confident that a pact will be signed, though there are no indications as to whether it will be next week or next month. Given the volcanic effect, exploded or exploding, which the formation of a Triple Alliance will certainly have on Axis policy, delay in these negotiations may even be valuable, though it can, of course, be carried too far. In part this delay is the result of mutual suspicion fostered over many years, in part it is the result of genuine difference of opinion though not of ultimate aim, and in part it is the result of the Soviet Government's deliberate bargaining tactics. We are getting used to the appearance of a damping communique, like the one that came out on Thursday morning reporting "no progress as compared with previous proposals," at the end of a day's talks: it is to be hoped that the Soviet Government will perceive that, beyond a certain point, bargaining becomes a liability.

Supply Powers.—The Supply Bill has passed through Committee in the Commons. On Monday a Labour attempt to extend the Minister's powers forthwith to control over all service supplies was unsuccessful; and on Tuesday a Conservative attempt to restrict the Minister's authority to select arbitrators in cases of dispute between him and contractors met with a similar fate. There can be little question that the Government's obdurate reliance upon departmental goodwill to settle all questions of interdepartmental priority in matters of supply will be shown unsound by events. As Sir Arthur Salter argued in the House, all experience suggests that the supply sections of the several services will be unlikely to hand over their powers voluntarily to Mr Burgin. To say this is not simply to criticise the departments for being unduly narrow-sighted; the fact is that it is not their job to co-ordinate their claims with those of other Ministries; and it is their job, as well as their marked tradition, to regard their own needs as of paramount importance. To argue that Mr Burgin should be put at once in a position to act in the fullest sense as a controller is not, however, to claim that he should be given needlessly over-riding powers over the details of arms contracts. In war time it might well be that the need for expeditious procedure would require the Minister's own accountants to determine disputed questions of costing and pricing. In peace time, as the Bill itself concedes, these may be regarded as matters for arbitration; and so long as this somewhat cumbersome procedure is possible and expedient it is surely reasonable to

claim that it should be impartial as well. Mr Burgin did well to reject the startling proposition that some such body as the Federation of British Industries should be called in to give impartial (save the mark!) judgment. Nor are the ordinary courts appropriate for the purpose. The proposed panel of arbitrators is the right idea; but there seems no good reason why the Minister should have powers of "hire and fire" over them.

Militia Issues.—Nearly 230,000 men between the ages of 20 and 21 have now registered under the Military Training Act; and the jeremiads of those who forecast a serious lack of good physique and good health among the conscripts have been confounded. Of the first 20,000 examined only about 2.3 per cent. were rejected as clearly unfit for training. This gratifying state of affairs is clearly the welcome fruit of post-war advances in housing, social services and the general standard of living, and it now remains for the authorities to take special care, in view of the epidemic diseases and pulmonary troubles which ravaged the home cantonments of the recruits of the last war, not to worsen it by overcrowded and under-protected temporary hutments.

The real troubles of the militiamen are likely to be economic rather than physical; and two items of controversy about them have lately occupied the news. First, there is the problem of university students: are they to anticipate their liability and do their training when they leave school and before they go to college, or are they to postpone it until they come down? Most headmasters have advocated postponement, while most University spokesmen have supported anticipation. These are clearly interested points of view, and the proposal made this week by a joint conference, largely on the intervention of Government representatives, that the young men should be entitled to choose between these two alternative courses is probably the right one. Far more important, simply because the question seems likely to be overlooked, is the clear need for precisely the same elasticity of choice to be given to other classes of students who are caught by conscription in the middle of important technical or professional courses.

The second problem has been the cause of battle in Parliament this week. The Government's draft Orders to free militiamen, auxiliaries and reservists, in case of need, from their financial liabilities during training were described in the Lords by the Lord Chancellor himself as unsatisfactory; and in the Commons they were characterised, on the one hand, as inadequate for the protection of militiamen and, on the other hand, as injurious to the

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interests of insurance companies and landlords. It is undoubtedly true that the risk of default by militiamen on a large sum of accumulated debt after a moratorium of six months is a real one. It cannot be questioned that, if the Government was to assume this risk itself, as in war it would do under a Defence of the Realm Act, all interests would be more safely served. But criticism and anxiety seem to have been pitched too high. Very few of these young men have heavy regular payments to make—only a surprisingly small fraction of them are married. Most of their liabilities could be put back on to a regular footing at the end of their training, without any accumulation of arrears, by simply extending the total period of payment. And, in any case, it is possible for official hardship committees to make special allowances up to £2 a week in case of need. There is small reason to suppose that militiamen will be driven into insolvency by their withdrawal from civil life and, in some instances, from civil obligations; and less still to fear that, say, insurance companies and building societies, who may indeed have to revise their calculations a little, will have to close their doors.

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Films Reprieved.—The Chancellor of the Exchequer has had an oddly mixed experience this week. His chief thunderbolt, the new arms profit tax, was greeted with uncommon calm, while uncompromising opposition to three of the taxation changes he announced last April gathered force rapidly as the time to discuss them in Thursday's Finance Bill debate drew near. On the much-criticised new Excise duty on cinematograph films Sir John Simon gracefully gave way on Wednesday, just in time to forestall a wide-flung protest by Press advertisement which, at the last moment, was transmuted into a pæan of gratitude. It had been strongly urged by the film industry ever since the new duty was first known that its consequence would be fewer films, shorter news reels, and increased unemployment; and, announcing the withdrawal of the duty, Sir John confessed that its implications had not been fully understood when it was devised. In particular the incidence of the Excise duty would have been unfair; on the one hand, it would have hit the news-film companies, who consume a very large quantity of film for their short-lived weekly reels, disproportionately hard; and, on the other, it would have been readily passed on in many cases by both producers and distributors to the exclusive detriment of exhibitors. The whole incident provokes the question whether the secrecy which is necessary in the preparation of the Budget has not in fact been carried too far, for it would appear that a very brief discussion with the film industry itself would have prevented this *gaffe* from being made. Meanwhile, the rate of Customs duty on films which was raised in the Budget to correspond with the new Excise duty remains unchanged, though some adjustment is promised. This duty is burdensome upon that specialised section of the cinema trade which lives by showing rare foreign films to a limited public for artistic and educational purposes. It is to be hoped that Sir John will decide to make a clean sweep; and if he wishes to recover the £750,000 that was the estimated yield of the proposed increases in the duty on films (including that on photographic roll films, which is also to go) he has only to accede to Sir Arnold Wilson's plea, backed by 200 Members of Parliament, for the retention of the medicine stamp duties.

* * *

He only does it to Annoy . . .—In the past it has not been the Nazi custom to give the world warning of pending annexations, and it is therefore surprising that Danzig's return to the Reich has already been announced, for an unspecified date, not only by the Fuehrer himself but also by Dr Goebbels. The German Minister of Propaganda spoke at large over the week-end on the Fuehrer's determination to unite Danzig with the Reich, and on Wednesday he promised that "we will deal with this question very

soon," adding that "we want to conquer all that belonged to us in history." It is part of Mr Goebbels' strength in this war of words and nerves that he is not afraid of overstatement: he knows that none of his hearers are disposed to laugh, at least out loud, and he also knows, in accordance with Nazi technique, that Germany can get what she wants in Danzig not by strengthening herself but only by weakening Polish morale. It is a good sign that Dr Goebbels should blow so hot. If he said nothing we might suspect that some *coup* was being prepared by which Poland would be presented with a *fait accompli* and the Western Powers with another, at least temporarily successful, aggression. Less encouraging are the reports of "feverish" work on the East Prussian fortifications. Meanwhile Polish nerves are standing this racket very well; the annual "high tension" period of late August is approaching, the German manoeuvres (as usual on a scale "never before seen in peace time") are already being discussed, and if the maximum pressure is to be brought to bear, as it was on the Czechs last year, just at the time of the Nuremberg party rally, then Dr Goebbels must lash himself to bigger and better fits of fury. But this time he will not exercise them on a people deserted by their allies.

* * *

Peaceful Change.—The long-awaited Turco-French agreement had a happy issue on Wednesday of this week with the announcement of an accord whereby France will immediately recognise as Turkish territory the autonomous Sanjak of Alexandretta, lately known as the Hatay, and both countries will sign a declaration of mutual assistance on the lines of that already made between Britain and Turkey. This is highly satisfactory, for it not only puts a term to German and Italian propaganda aiming at spreading doubts of Turco-French friendship, it also seals up the Peace Front in the Near East. On the one hand, it means that France will lose suzerainty of a region which already was autonomous and could in certain circumstances have become a danger to French goodwill in the Near East; on the other, Turkey fulfils her one irredentist ambition. It is an excellent instance of peaceful change. In another direction, too, Turkey has improved the shining hour—the Minister—by drawing closer to the second most important Near Eastern State. From the British as much as from any other point of view it is good that Turkey and Egypt should be agreed together on affairs in the Eastern Mediterranean: with their agreement an established fact, it will be less easy for mischief-makers to disrupt the peace.

* * *

General Franco and the Falange.—The duality of opinion on foreign policy known to exist among high Spanish officials, touching even the security of the Generalissimo himself, has been accentuated by pronouncements during the past few days. On the one hand General Kindelan, chief of the Spanish air arm, is understood to have told his Roman hosts that with Italy at war "none of the Spanish services, the air force least of all, will be able to remain impassive," sentiments which tie up well with those uttered by Señor Suñer, the very influential Minister of the Interior, during his stay in Italy. This promise of armed support was later denied by Señor Lequerica, Spanish Ambassador in Paris, who said that Spain was in no way committed to the Axis; and as if to complete the confusion General Aranda, a soldier of high repute in Spanish Nationalist opinion, told a British journalist that "Spain would assume no obligations to foreign countries except in the form of commercial and cultural treaties." This interesting statement, made during an official visit to Berlin, was capped a few days later by General Franco with the declaration that, "indifferent to the artificial atmosphere of war in Europe, we are giving an example of serene judgment by getting down to the work of reconstructing and strengthening Spain."

The indifference would be more encouraging were it more in accordance with a knowledge of the facts: but if General Franco really meant that he would keep Spain out of military entanglements at a time when the country lay devastated by nearly three years of war, then the judgment is wise as well as serene. But it will not be as easy as all that: there are innumerable voices in the Spanish Falange to cry out against a neutral foreign policy, to urge with an indifference to facts which is truly fanatical the pursuit of whole-hog intervention on the side of the Axis, and to sacrifice to the fancied honour and glory of Spain those who concern themselves with the simple well-being of Spaniards. Domestic differences have also beset General Franco's collaborators and supporters since the beginning of their association, and with the end of the war those differences are bound to come to a head. All the evidence goes to show that they are deep and firmly rooted. The possibilities of a change of management may, indeed, be weighing with the French Government in its hesitant attitude towards the Bérard-Jordana agreement. Although about half of the 500,000 refugees have now gone back to Spain, none of the £7 millions of Spanish gold in the vaults of the Bank of France has taken the same road: and this, manifestly, for political reasons outside the scope of the agreement. The position is clear: unless we are sure of General Franco's neutral intentions, we shall remain suspicious of all he says and does; and now, with Spanish dissensions becoming vocal outside Spain, we shall require a further proof of his own stability.

* * *

The Hungarian Appeal to the Vatican.—The opening of the newly elected Hungarian Parliament by the Regent, Admiral Horthy, on June 14th, gave the opportunity for an appeal to the Pope to call a conference for a new settlement of Europe. This adjuration to the Papacy was a striking tribute coming from the lips of the head of a European State who is himself a Calvinist. It is yet another sign of the closing of the ancient breaches within the Christian Church as the new pagan threat to Christianity of every persuasion grows more formidable. In the Parliament House at Budapest on this occasion that threat was pointed by the presence of a *bloc* of Hungarian Nazi deputies standing stiffly and hostilely apart in their black uniforms. If Hungary is again engulfed in war, she knows that her ancient and highly prized parliamentary constitution will be one of the first of her cherished possessions that she will lose. She further stands to lose, in fact even if not in form, her national independence, and perhaps her very national existence—and this whoever may emerge as the nominal victors and vanquished. If Germany loses, Germany's allies will once again have to pay the piper; if Germany wins, they will find themselves reduced to a common level of servitude at which Hungary's, and even Italy's, status will perhaps be barely distinguishable from Czecho-Slovakia's. In fact, Hungary has the same interest as Italy in avoiding war and in preserving the existence and independence of Poland. The Regent's re-affirmation of Hungary's determination to stand by her friendships with Italy, Germany and Poland alike drew significant applause from a majority of the deputies. The Vatican, too, is no doubt deeply concerned to avert war by some settlement not involving the sacrifice of Poland, which is the leading Catholic Power in Europe since the break-up of the Danubian Habsburg Monarchy. How these two aims can both be achieved simultaneously is the crux. For the history of the destruction of Czecho-Slovakia has revealed Hitler's mastery of the diplomatic art of achieving his aims by nicely calculated stages. A settlement of the Danzig Corridor questions which seemed, at the moment, to leave Poland's sovereign independence intact might prove, in the sequel, to have placed her at Germany's mercy and doomed her to share Czecho-Slovakia's fate. Can the Vatican devise a settlement between Germany and Poland which will effectively draw the sting from the present European crisis? Such efforts, if made *bona fide*, will no doubt be welcomed by Poland and her allies; but any negotiations on these lines will obviously demand, on our part, the utmost vigilance.

Trade Union Policy.—It cannot be claimed for the trade unions that the part they have played since the admission of the possibility of this country's being involved in a war has been a distinguished one. On the one hand they have failed, as the dominant element in the Labour Party, to provide any consistent and constructive opposition to the policy of Mr Chamberlain's Government. On the other hand their recognition of the necessity for re-armament has not been accompanied by any preparation for the vital part which labour will be called upon to play in war time. Their unwillingness to co-operate automatically in the plans of a Government whose policy they distrust on many points is understandable. But their refusal to discuss measures for meeting an increasing demand for skilled labour is prejudicial not only to national defence but also to the interests of trade union members. In peace time the alternative to expert planning by the unions themselves might be less well-informed and sympathetic planning by Government departments; and in war time the alternative to co-operation would certainly be the compulsory regimentation of labour to which the unions are so resolutely and rightly opposed. In the present unsatisfactory situation it is appropriate that the first tentative advance towards clear and realistic thinking should be made by the union which has so far been most prominent in the discussions of labour in re-armament—namely, the Amalgamated Engineering Union. At the annual conference of the National Committee held at Llandudno last week it was decided to oppose all forms of dilution until such time as the whole of the available skilled engineering workers were absorbed in full-time employment. The admission of the possibility of dilution was grudging; but the preceding discussion produced some very salutary remarks by the General Secretary, Mr Fred Smith, to the effect that dilution must essentially follow from the Government's present programme, and that the union must be prepared to control it. Moreover, with every diminution of the number of its unemployed members, the A.E.U.'s insistence on the absorption of all skilled men before dilution can begin loses force. The other small ray of hope which the conference produced was its decision to postpone the termination of its agreement of 1935 with the Transport and General Workers' Union whereby the two unions agreed not to "poach" members from each other. The whole question will now be discussed at a conference between the leaders of the two unions to be held on June 27. If the unions can resolve their own differences they may become free to concentrate on the formation of an effective policy for the Labour party. And if the Parliamentary Labour Party can by this means regain the confidence of the public it may yet become an effective instrument of government. But if the faint sparks emanating from the engineers' conference do not kindle the other



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unions, then both the political and industrial power of Labour are likely to be wasted in ineffective opposition at a time when they might have enormous positive value.

* * *

Future Population.—The need for investigating ways and means to stop the decline that is now imminent in Britain's population was urged by Lord Samuel on Wednesday in the House of Lords. He laid special stress on the desirability of family allowances. The Government's spokesman, Lord Templemore, rejected Lord Samuel's plea, partly on the ground that there was doubt about when the population was likely to begin to fall—and, indeed, about whether it would fall at all—and partly because an inquiry could only be useful when the operation of last year's population Statistics Act had produced information about the cause of the prospective decline. Lord Templemore's first argument was wrong: he adduced the rise in the birth rate since 1933 as a reason for optimism, but overlooked the fact that the increase in the birth rate in England and Wales from 14.4 in 1933 to 15.1 in 1938 was less than the rise in the marriage rate from 7.9 to 8.7 in the same period. This means that the increase in the birth-rate is wholly or largely due to the first children of an increased number of newly married couples and not to any increase in the number of children per family; and, at the best, this can only portend a slight postponement of the decline in the population. Lord Templemore's second argument had more force. More facts are needed, and the new information now obtained at the registration of births and deaths needs to be amplified by a census of fertility, which should be taken, at the very latest, as part of the general census in two years' time. Nevertheless, the case for an immediate public investigation of the whole population question still stands. A considerable body of evidence is already available and it urgently needs sifting. Much of it is favourable to schemes for family allowances, difficult though the issues involved by such schemes undoubtedly are. Perhaps most important of all, it is needful that the attention of Government and public alike should be firmly turned to the true facts of the present position. Those facts are concealed when the number of births in any year are simply related to the total number of the population. Only a small proportion of the population is able to bear children; and it is the number, age and fertility of these women that is all-important.

* * *

Relay Broadcasting.—The recent Parliamentary debate on the conveyance of broadcast programmes by wires to listeners raised several important questions. The first was the desirability of the extension of "wire broadcasting" as such, on the ground that it is less subject to interruption in war time than the present reception of wireless broadcasts. Any such development is valuable and the need to encourage it was not questioned in the House. The means by which the development should take place is a separate question, in which there is room for considerable difference of opinion. At present relay broadcasting is carried on by a dozen or so private companies who receive programmes broadcast by wireless and distribute them over a local wire network to subscribers. An additional service will be provided by the Post Office at the end of this year, by which telephone subscribers in central London, Edinburgh, Birmingham and Manchester will be enabled to receive B.B.C. programmes over the G.P.O. lines for a charge which will probably not exceed 1s. per week. Thus in future in some areas there will be three alternative means of receiving programmes, one by radio all the way, one by radio or wire to a company's station and then by relay wire, one by G.P.O. wire all the way. It was suggested in Parliament that the alternatives should be reduced to two by the handing over of all relay services to the Post Office. The Postmaster-General opposed this development and announced that the relay companies'

licences will be extended for ten years, or double the period for which they were ever previously granted. His reasons were that the Post Office already had too much to do, that the companies were providing an efficient service, and that they were already subject to a sufficient measure of public control. This explanation does not exhaust the subject. There is a presumption that if relay broadcasting requires regulation at all, as it undoubtedly does in view of the vital service it provides, that control should be centralised, and not, as at present, divided among local authorities and the Post Office. Secondly it is doubtful whether the relay companies can be said to be performing their functions efficiently when they have so far failed to provide any service to rural districts, where the alternatives to broadcast news are fewer than in towns and satisfactory reception correspondingly more important. Thirdly it is manifestly undesirable to add numerous privately owned networks to the already complicated system of wires which exists in this country. A single development which would overcome all these difficulties is the control and operation of all wire broadcasting by the Post Office. It would provide unified direction, eliminate the duplication of costly capital equipment and maintenance services, and allow of the observance of a standard of equal service to all sections of the community, instead of a standard of private profit maintenance which at present dictates that wealthy towns shall have good relay services and rural areas none.

* * *

Agricultural Development.—The debate in the House of Commons on the Agricultural Development Bill was the opportunity for some unusually clear thinking on the part of members of the Opposition. Mr Richards criticised the Bill because it outlined no agricultural policy except that of subsidies. That, unfortunately, is true of most of the agricultural Bills introduced into Parliament in the last few years, with the notable exceptions of those provisions of recent Acts which encourage cleaner milk, the use of lime and slag and the ploughing of worn-out grass land. Nowhere, and certainly not in the latest Bill, are there any indications that the Government has a coherent policy for the future development of British agriculture; the provision of tariffs, subsidies and import quotas on a lavish scale has been designed mainly to bolster up existing systems of farming whether or no these are suitable to a rapidly changing world. Many members of the Conservative Party seem to wish to return to some golden age for farming, when there were 2 million acres under wheat, 2 million people on the land and any farmer reasonably efficient in the practices of his forefathers could make a very good living. But, as Mr Alexander pointed out later in the debate, the "drift from the land" is both a sign of technical progress in agriculture and a necessary step towards a higher standard of living both for those who leave the land and those who remain on it. But it must be admitted that the exodus of rural workers which has taken place in the last two years under the stimulus of industrial revival and new aerodromes is seriously hampering the seasonal pressure of farm work. But those who talk of "redressing the balance between town and country" by further subsidies to farmers must be suspected of using empty words to conceal confused thinking. To-day, farmers are being subsidised to the tune of some £30 millions a year, to which the Minister of Agriculture is proposing to add another £10 millions or so; this sum is given (without a means test) by piecemeal arrangements in order that the profits to be made by the production of a number of unrelated commodities should be restored to the level of ten years ago. That is not agricultural development but agricultural retrogression, and half that sum, spent wisely on research, technical education, drainage, rural housing and electrification, would give a far greater return in the long run.

* * *

Social Service in War Time.—The number and volume of social services must necessarily be modified in time of war to meet a variety of new demands. These

include the welfare requirements of an augmented body of female and juvenile workers, special provision for evacuated non-combatants, and also for non-evacuated bread-winners, and the payment of relief and allowances to the dependants of men on active service. At the same time the amount available from Government funds for activities not directly connected with the prosecution of the war will undoubtedly be restricted, and official attention will be directed elsewhere. The National Council of Social Service has shown its appreciation of the fact that a greatly increased strain would be placed upon voluntary organisations by producing, in consultation with its associated bodies and with the Lord Privy Seal's Department, the Ministry of Labour and the Ministry of Health, a series of proposals for strengthening societies which would be particularly valuable in war time and planning new voluntary services to meet the new needs. An Emergency Standing Conference of Voluntary Organisations has been in existence for the past six months, and it has now been indicated through Sir George Chrystal, the Secretary of the Ministry of Health, that the Government will in future make full use of the machinery which the Conference provides for contacts with voluntary organisations. So far four suggestions have been made as to particular activities which could be undertaken by voluntary organisations in war time. These are (1) the provision of bureaux to give essential information to individual inquirers who require personal guidance in the many problems which will arise through evacuation, dislocation of usual services and emergency legislation, (2) welfare organisation for juvenile workers, (3) the administration of relief in cases not covered by Government measures and (4) the setting up of local bodies to plan and co-ordinate all voluntary services. The fulfilment of this programme alone would place a heavy burden on any combination of voluntary organisations, and the National Council of Social Service, if it is to do the work efficiently, will undoubtedly require the assistance and advice of fully qualified officials in the Ministries concerned as well as the voluntary service of able and influential private individuals. The Council has shown its willingness to serve by taking the present initiative, and it deserves every assistance in advancing its plans and giving them as concrete a form as possible before the occurrence of any actual emergency.

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Singapore, Indo-China and Siam.—While the Japanese blockade of the British Concession at Tientsin has made North China for the present the storm centre in the conflict between Japan and the Western Powers, a conference of more than fifty British and French Army, Navy and Air Force officers is being held at Singapore to study measures of joint defence for the territories and interests of the two Powers in the Far East. Hitherto there has been no co-ordination of defence among the Western Powers concerned, and even now the United States and Holland remain outside the conversations, though it is understood that they are to be kept informed of them. The British and French commands will discuss the strategic situation which would arise in the event of hostilities resulting either from a clash over treaty rights in China or from a direct Japanese threat to Hongkong or French Indo-China. The starting-point of all such discussion must be the naval superiority which Japan holds in the China Seas as long as Britain and France must keep their main fleets in European waters and the United States is not definitely committed to action with them in the Far East. This naval superiority, however, has its limits; it diminishes with distance from Japan itself, where the Japanese navy has its battle-fleet bases, so that the local defence of Singapore and Saigon should be by no means a forlorn hope. The point of danger, should the Far Eastern war be carried to the south of China, is likely to be Siam. From their new stronghold in the island of Hainan, the Japanese could not only attack Haiphong, the port for two railways into South China, but could also join hands with the Siamese by a drive through central Annam, where the Annamese "emperor" still keeps his court at Hué under the French

protectorate. Siamese policy has recently been both anti-French and anti-Chinese, the former because of territories formerly belonging to Siam which were taken by France in the building of French Indo-China, and the latter because of the commercially dominant Chinese colony described the other day by a Siamese nationalist in a phrase of sinister import as the "Jews of Siam." Very skilful diplomacy will be needed in the near future if Siam, with its strategic threat, not only to French Indo-China but also to Burma, is to be kept out of the political orbit of Japan.

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Soviet Naval Strategy.—A recent decree of the Presidium of the Supreme Council of the Soviet Union makes alterations in the regulations governing compulsory service in the Russian Navy. The length of service is increased from four to five years and the minimum extension period for those wishing to serve longer is to be three years. Those who have secondary and higher education are no longer to be released after two years' service, but must serve the full five years. Hitherto it has been very questionable whether the efficiency of the Soviet naval personnel has been on the same plane as in other large fleets. Primarily the decree aims at the strengthening of the technical ranks and should place more expert ability at the disposal of the newly-appointed Naval Commissar, Admiral Kuznetsov. Parallel with this development are the programme of naval expansion, now in full swing, and the change-over from a defensive to an offensive strategy in the Baltic. The decision to make the latter change, which reversed the previous policy of the higher command, is reputed to have been at the root of the recent purge. The main fighting strength of the Soviet Navy is concentrated in the Baltic. Two of its three capital ships, three cruisers, most of the new heavy destroyers and 15 out of the 16 older destroyers are there, and so are most of the 100 odd fast motor torpedo boats. Only in the case of submarines, of which there are about 150, is more than 50 per cent. of the total number stationed in the Pacific and the Black Sea. The threat of so formidable a force, pursuing an offensive strategy, may well give pause to any German designs for the domination of the Baltic States. It is obvious that the independence of these States is a vital Russian interest; and the opposition of the Soviet representative at Geneva to the refortification of the Åland Islands, together with M. Molotov's present insistence on the inclusion of a guarantee to Russia's Baltic neighbours in the Anglo-Russian pact now under discussion, provide sufficient evidence of a determination to let no detail pass unexamined which may ultimately weight the strategic balance in the Baltic in Russia's favour. Moreover, any move which increases the effectiveness of the Soviet fleet cannot now be a matter of indifference to the British naval high command.

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New Move in Mexico ?—Reports from Washington, where the Mexican Under-Secretary for Foreign Affairs has been holding discussions with the State Department, are hopeful that President Cardenas may be adopting a more reasonable attitude towards the expropriated oil companies. It appears that counter-proposals (to those put forward recently by Mr Donald Richberg) have been presented in Washington, which include representation of the oil companies on the administrative board of the industry, and are understood to mention the return of foreign technicians; in line with the Government's general policy, oil distribution would be under unified control, as would also the supervision of labour. If these are the full extent of the proposals, then hopes of a settlement need not run high: it is unlikely that the companies would be prepared to co-operate for the small bribe of a representation that would remain impotent in the face of Mexican control, and it is just as unlikely that they would be prepared to accept a mere right to distribute—and that without guarantees of undisturbed conditions. What the companies apparently are prepared to accept—and this marks a long step towards the Mexican standpoint—is Mexico's ownership of the wells, *provided* that the Mexican Government accord them a lease to operate. In thus preserving the status of lessee rather than owner they have in fact come down from perpetuity to a few score of years: it is to be hoped that Señor Beteta at least, who is recognised to be one of the more reasonable representatives of the Mexican Government, will realise that in this compromise the companies are holding out what is virtually the only solution that will not in the long run poison American goodwill towards his country. For it is very evident from the financial position of the Mexican Government that, once the companies let go their right to operate if not to own, and talk in terms of compensation, they are lost. Compensation for investments (the only sort of compensation of which it is less than silly to talk) in the form of a right to distribute oil, such as the latest proposals are said to discuss, is almost as good as nothing. And, indeed, if President Cardenas does not relent of his doctrine and allow the companies facility to produce, the whole future of Mexican oil seems in doubt. The alternative is already becoming evident: Mexican oil exports, in the fourteen months following the expropriation of March, 1938, have fallen by 45 per cent., and the much advertised barter deals with Germany and Italy have raised the proportion of Mexican oil in those countries' total annual consumption only by two or three per cent. over what it was in 1936 or 1937. As was the case with the agrarian expropriations, which were followed by a falling off in production, technical inefficiency has been the net result. If President Cardenas wishes to correct this state of affairs, he must not expect the whole of his demands to prevail.

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Balkan Anxieties.—Prince Paul's return from Berlin was accompanied by a host of rumours—that Herr Hitler was disappointed with the visit, that General Goering had offered a non-aggression pact, that the Prince Regent would come to London in August—but by no firm conclusion of a German-Yugoslav treaty of whatever kind, nor by Yugoslavia's formal adhesion to the Axis. The most probable reason for this is that the Nazi leaders knew better than to suggest a treaty, in view of the Regent's difficulties at home, and that they continued in the diplomatic sphere their commercial policy of gentle but unrelenting pressure, the success of which is clear from Belgrade's recent acceptance of a £12 millions credit. The state of Yugoslav opinion was strikingly brought out the other day by the Yugoslav ambassador in Paris, who asked at a public meeting, "Why have these (Anglo-French) guarantees not been given to Yugoslavia?" a wide cross-section of Yugoslav public opinion would resent any step which took them finally into the Axis camp. A realisation of their true position is nevertheless coming home to those many Yugoslavs who have hoped against hope that their Government had not pledged and would not pledge itself to act against the

democracies or adopt a position of neutrality "benevolent," and therefore subservient, to the Axis. A few days after a significant speech by M. Shubasitch, the Croat representative in Belgrade, had appeared in the Serb Press, saying that "the Croats were ready to march side by side with the Serbs, but only on condition that all disputes between them were previously settled in a brotherly way," Dr Matchek himself made one of his rare pronouncements. A Serbo-Croat agreement, he said in effect, was in any case inevitable because only thus could a strong Yugoslav State exist. And Dr Stoyadinovich is reported to have been expelled from the Radical Union (the influential party coalition of which he was president and on which he fought his elections) for having criticised the Government's efforts at obtaining agreement. These are signs of the times which are not confined to Yugoslavia. During his visit to Athens M. Gafencu, the Roumanian Foreign Minister, was at pains to emphasise the peaceable intentions of the Balkan Entente, and to make it clear that Yugoslavia was still considered a loyal Balkan brother. On their side the Bulgarians are seeing the red light in the visit of their Finance Minister, M. Bujiloff, to Berlin; it is even thought that the Germans may request an alteration in their favour of the mark-leva rate, already at a parity dangerous to Bulgaria's commercial freedom. The Balkan countries, each in its way, are preparing for the worst.

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Palestine before the Mandates Commission.—During the past few days the Permanent Mandates Commission of the League has been in session at Geneva on the subject of Palestine. Normally, the Commission simply examines the latest annual report of a mandatory Power in the presence of its accredited representative in the person of some civil servant who is competent to elucidate the printed word and to answer the Commission's questions. This procedure has been carried out in the case of Palestine this time as usual but, of course, this time much more is in question than the mere supervision of current administration. The British Government has published a declaration of policy which, if implemented, will give a new turn to the destinies of Palestine as a whole and of the two nationalities composing its mixed population; and, on this account, the Secretary of State for the Colonies, Mr Malcolm MacDonald, has rightly gone to Geneva in order to meet the Commission face to face and speak for the mandatory Power with an authority that could not be commanded by any civil servant, however widely experienced or highly placed. On June 15th Mr MacDonald expounded the Government's present policy to the Commission with praiseworthy frankness. He admitted that the term "Jewish National Home" in the Balfour Declaration and in the text of the Mandate had been deliberately ambiguous, because it had been impossible at that time to foresee the extent either of Jewish efforts to re-establish a Jewish community in Palestine or of Arab efforts to resist this Jewish enterprise. He dwelt on the Hogarth mission to King Hussein as evidence that, in adopting the policy of the Balfour Declaration, the British Government of the day had not intended to ride roughshod over the Palestinian Arabs. And he pointed out that there was nothing in the Mandate to compel the mandatory Power to promote Jewish immigration into Palestine up to the limit of the economic absorptive capacity of the country. Palestine's political absorptive capacity must be taken into account as well; and the Arab revolt, though it had been disgraced by many criminal acts, "has also borne the undeniable stamp of a wide patriotic national protest." Hence the new line of British policy. Mr MacDonald is reported to have come under hot and searching fire from some members of the Commission, at any rate; and the Commission's Arab and Jewish memorialists have raised their voices in unison on the single point of condemning the new British policy as unsatisfactory. It is fairly safe, however, to prophesy that this policy will continue to hold the field in the absence of any less unsatisfactory alternative suggestions.

THE WORLD OVERSEAS

Football Pools in Sweden

(From a Swedish Correspondent)

DURING the season the Swedish public displays an extraordinary interest in English League football. The man-in-the-street avidly studies the form of English teams; the Stockholm evening papers issue special editions containing English match results and League placings every Saturday night; and the Sunday or Monday papers publish long reviews of the latest football battles on the other side of the North Sea. Some of this interest can be ascribed to the genuine attention of Swedish sportsmen to the game as it is played in the country of its origin. But much more is unquestionably due to the fact that football pool betting, which enjoys widespread popularity in Sweden, has to be based on English matches during the winter months because the game cannot then be played in Sweden on account of the climate.

To-day, about one million kronor (or approximately £50,000) is spent every week on football pool betting in Sweden—a very considerable sum for so small a country. Nevertheless, in strong contrast to the situation in Britain, no controversy rages in Sweden about the social and economic consequences of the public's eagerness to stake millions merely on the results of football matches. This is due mainly to the unique and now generally approved system of football betting control instituted by the Swedish Government precisely five years ago.

During the early 1930's football pool betting was the subject of much debate in Sweden, too. Privately-run pools had sprung up like mushrooms, and their completely uncontrolled activity was regarded by many with great concern. Attempts were made to suppress them under the Swedish betting laws, which prohibited betting on sporting contests other than State-licensed totalisator betting on horse racing. The net result was that the promoters conducted their pools covertly instead of in the open, and a stream of money began to leave the country to football pools organised abroad.

Finding that prohibition simply drove the traffic underground, the Swedish Government decided upon an ingenious course. Their plan satisfied the Swedish Football Association's plea that football pool betting should be legalised—thereby ending a situation which did not enhance the game's repute—and, at the same time, ensured that the major part of future pool betting profits would be reserved for an object of which all could approve—the development of public facilities for sport. By an Act passed in March, 1934, the Riksdag prohibited football pool betting in Sweden save by Government licence; and, though a great many applications were made, the only licence granted was to a company established by an Order-in-Council on June 7, 1934.

This company, which is registered under the name of *A/B Tipstjänst*, has thus become the sole authorised football pool business in Sweden. Though in form a private undertaking it is, in effect, a State enterprise. The share capital is limited by the terms of the licence to 45,000 kronor (about £2,250) and the shares, though nominally subscribed by the public, may be held only by certain specified persons. Of the company's five directors two must be appointed by the Government, and these must hold the positions of chairman and vice-chairman respectively. Furthermore, the Minister of Commerce is empowered to appoint one or more controllers to exercise continuous supervision of the company's activities.

During the winter, the company bases its pools on English matches, and during the summer, when the home season is in progress, on Swedish games. Every week, about one million coupons are forwarded to *Tipstjänst's* headquarters by its 39 territorial collectors, who receive them from some 6,000 local authorised agents—tobacconists, grocers, co-operative stores, and so on. The minimum stake is 25 öre (about 3d.) a line, and about two-thirds of the backers confine themselves to this modest investment every week. The company has itself taken steps to encourage moderation among its clients, such as restricting bets to 48 chances per

coupon, limiting the highest prize to 75,000 kronor (about £3,750), and refraining from advertising or "sales promotion." It has also prohibited persons under 18 years of age from taking part. Under the terms of the licence the dividend the company may pay on its shares is restricted to not more than 5 per cent., the sum it may use to meet expenses must not exceed 25 per cent. of its income, and 50 per cent. of the company's income must be allocated for pool winnings. (All prizes of 24 kronor or more are subject to a 10 per cent. tax.)

Financing National Sport

After State and municipal taxes have been paid, the net surplus, with the exception of a minor sum appropriated for ordinary State Budget purposes, has to be paid into a State-controlled fund for the promotion of sport. During the four complete fiscal years that *Tipstjänst* has been in operation, it has paid into this fund a total of 20,930,850 kronor, of which about 18,000,000 kronor has been distributed for the establishment of premises and grounds for gymnastics and sport, the training of instructors, the purchase of materials, and for contributions to the administrative costs of the various national sport associations.

By far the greater part of the grants have been made for sports establishments, such as football and athletic grounds, baths, skating rinks, ski-jumps and sports halls. In general the grants are approved on condition that the sites can be obtained freehold or on lease for at least 25 years, that at least an equal sum shall be subscribed by the locality concerned and that the upkeep can be guaranteed by other means than grants from the sports promotion fund. The allocations have been apportioned on the principle that as much attention should be paid to the needs of the smaller places as to those of the large population centres.

How widely the grants have been distributed can be judged from the fact that, in four years, some 600 grants have been given to rural communities and 300 to urban communities. In addition, large sums have been allocated to establish a People's High School for Gymnastics at Lillsved and a National Sports Training Institute at Bosön. A grant was made in 1936 towards Sweden's expenses at the Olympic Games in Berlin; and, during its five years' existence, *Tipstjänst* has functioned so well, and given the Swedish public such tangible benefits, that to-day one rarely hears any plea for allowing football pool betting to be run by private promoters. The fact that the profits are now applied to promote the nation's physical development is a powerful argument in a country where the cultivation of bodily fitness is rated so highly and pursued so widely. This argument has now been strengthened still further by the recent broadening of the use of *Tipstjänst's* surplus. The surplus arising during the present fiscal year, which is estimated to amount to no less than 15,000,000 kronor, will be so divided that 30 per cent., or 4,500,000 kronor, will go to the State Exchequer, 50 per cent., or 7,500,000 kronor, to the sport promotion fund, whilst the remainder (reinforced by the undistributed balance in the fund) will constitute a new 5,000,000 kronor fund "for the promotion of open-air life."

This change is due to the fact that *Tipstjänst's* profits are now much larger than when the original basis was fixed for the use of its surplus; and other forms of physical culture than gymnastics and organised games are becoming increasingly popular. The intention is to apply the new fund for the setting up of permanent establishments such as youth hostels, mountain huts, ski-cottages, open-air bathing places, for marking out hiking and ski-ing routes and for other practical measures calculated to enhance the public's facilities for open-air recreation. Thus in Sweden men's weakness is harnessed to the cultivation of their strength and happiness.

June 12th.

The United States' Flood of Imported Gold

[FROM OUR NEW YORK CORRESPONDENT]

FOUR facts during recent weeks seem to have considerable significance for our economy. First, there has been a great influx of gold. Secondly, there has been a spectacular rise in the price of long-term Government securities. Thirdly, there has been a marked increase in labour troubles. Finally, there has been a rapid deterioration of the wheat crop.*

The month of May has brought a downward revision of the estimates of the wheat harvest, due to the recurrence of drought, especially in the south-west. But the harvest season is now beginning, and there is still time for further revision, either way. The success of the coal strike has been followed by a number of other strikes, especially in the motor industry, which is now winding up its 1939 model year.

Broadly speaking, our labour policy has been concentrated on two objectives—high hourly rates and an ever shorter week. These objectives have been realised and the sequels are by no means what was hoped for. The high hourly wage was sought with the object of raising the worker's income; the short week was sought with the object of increasing employment. Hourly wage rates have been lifted to the highest peak in history, but total wages actually paid out have not risen accordingly. The working week has been formally reduced, both by legislation and by collective bargaining, but unemployment remains extremely high. Such a sequence is not proof that one factor is the cause of the other. But there is sufficient evidence of causal relation between the various factors to justify more examination than the subject is receiving. For example, in the business community, there is an almost exclusive concentration of attention on taxation; while, in the political community, pre-occupation with relieving the consequences of unemployment has distracted attention from inquiring into its cause.

It is perhaps the influx of gold on a spectacular scale that most merits scrutiny. The gold imports of April (more than \$600 millions) were perhaps the largest of any month in our history; but some was subsequently earmarked and therefore not added to our gold stock. In May the figure dropped to about \$400 millions; and during that month, the increment to our gold stock was very much less, as some \$300 millions was added to the earmark account, raising it above \$1,000 millions. The effective change is best shown by the Treasury figures of the gold stock:—

GOLD STOCK (\$'000,000)			
End of	\$	End of	\$
Apr., 1938	12,869	Jan., 1939	14,682
May, "	12,919	Feb., "	14,874
June, "	12,963	Mar., "	15,258
July, "	13,017	Apr., "	15,791
Aug., "	13,136	May, "	15,956
Sep., "	13,760		
Oct., "	14,065		
Nov., "	14,312		
Dec., "	14,512		

* There has since been a considerable improvement.—ED.

The net increment in the past twelve months has been somewhat above \$3,000 millions. Not all this gold has passed into member bank reserves, which have risen about \$2,300 millions. Currency in circulation has increased by more than \$500 millions. But, just over a year ago, member bank reserves had been augmented by the monetisation of the Inactive Gold Fund; and member bank reserves at the end of May, 1939, were just over \$10,000 millions, compared with \$7,300 millions at the end of March, 1938. Gold certificates issued to the reserve banks amounted to \$13,300 millions at the end of May, 1939, against \$9,213 millions at the end of March, 1938. That is, over \$4,000 millions of gold has been monetised by our system in fourteen months, and about three-fourths of this has become member bank cash.

A Gigantic Increment

This increment to our gold stock is not far from the combined present holdings of England and France. It is of the order of three times the world production of the fourteen months in which it was accumulated. It—that is, the increment by itself—is almost equal to the entire gold stock of the United States at any time during the New Era of the 'twenties; it is in excess of the required reserves of the member banks (if those are computed against the former legal requirements); and it is approximately equal to the present sum of excess reserves.

Yet, as a comparison of the gold certificates and the member bank reserves shows, the full effect of the gold inflow has not yet made its influence felt even on member bank reserves. The combined figures of gold in the Treasury General Fund and of General Fund Deposits in the Reserve Bank add to close on \$1,500 millions, to say nothing of the unmonetised gold in the Stabilisation Fund, amounting to \$1,800 millions.

It is probable that if any economist a decade ago had been confronted with the hypothetical question of what would happen to an economy under a gold increment of this absolute and relative magnitude, he would have anticipated an "orgy of inflation." Actually, commodity prices are at about the same level as in March, 1938; production has recovered somewhat; employment is a little higher; the foreign exchanges are a little lower; common stocks are somewhat higher. This is hardly a picture of inflation; and, indeed, "inflation mindedness," which has been a recurrent phenomenon in the financial and business community on several occasions during recent years, is conspicuously absent.

The absence of "inflation mindedness" is evidenced by the decline in total loans by reporting member banks from \$8,771 millions on March 30, 1938, to \$8,126 millions on May 31st this year. Loans on Stock Exchange collateral are almost identical with 14 months ago. Real estate loans are unchanged—although residential building is substantially greater. Other loans, that is, commercial loans, account for the decline. In short, in this period, the sole borrowers have been the Government and Government agencies, and the sole outlet for the bank cash created by the gold inflow has been Government or Government-guaranteed securities, with a small overflow into a corporate market that has been mostly concerned with refunding. The net increase in the reporting banks' total loans and investments taken together is less than \$900 millions between March last year and May this year, while their cash and deposits have risen three times as much.

June 12th.

Germany's Food Supplies

[FROM OUR BERLIN CORRESPONDENT]

THE National Socialists have made great efforts to make Germany something like self-sufficient in foodstuffs, but the Third Reich is still heavily dependent upon imports for food and feeding-stuffs. Before the war Germany's population was 67 millions. To-day, after the annexation of Austria, the Sudetenland, Memel, Bohemia and Moravia, it is 89 millions, an increase of 29 per cent. since 1913, while the acreage of land that can be used for agricultural purposes has increased by barely 10 per cent. The proportion of agricultural land to a third since 1913; and the number of cattle has increased to a quarter and pigs by nearly a seventh. These changes, coupled with the increase in the number of persons per square kilometre from 124 in 1913 to 135 to-day, explain the enhanced importance of imports—especially when it is remembered that *per capita* consumption of the principal foodstuffs has simultaneously shown an appreciable rise. Nor has there been an increase in agricultural productivity anything like sufficient to meet the augmented demand.

Last year, while Germany's total imports fell to Rm. 5,449

millions from Rm. 5,468 millions in 1937, her imports of food rose from Rm. 2,045 millions to Rm. 2,111 millions. The chief items imported are vegetable foodstuffs, and especially grain. With a domestic wheat production (including Austria and the Sudetenland) of 6,240,000 tons, as much as 1 million tons had to be imported; though, on the other hand, rye imports were small, because the domestic output of 9,620,000 tons was sufficient to meet the demand. Butter, too, was important: production fell back from 520,000 tons in 1937 to 510,000 tons last year; and a rise in imports from 87,000 tons to 92,000 only partially covered the increased demand. Although domestic fat production has risen by 360,000 tons since 1932, it still covers only about 55-60 per cent. of total German demand; and only one-third of the whale oil needed by German margarine factories is supplied by German whaling activities.

This is not to say that there have been no recent improvements in the food situation. In 1937, because of poor crops and in order to eke out short supplies, the Government decreed that maize and potato flour should be mixed with wheat and rye flour for baking. But total supplies of all bread grains at the end of last year, at 10 million tons, were 4,400,000 tons higher than twelve months before, and the decree was lifted. Nevertheless, the ban forbidding the use of grains for fodder remains; and, with a total yearly demand of some 25 million tons, Germany's grain stocks would scarcely last six months.

The Meat Problem

The supply of meat, moreover, is not nearly so satisfactory. Large quantities are being tinned for military use; and last year the number of livestock fell, as a result of the shortage of farm workers, the scarcity of feeding-stuffs and the prevalence of foot-and-mouth disease. At the same time, the demand for meat has risen, owing to increased earnings. It is hard to increase imports of meat because the available foreign exchange is needed to purchase armament materials. The quota of beef and veal for slaughtering has been reduced to 80 per cent.; and, as beef and veal accounted for just over a third of last year's meat consumption, there will be something like 7 per cent. less meat available for consumers. There are often long queues at butchers' shops; there is a considerable increase in the "black trade" at illegal prices; and the practice by shopkeepers of compelling customers to buy goods they do not necessarily want before they can buy what they have come for is growing.

Again, the position should not be misread. An official analysis of *per capita* consumption gives the following picture:—

(Consumption in kg. per person per annum)		
	1932	1938
Meat	48.9	57.7
Sugar	20.2	24.3
Seafish	8.5	12.4
Butter	7.5	8.8
Milk	105.0	112.0
Wheat flour	44.6	55.0
Beer	51.4	69.0

This is not surprising. Nineteen thirty-two was a year of depression and distress, and since then an armaments boom has developed. Incomes have risen and with them consumption. But the fact remains that many important foodstuffs, such as meat, oil, fats, butter, fruit, vegetables, coffee, eggs, etc., can only be bought at normal prices in insufficient quantities, or at inflated prices in the "black market." Moreover, the practice of "double sales" (mentioned above) means that dealers try to sell costly, bad or unsaleable goods with wanted goods that are scarce; and this, together with the deterioration in quality frequently noticeable, is not reflected at all in the cost-of-living figures.

To relieve the scarcity of meat and fats the authorities have turned to fish. Consumption and the catch are to be increased. Last year the fisheries brought in 782,000 tons of fish. It is proposed to raise the yield of deep-sea fishing alone from 500,000 to a million tons. Fish imports last year were about 250,000 tons.

Food and Foreign Policy

Nor is it easy for the Reich to tide over food difficulties by trade with Eastern and South-Eastern Europe. States in that region have foodstuffs to sell, it is true, but Germany cannot offer foreign exchange in payment, while to pay promptly in industrial goods is increasingly difficult because of concentration on arms. And the struggle for self-sufficiency is plainly limited by the shortage of something like 700,000 to 800,000 labourers in agriculture. Last year about 200,000 land workers, mainly Poles, were imported. This year the

Poles have not come and the Italians imported have not filled the gap. Schoolchildren and students have been called up for harvest work. The burden thrown upon farmer families is very heavy; and, while agricultural prices have been fixed since 1936, costs for fertilisers and machinery have risen, and the profitability of farming is falling.

This is the background of Germany's foreign policy in Central Europe. *Der Deutsche Volkswirt*, discussing agricultural difficulties, poses the Reich's claim to assume the economic management of *Mittleuropa*. The intention is clear as is the present situation in German farming.

June 20th.

The Limits of French Resources

[FROM OUR PARIS CORRESPONDENT]

THE total number of wholly unemployed persons at the end of May was 375,522, against 380,826 in May, 1938 and 345,503 in May, 1937. The seasonal fall of unemployment since it began in February has this year been 10,636, against 11,947 in 1938 and 16,910 in 1937. Moreover, the figures of partial unemployment are more satisfactory still. And the following table, which shows the distribution of workers in 8,389 factories according to the weekly hours they work shows how widely the 40-hour week has been abandoned. This is especially the case in works busy on armament orders and the workers are co-operating in the increase of working hours because the extra earnings they get afford a means of defence against the increasing cost of living.

Percentage of Sample of 8,639 factories		
Weekly duration of work	May, 1938	May, 1939
	%	%
48 hours and more	0.05	2.04
More than 40 and less than 48 hours	1.92	32.73
Forty hours	78.23	56.60
More than 32 and less than 40	10.65	5.52
Thirty-two hours	5.13	2.03
Less than thirty-two	3.52	1.08

The duration of working hours could be lengthened still further, but the number of workers who could be regained by industry—notably skilled workers—is practically nil. The problem of economic recovery in France is nearer to the German problem, where there is full employment, than to the British one, where many are still out of work. This is why a policy of monetary expansion (with or without monetary control) is excluded on the general ground that it would lead to a dangerous rise in prices.

M. Reynaud, for that and other considerations, has chosen an orthodox financial policy. But such a policy implies that public expenditure should be as far as possible covered by taxes. It assumes the need for an increased business turnover in order to yield increased taxes to the Treasury. Though mounting arms orders, in the military sector of industry, accompanied by regular wage payments are maintaining a fairly high level of purchasing power among the working class, the situation of investors and the middle classes, on the other hand, who bear the chief part of the tax burden, cannot have been very much improved by M. Reynaud's six months of recovery.

M. Lambert-Ribot, French delegate to the I.L.O. Conference at Geneva, has estimated the variations of French incomes (making allowances for changes in the value of the currency) in 1935 and 1938 compared with 1913:—

(1913 = 100)		
	1935	1938
Weekly wages	140	114
Rentier income	40	20
National income	100	66

"French fortunes have paid the bill," M. Lambert-Ribot concludes. The social laws of the Popular Front might have improved the situation of the working class, and the wheat and wine controls that of agriculture, but the income of the

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land-owners, of the liberal professions, of the civil and war pensioners has considerably fallen. The return of confidence cannot work miracles. The amount of expatriated capital is estimated at about 100,000 million francs, but public expenditure will reach 130,000 millions this year. War orders can produce only limited effects, especially when international tension still hampers private initiative.

The Need for Loans

The conclusion is inescapable. Largely because of re-armament, which cannot be avoided, public expenditure must exceed any fiscal receipts that can reasonably be expected, in view of the country's limited resources of labour and capital. Inevitably, the Treasury must turn to borrowing. To cover a Budget of 135,000 million francs by taxes would necessitate a national income of 400,000 millions instead of the present 250,000 millions. French production cannot bring about this needed increase of 60 per cent. in national income; the Reynaud efforts themselves have brought about a rise in the index of industrial production of less than 15 per cent.

This country has a natural tendency towards tenacious saving. The task of the Government, therefore, is to carry out a policy of strong defence of the franc which will regularly bring back to the Treasury the francs which are put into circulation by the State to cover its huge public (i.e. re-armament) expenditure. This policy is the policy of financing re-armament by the "floating debt" which can be periodically funded by long-term loans.

The defence of the franc is now aided by the credit surplus on the balance of payments, but fresh efforts must still be made in order to increase exports. It is imperative to get new markets for French raw materials and manufactured goods while French products (after three devaluations of the franc) have still the benefit of a margin below world prices.

The success of this policy demands a skilful distribution of the sums which are raised between taxation and borrowing. It also requires that the rise in prices, which is checked by limited purchasing power and the need for saving on the part of the public, is not pushed forward either by demagogical expenditure nor by too large concessions to agricultural interests. It seems that these claims may be averted politically by a prorogation of Parliament and economically by the results of a crop which, after certain doubts, seems to be reasonably good.

June 22nd.

Autarky and Trade in Italy

[FROM OUR TURIN CORRESPONDENT]

THERE is no definite evidence that the consequence of the policy of autarky has been inflation. Figures of banknotes and cheques in circulation give little suggestion that an inflationary movement is in progress.

	(Millions of lire) ends of years			
	1936	1937	1938	March, 1939
Bank of Italy Notes	16,525.1	17,468.1	18,955.4	17,967.2
B. of I. cheques in circulation	725.7	749.5	905.2	714.6
Other banks' cheques in circulation	739.5	900.8	955.3	852.4*
	* February.			

The total of notes and cheques rose from 18,000 million lire at the end of 1936 to 19.1 millions at the end of 1937

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and 20.8 millions at the end of 1938. Whether this increase is an index of inflation is not easy to say. But the extension of the territory in which notes are now, at least partially, circulating and the increase that has taken place in physical economic production and activity go far to explain the increase, without any reference to inflation.

How, then, is the autarky plan, which is mainly a plan for war industries, financed? According to discussions in the Credit Corporation and in the Autarky Committee last September and since, the means have been found in the utilisation of effective savings. It is very probable that to date this is so. The movement of current and deposit accounts in the banks and in post office and other savings banks has been upwards, as the following figures show:—

(In thousands of million lire)

End of	Time Deposits (including Post Office Banks)	Current Accounts	Total
1936	34.5	22.4	56.9
1937	37.9	23.4	61.3
1938	40.8	25.2	66.0
1939 (January)	41.2	25.3	66.5

The figure of 66,500 million lire at the end of January, 1939, represents mainly deposits originating from a true act of saving by the customers of the banks. And the increase of 4,700 millions in this total in 1938 may be said to be the sum that savers did not invest directly in agricultural land improvements, house building, industrial plant and equipment, or State and other securities. But, and this is the point, it must be emphasised that this sum, that is, the 4,700 millions increase, which is frequently held in common parlance to be the total amount of savings, is only the residual and minor item in savings. It would be very rash to evaluate the total amount, but at a guess a figure of 18,000-20,000 million lire may not be very wide of the mark; and the recent deficits on the State Budget (16,230 millions in 1936-37 and 11,174 millions in 1937-38) were met mainly by these savings. Other sources were a moderate increase in the note circulation (extraordinary advances to the Treasury were 2,000 million lire), and the proceeds of the revaluation of the lira, of the gold gifts to the Exchequer and of the sales of foreign securities commandeered by the State. If, in the current and future Budgets, extraordinary expenditure (that is, expenditure not financed by taxation) could be kept within the 10,000 millions limit, its financing out of true saving appears to be possible without giving rise to inflation.

Thus, autarky is not necessarily connected with inflation; but it is logically the cause of a gradual and radical change in external trade. Newspapers are now full of comments about the scarcity of coffee. Queues are to be seen in the cities; dealers are selling an ounce of the precious drug to old customers at stated days and hours; the Secretary of the Fascist Party has ordered members not to consume any more; a big drive has begun in the Press to the same end. True, the sum spent by Italy in purchasing foreign coffee is not very important; 130 million lire in 1938 and 31 millions in the first quarter of 1939. This is a small part only of the total sum of 1,000 millions yearly spent by Italian consumers in buying crude coffee; and the rest went mainly to the Exchequer in the form of taxation. Indeed, the biggest loser in the campaign for the reduction of the consumption of coffee will be the Exchequer, which will also lose some part of the tax on sugar, which is complementary to coffee.

As an article in the May 13th issue of *La Stampa* explains, the point is one of principle. Brazil, which is the biggest seller of coffee to Italy, refuses to buy enough Italian goods to balance her trading accounts; in the last 18 years and three months Brazil has sold to Italy goods to the value of 2,077 million lire more than Brazil has purchased from Italy; as Brazil will not purchase Italian goods, Italy will not buy Brazilian coffee.

The regulation of foreign trade, according to the Minister of Foreign Trade in a speech on May 12th, has gone through three stages. First there was the *bolletta* system. Only those importers who introduced foreign goods in a certain quarter of 1934 and possessed a certificate (*bolletta*) of import were authorised to import a specified quota of their former imports. This was tantamount to fixing trade at a set level, and it discriminated in favour of particular individuals. Therefore the *bolletta* system was replaced by the *licence* system. Import licences were granted to those industrialists and traders who had a priority right because they were better equipped, from an economic and technical point of view, or because their industry was important from the public, military or other point of view. This system, too, did not work satisfactorily for two reasons: first, foreign trade continued to be conducted on an individual basis and Italy was unable to obtain compensatory bargains with

foreign countries as a whole; secondly, the licence system gave rise to numerous "middlemen" or "go-betweens," who claimed payment for their good offices in securing licences. The Government decided to stamp the middleman out, and a beginning was made towards the institution of yet a third system. Italy will henceforward adopt a corporative solution of the problem. Goods will be more and more imported exclusively by public bodies, on which the consuming industries, the Corporation or Confederation concerned and the State will be represented. Imports will be gradually transferred from individual traders to privileged companies and bodies, which will distribute the goods imported according to some priority table.

Meanwhile the Minister observed that the regulation by authority of foreign trade has already resulted in 1938 in total exports covering 73 per cent. of imports against 60 per cent. on the average in the years 1934-37. Countries with which Italy is bound by clearing or other compensation agreements supplied 66 per cent. of total goods imported into Italy and purchased 71 per cent. of goods exported by Italy. Import prices, it is true, increased in 1938 by 88 per cent. over 1934, while export prices increased by only 46 per cent.; and the terms of trade may seem to have moved against Italy. But the Minister observes that the 1934 terms of trade, owing to a too high external value of the lira, badly handicapped exports; the alignment or devaluation of the lira has restored the balance between external and internal purchasing power of the lira.

June 5th.

Canton under Japanese Control

[FROM OUR HONGKONG CORRESPONDENT]

THE city of Canton has never boasted of natural beauty or architectural glories, but for centuries it has been the home of a restless and enterprising people who were the first of the Chinese race to trade with Occidentals and to voyage into the outer world. To-day the city is virtually an empty husk. A great part of it is in ruins and its normal population of two millions reduced to a few hundred thousand. Those that remain or have returned are on the verge of destitution and under the heel of a conquering army.

Viewed from the deck of a Hongkong steamer, during a recent trip to Canton, the country bordering the sixty miles of river appeared much as it does at any time during the spring. For miles on either hand peace seemed to prevail over the bright green paddy fields, the darker laichee orchards and the distant hills. The river itself, however, seemed very different. Instead of a busy stream of junks, sampans and small steam craft, there were a dozen or more Japanese cargo steamers, a destroyer or two and a number of lighters flying the Japanese flag. At Whampoa, which a year or two ago the Chinese had hoped to develop as a port for ocean-going steamers, there was some activity and many wooden sheds were in course of construction while Japanese steamers were discharging cargo at the wharves. Within a few miles of Canton one passed sugar mills and other factories which had been badly damaged by bombs, and villages in the neighbourhood had been reduced to ruins.

A tour of the city itself impressed one with a sense of desolation. Large areas had suffered from incendiary fires, the houses and shops in most cases being entirely gutted. At the terminus of the Canton-Hankow Railway the explosion of an ammunition dump had wrought enormous damage to the neighbourhood. On the outskirts of the city many residences had been wrecked by shell fire and aerial bombardment. In some parts of the city which had escaped fire and bombardment, most of the shops were open and the streets crowded with poorly clad people. The pavement was fringed with hawkers sitting almost shoulder to shoulder, their stock in trade consisting of household goods, presumably looted. Japanese troops were much in evidence and the street traffic was almost entirely made up of military motor cars and lorries, and rickshaws occupied by Japanese soldiers. At various points the streets were partially closed by barbed wire barricades with a machine gun post at each end.

Apart from the main thoroughfares, where shops and tea houses were open, most of the streets seemed deserted, rows of houses being empty and showing signs of having been looted. The older sections of the city, where formerly the silk merchants, the blackwood furniture vendors and the silversmiths displayed their wares to the delight of the tourist,

seemed devoid of life; and it was in the new broad streets constructed since the demolition of the old city walls that the feeble pulse of Canton could still be felt. The trade of those areas is a monopoly of the Japanese military authorities, who import rice, flour, beer and canned goods by transport and sell to Chinese dealers. The currency used is Military Yen, which is forced on the people at par with Chinese National currency.

Trade at a Standstill

There appears to be no export trade at present, as the produce which formerly reached Canton has been diverted through other channels for eventual shipment to Hongkong. Recently a party of Japanese civilians has been touring the silk growing districts with a view to taking control of the silk filatures; and Compradores of well-known foreign exporters, at present in Hongkong, have been approached with the suggestion that they should return to Canton and reorganise the silk market there. It is extremely unlikely that there will be a response to this appeal, but it appears as if the Japanese are determined to stop the silk from finding a market in Hongkong.

The business of the foreign firms on Shameen has been at a standstill ever since the occupation of the city, and staffs are reduced to a care and maintenance basis. Unlike the foreign community in Hankow, those living in Shameen are able to keep in touch with civilisation by gunboats and by the fortnightly passenger boat to Hongkong. They are also allowed by the Japanese authorities to import provisions from Hongkong and, quixotically enough, they pay the usual import duty on such goods to the Chinese Customs House, which is still functioning although it is unable to collect duties on the wide range of commodities imported in Japanese transports for sale to the Chinese population.

The future of foreign firms in Canton, as in the other occupied areas of China, grows dimmer as time goes on. It is now perfectly clear that what the Japanese term the "new situation" entails the denial of all trading rights to the British, French and possibly the Americans, and a very doubtful sufferance to German interests. Even if the liberation of British and French naval forces from duty in European waters allows the democratic powers to try to curb Japanese aggression, it is extremely doubtful whether there can be a full restoration of "pre-incident" treaty rights. The solution of the problem is more likely to be found in some compromise with Japan, whereby the Northern provinces become another Manchukuo, and as such the close preserve of the Japanese, while the other occupied areas are gradually relinquished leaving foreign merchants to recover as much of their lost trade as a pauperised people can provide.

In the meantime, the Japanese seem to have no set policy in regard to Canton. Nearly eight months have elapsed since the occupation but, although Japanese inspired reports point with pride to the number of Chinese returning to the city, neither the military nor the naval authorities appear to offer facilities to the Chinese of substance who desire to resurrect their demolished business houses. In fact every irritating regulation that can be invoked seems to be applied to them. Even when these people have succeeded in landing on the Shameen and cross to the exit into the city, they are confronted by Japanese sentries to whom they must bow and hold up both arms so as to be searched. With these humiliations, to which can be added the risk of assault by soldiers and the possibility of being robbed by Chinese desperadoes, it

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is no wonder that Chinese visitors to Canton return to Hongkong with as little delay as possible. It seems, therefore, as if Canton will be of little value to the Japanese as a prize of war. Without the aid of those who enabled the city to flourish as a trading centre there can be no revenue to pay for the army of occupation or to meet Japan's urgent need of foreign exchange.

June 6th.

Latvian Taxation and Trade

[FROM OUR RIGA CORRESPONDENT]

THE Budget for the financial year 1939-40, dating from April 1st, is balanced at about 199 million lats—or nearly 8 millions more than in the previous year. The national income was around 965 million lats in 1936 and 1,149 million lats in 1937; while in 1938 it is estimated to have risen as high as 1,200 millions. Receipts in the new Budget are planned as follows: Direct taxes, 27 per cent.; indirect taxes (Customs, etc.), 30 per cent.; State monopolies, enterprises and capitalisations 31 per cent.; special revenues, 12 per cent. From these figures, the prior position of State enterprise in the national economy is clear.

Two main considerations affect the distribution of taxes: first, that the well-being and social standards of the people shall be improved; and, secondly, that the productive capacity of the country shall be increased. In this connection it should be pointed out that the defence allocations in the Budget have risen from 45.9 to 47.3 million lats, those for the Ministry of Finance from 28.3 to 29.0 millions, and those for the Ministry of Agriculture from 22.3 to 22.9 millions. Special importance is attached to agriculture, production still leaving much to be desired. In the new Budget means are provided of maintaining the policy of fixed prices, of pushing mechanisation, and of supplying land workers with cheap credit. In particular, care is being taken to direct the State's attention towards the land by the creation of favourable conditions for the construction of workers' houses. The object of all this is to diminish to a minimum the number of foreign workers imported for seasonable labour, chiefly from Poland. The State is also carrying out improvement works.

In regard to foreign trade, the Minister of Finance said that he had no grounds for believing that conditions would worsen in 1939. Efforts would also be made to increase the amount of business passing within the country, and at better prices; it is likely that a compulsory price system will be replaced by freer competition in order to regulate supply and demand. The rationalisation of industry continues to advance, and to afford a better organisation of labour and production. The Minister spoke of the need of giving industry a national character and of the importance of establishing close contact between State and private industry. These references have had a dubious reception in private industrial circles, for it is thought that the building up of a "community of interests" may well hinder the development of private industry. There has recently been a marked recession in expenditure on public works, and the direction of activity has changed. Large sums have been spent on the improvement of communications; plans have been made for the construction of concrete roads. Rivers are being made navigable and their conditions improved.

The first quarter of 1939 produced no striking changes. Receipts from foreign trade have somewhat increased over the same period of 1938; banking activities have also improved, and the money circulation is larger. The cost of living is higher than it was at the beginning of 1938. The index of industrial production (1930-33 = 100) stood at 174 in January of this year, against 169 in January, 1938.

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The Bases of Belgian Recovery

[FROM OUR BELGIAN CORRESPONDENT]

BELGIUM, having for six months been incapable of forming a stable Government, succeeded in doing so during the last days of April. The gravity of the situation caused Parliament to grant to M. Pierlot its confidence and the special powers for which he asked.

This caused a sudden change in the markets, especially in exchange rates. Foreign currencies promptly cheapened and ended a weakness which, since the beginning of the year, had forced the National Bank to export 4,500 million francs of gold, equalling 30 million pounds sterling.

The characteristic feature of the present situation is that Belgium, once more, has been sharply influenced by the world depression. In 1936-37 she greatly benefited by the general upturn, and at that time she made the mistake of undertaking a heavy expenditure programme. But, in 1938, the world depression made itself severely felt, and taxation receipts fell while unemployment increased. At the same time the Belgian public, owing to internal and international crises, gave little support to loans to the Treasury.

If Belgium had had a stable Government at the end of 1938, measures would have been taken at once and the Budget position would never have been seriously compromised. The regrettable political dissensions over Belgian representation in Nationalist Spain, and the Flemish question (the Martens case) for a long time prevented the Government from making a move. The result is, to-day, that the country has to face a deficit in the ordinary Budget amounting to about 650 million francs (about £6 millions). Moreover, the Treasury, already burdened by this deficit, has to bear the exceptional costs of armaments and the usual extraordinary Budget for public works, the whole exceeding 2,500 million francs.

M. Gutt, Minister of Finance, undertook first to reabsorb the deficit on the ordinary Budget. He will reduce current expenses to about 300 millions and increase taxes to 350 millions. On the other hand, he hoped to be able to issue the necessary loans on the Belgian market when confidence was sufficiently restored. The first expression of returning confidence has appeared with the setting right of the exchange market and the slight improvement in Government stocks.

The best qualified observers consider the situation of Belgium without pessimism, although in their opinion certain weaknesses still persist. To begin with, Belgium has a high national income, although relatively smaller, of course, than that of a country like England. For 1938, it was calculated that this income must have amounted to 64,000 million francs, which, in view of the fall in prices, represents a purchasing power appreciably above that of 1930. Taxation absorbs only 16 per cent. of the national income, or, including local taxation, about 18 per cent. The figures will be rather higher for 1939, because the national income will be lower.

National saving is important and is generally estimated to be between 5,000 and 6,000 millions. This is evidently sufficient to meet the State's needs, but these savings are not readily entrusted to the State, after the experience of post-war devaluations.

Belgium, therefore, is not an overtaxed country, nor a country whose savings are insufficient. But any increase in the proceeds of taxation is made more difficult by the even distribution of income. There are scarcely any large fortunes in Belgium that can be easily taxed. On the other hand, saving, for the last two years, has principally taken the form of purchases of gold or of foreign currencies, even though the trade in precious metals has been legally forbidden.

One of the first measures of the Pierlot Government was to declare that it had no intention of devaluing the franc. Indeed, no proposition of this kind has ever been considered by the authorities in Brussels, industrialists who advocate such a measure being a small and powerless minority. The idea of being linked to the pound sterling at the present rate, that is to say, without devaluation, has a much more powerful following, on the ground that the country would find therein a monetary security which is at present lacking. The popular tendency, however, is to link such a measure mentally with devaluation, and this fact forms a psychological barrier to its adoption.

On coming into power, the Pierlot Government has, therefore, to overcome superficial difficulties rather than to fight against fundamental weakness. Everyone agrees that it has a good chance of success if there is a truce from politics. Furthermore, Belgium has certainly been affected by the unsettled international situation. If the general tension were to slacken, the solution of Belgium's problems would become much easier.

June 7th.

Australian Government Finances

[FROM OUR SYDNEY CORRESPONDENT]

At the beginning of the financial year 1938-39 it was estimated that the combined Budget deficits of the Commonwealth and States would be £A0.4 million. In the case of the Commonwealth the bulk of the increased expenditure was due to bigger defence plans; and it was decided to raise the necessary extra revenue by increased income, sales and land taxes, and a higher tobacco excise. The New South Wales Budget contained some tax concessions, but in the other States additional revenue was sought from increased railway fares, heavier motor taxation, additional wharfage rates and similar measures.

At the end of April the accumulated deficits of the Commonwealth and States totalled £A6.7 millions, which showed a retrogression of £A4.7 millions compared with the corresponding month in the previous financial year. It had become apparent that certain of the States would incur larger deficits than they had budgeted for, and at the Loan Council meeting in March it was decided to raise additional loans to the extent of about £A3 millions to meet the anticipated deficits in New South Wales, Victoria, South Australia and Western Australia.

Total Commonwealth revenue was slightly below estimates for the first ten months of the year. As, however, the bulk of the receipts from higher income tax will be received during the last two months of the financial year, there seems to be every reason to expect that the Commonwealth Budget will be balanced. In New South Wales the anticipated deficit of £A1.7 millions or more has been caused by short-falls in stamp and probate duties, income and wages taxation, land revenue, and railway earnings. The loss on the railways is owing to higher operating costs and a fall in revenue caused by the drought. In Victoria virtually the same trend is visible, with the added strain of relief expenditure in the areas which suffered so severely from bush fires during the summer.

In South Australia and Western Australia a similar decline in revenue can be seen. And it is interesting to note that Tasmania has suffered from the embargo on the export of funds from New Zealand, since the absence of New Zealand subscribers has caused a drop in the receipts from the State Lottery tax. The only State to show a surplus at the end of April was Queensland, where expectations have been fairly well realised.

The loan programme of £A14 millions for States' public works and farmers' debt adjustment (£A2 millions) will be completed by June 14th when applications for the present loan of £A4,750,000 will close. The failure of the public to subscribe fully to the February loan of £A8.5 millions has resulted in a slightly higher rate of interest for the current loan which bears the same flat rate of £3 17s. 6d. per cent., but is issued at £99 maturing in December, 1955, which gives a yield to redemption of £3 19s. 2d. per cent.

Treasury Bill Policy

It was thought that Treasury bills to the amount of about £A3 millions would be issued to finance the States' deficits. There has never been an open market for Treasury bills in Australia. The bills are discounted by the Central Bank, which in turn re-discounts them with the trading banks. This re-discounting is purely arbitrary, as there is no tender system, the rate of interest and allotments being fixed by the Central Bank. This method restricts the use of Treasury bills as a measure of control credit, as the trading banks cannot be forced to take up Treasury bills and the Central Bank's opportunities of passing them on are very restricted.

In the present circumstances the Commonwealth Bank

and the Treasury have devised a new technique whereby the Treasury has issued to the Commonwealth Bank £A3 millions of 3½ per cent. Commonwealth bonds maturing in 1943 in exchange for Treasury bills previously issued to provide temporary accommodation to the States. By these means the deflation which usually accompanies the funding of Treasury bills will be avoided, provided the bills are withdrawn from the Central Bank's own holdings. In the normal course of events these Treasury bills would have been funded by a loan raised on the open market to finance Budget deficits.

The net result is to give the Commonwealth Bank securities which are readily marketable and which will be available to the authorities as a weapon of open market control. The Government will have to pay 3½ per cent. for its accommodation instead of 1½ per cent., which is the rate obtaining for Treasury bills at the present time. One doubts whether it would not have been a wiser policy for the authorities to have established an open market for Treasury bill in the favourable circumstances of the past few years.

* * *
AUSTRALIAN BUDGETS
Ten Months, July-April
£A millions

	Revenue		Expenditure		Surplus (+) or Deficit (-)	
	1937-38	1938-39	1937-38	1938-39	1937-38	1938-39
Commonwealth.....	70.49	73.87	68.58	73.94	+1.91	-0.07
New South Wales....	46.23	45.64	47.43	48.64	-1.20	-3.00
Victoria.....	18.89	19.06	21.29	21.97	-2.40	-2.91
Queensland.....	13.97	15.31	13.87	15.00	+0.10	+0.31
South Australia.....	9.88	9.77	10.14	10.31	-0.26	-0.54
Western Australia....	8.78	8.93	8.97	9.27	-0.19	-0.34
Tasmania.....	2.82	2.69	2.84	2.89	-0.02	-0.20
Total for States.....	100.57	101.40	104.54	108.08	-3.97	-6.68
Total.....	171.06	175.27	173.12	182.02	-2.06	-6.75

May 20th.

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Books and Publications

The End of Tsarist Russia

It is unnecessary to describe Sir Bernard Pares's qualification for presenting a history of the fall of the Russian monarchy.* Because of his personal contact with so many of the people and events he writes about, it is perhaps to be regretted that he keeps himself so much in the background, but in setting out to produce an objective history and accurate record he understandably refrains from stressing his own views.

Sir Bernard holds that all the evidence points to the fall of the monarchy coming from above, and with this no student of the history of Imperial Russia's latter years will disagree. When Alexander III died on November 1, 1894, the autocracy died with him. Nicholas II was autocrat in name only and in other circumstances would probably have made a successful and respected constitutional monarch. Like many honest and well-meaning men he lacked resolution and judgment and was over-conscientious. He believed himself to be morally bound before man and heaven to maintain the tradition of autocracy; and whenever he showed any misgiving or fleeting doubt of his divine right the Empress was at hand to restore his confidence and revive his resolution; for she was convinced beyond argument that the Tsar of Russia was autocrat by divine right.

The notion, too commonly held and sedulously fostered by propaganda, that the Government and ruling classes unconsciously exploited and oppressed the peasants and working classes is corrected by Sir Bernard. He points out that, after the emancipation of the serfs, "the students . . . came in larger proportion from the peasantry than perhaps in any other European country," and that legislation for the regula-

tion and safeguarding of factory labour was by no means elementary. The 1905 Revolution was the result of many causes of popular discontent, by no means all of which were of an economic character.

The futility of the Japanese War, coupled with the official corruption and Government ineptitude that it showed up, gave an enormous impetus to the demands for reform, which were only fortified by reactionary police measures and the Government's refusal at first to consider any concessions to the growing political consciousness of the nation. The eventual grant of a Constitution and the establishment of the Duma were due more to the pressure of the liberal-minded professional and educated classes than to the more spectacular factory strikes and peasant risings.

From the evidence presented by Sir Bernard it is apparent that Nicholas personally was not irrevocably opposed to the principle of popular representation. That he resisted to the utmost, and then yielded with reluctance, was due partly to honest doubts whether Russia was fit for constitutional government, and partly to the notion that in granting any measure of popular representation he was betraying the trust imposed on him at his coronation. Moreover, the Russian people had no tradition of party politics and did not understand the principle of compromise.

In 1903 the sinister shadow of Rasputin first appeared over the Court. Sir Bernard traces the growth of his influence over the Empress, and to a somewhat less extent over the Emperor, and quotes innumerable letters, conversations and other evidence to show the extent to which he interfered in the conduct of Government. His influence was particularly fateful during the war. It was mainly on account of Rasputin that the Grand Duke Nicholas Nikolaievich was removed from the command of the armies on the Eastern front and practically exiled to the Caucasus.

Sir Bernard does not attempt an exhaustive analysis of the policies and events that led up to the final tragedy. He contents himself with affording the reader the material necessary to make his own conclusions. His own sympathies were with the liberal intellectuals, to whom the highest compliment he can pay is that they took English liberalism as their model. But after reading his book one cannot help feeling that, however well-meaning, the men who actually forced the abdication and took over the Government of the country were rather an ineffectual and impractical lot. The autocratic system resting on pure bureaucrats like Goremkin had prevented the rise of politicians with any experience of responsibility. When the monarchy crashed the whole bureaucracy crashed with it, leaving the country in the hands of idealists, with a touching but ill-founded faith in their own theories. It was they and not the Imperial Government that fell to the Bolsheviks who were unhampered by any humanitarian or ethical scruples.

* "The Fall of the Russian Monarchy." By Sir Bernard Pares. Jonathan Cape. 510 pages.

Trial and Error

IN "Warnings and Predictions"† Lord Rothermere has quoted and elaborated a selection of articles he wrote for the *Daily Mail* during the last twelve years, chiefly on the necessity for a large air force and the desirability of friendly relations between England and Germany. Lord Rothermere takes credit to himself that he perceived the significance of Hitler immediately he became Chancellor in 1933, and that only nine months later he started to advocate a fleet of 5,000 warplanes for Britain. The book is intended, not only as a proof of Lord Rothermere's sagacity in the past, but also as a programme, which he sums up in these words:

Our interests do not lie in Europe. We are an oceanic people. We are the descendants of the Vikings, and should adhere to our historic rôle as a maritime people. We should

† "Warnings and Predictions." By Viscount Rothermere. Eyre & Spottiswoode. 5s.

Shorter Notice

"Houses We Live In." Published for the Ministry of Health, by H.M. Stationery Office. 1/6.

In his foreword to this admirable booklet the Minister of Health observes that "beauty often consists in the simplicity of the relation between form and function." The photographs and brief explanations of which the book consists illustrate perfectly this thesis. They constitute the best elementary guide so far produced for the prospective purchasers and tenants of houses, for housing authorities, and, above all, for builders.

Books Received

League of Nations, Committee of Statistical Experts. Indices of Industrial Production. 16 pages. 9d. net. *Housing Statistics.* 14 pages. 9d. net. (London) Allen & Unwin.

Farmhouse and Country Holiday Handbook, 1939-40. (London) Farmhouse Holiday Bureau, 11/13 Southampton Row, W.C.1. 38 pages. 6d. net.

The History and Mechanism of the Exchange Equalisation Account. (London) Cambridge University Press, Bentley House, Euston Road, N.W.1. 191 pages. 8s. 6d. net.

Currency Depreciation and Monetary Policy. By M. Gilbert. (London) H. Milford. 167 pages. 9s. net.

Eye Witness in Czechoslovakia. By A. Henderson. (London) Harrop. 336 pages. 10s. 6d. net.

The Ship of State. By E. Jenks. (London) Duckworth. 196 pages. 6s. net.

Lost Liberty? By Joan and Jonathan Griffin. (London) Chatto & Windus. 290 pages. 8s. 6d. net.

The Fall of the Russian Monarchy. By B. Pares. (London) Jonathan Cape. 510 pages.

De la France d'avant Guerre à la France d'aujourd'hui. By C. Rist and G. Pirou. (Paris) Recueil Sirey. 593 pages. 80 frs.

Agrarverfassung der deutschen Auslandssiedlungen in Osteuropa. Vol. 1. By M. Sering & C. von Dietze. (Berlin) Verlag Franz Vahlen. 311 pages. Rm. 18.00.

look after our Dominions and overseas possessions and proclaim it as our policy that whatever happens on the Continent of Europe—except, possibly, a menace to the French and Belgian frontiers—is no concern of ours.

It is consonant with this that Lord Rothermere should view the annihilation of Czechoslovakia with equanimity. Indeed, he classes the Czechs with the "barbaric slave-traders of Ethiopia," describing them as the savage and uncivilised oppressors of German- and Magyar-speaking minorities. Since he regards the Czechoslovak State as having been the greatest menace to the peace of Europe, however, it is odd to find him saying:

The idea of an independent Czechoslovakia first reached the minds of the masses of the Western nations through *The Daily Mail* and its associated newspapers, and I very much doubt whether, except for the publicity thus given, Czechoslovakia, as we know it to-day, would have had any existence.

It is quite clear that it is above all fear of Socialism in general and the U.S.S.R. in particular which leads Lord Rothermere to advocate a Four-Power Pact between Britain, France, Germany, and Italy, and to speak with admiration of Hitler and his achievements. One wonders whether he would to-day stand by his words about Hitler:

He is supremely intelligent. . . . There is no man living whose promise given in regard to something of real moment I would sooner take . . . the impression that has remained with me after every meeting with him is that of a great gentleman.

Indeed, Lord Rothermere's very advocacy of a Britain armed to the teeth raises a doubt whether he ever really believed in the possibility of friendship with National-Socialist Germany, unless indeed Germany were to be scared or bullied into such friendship. His own views about international understanding are made quite clear; and perhaps the most disconcerting sentence in the whole book is this:

Although in this country we dislike the idea of inquiring into a man's political opinions, those who have the appointment of the instructors of the younger generation should insist that their influence shall be used to encourage ideals of good citizenship, and not the perverted and pernicious theories of a false internationalism.

It is interesting and instructive to read Lord Rothermere's vaticinations side by side with Herr Stern-Rubarth's "Three Men Tried . . ." Like Lord Rothermere Herr Stern-Rubarth was also a journalist—the editor of the *Diplomatische Korrespondenz* until he was dismissed six years ago. While Lord Rothermere regards the triumph of Hitler with gratification, the German Liberal, now an exile in this country, says:

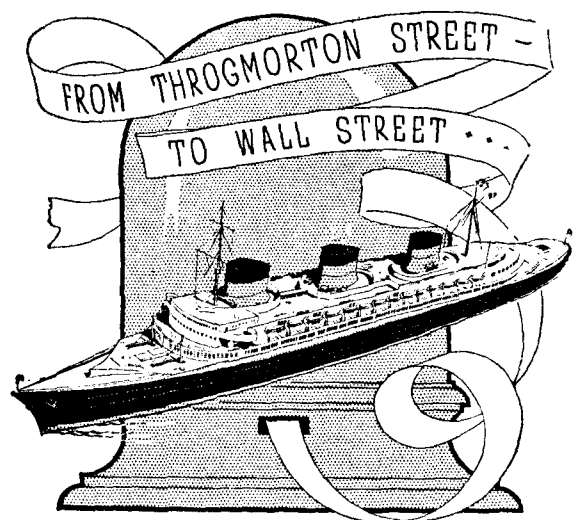
Hitler has destroyed the very source of Germany's intellectual and moral strength. And in doing so he has robbed the world of one of its chief aids to progress.

This whole book is a pathetic, sometimes naïve, lament for a lost opportunity. Herr Stern-Rubarth has a patriotic faith in German genius, and believes that it might have made a great contribution to the well-being of Europe and the world; but he does not believe that in order to do so it was necessary to achieve either political hegemony or totalitarian centralisation.

The "three men" of his title are Stresemann, Briand and Austen Chamberlain, and to each he makes eloquent tribute as being good Europeans and protagonists in the struggle for perpetual peace. But the hero of the book is Stresemann, whose confidant the author was, and whose ideal of an economically federated Europe based on a friendship between France and democratic Germany he shared. It is in the account of Stresemann, and of his doings and sayings at Locarno, Thoiry and The Hague, that Herr Stern-Rubarth makes an original and valuable contribution to our knowledge of the period of the "policy of fulfilment."

The author's hero worship of Stresemann does, indeed, sometimes blur the picture. It makes him underestimate the work of others. But it nevertheless does provide a tribute to Stresemann's devoted work for peace worthy to replace the memorial to him on the banks of the Rhine, now closed and neglected by a people taught to reverence other gods.

* "Three Men Tried . . ." By Edgar Stern-Rubarth. Duckworth. 12s. 6d.



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THE BUSINESS WORLD

New Zealand's Credit

IT is impossible to withhold a certain sympathy from Mr Walter Nash, Finance Minister of New Zealand, over the difficulties he is encountering in his preparatory negotiations in London for the conversion of £17,172,191 of 3½ per cent. stock which matures on January 1st next—and in his quest for some extra millions of new money for New Zealand's re-armament needs. The present Government of New Zealand is certainly not to blame for the fact that an amount equal to nearly £10 per head of the inhabitants of a country with a population of slightly over 1½ millions falls due for repayment at a single date. The operation is comparable (allowing for the fact that Great Britain's population is approximately thirty times that of New Zealand) with a British Government conversion of, say, £500 millions—or about one-fourth of the amount of 5 per cent. War Loan which the Treasury successfully converted to 3½ per cent. seven years ago. But that was not merely an internal, as distinct from an external, obligation; in addition, those originally responsible for its issue had taken care to give the British Government sixteen years, between 1929 and 1944, within which to exercise their option to "call" the stock before its final maturity. The authorities were then free to choose their own time, and to come home handsomely in a period of low interest rates. Failure to take a similar precaution in New Zealand's case has saddled the Dominion with the necessity of meeting a heavy obligation at a moment when market conditions could hardly be more unfavourable. Interest rates have risen, and overseas capital investment as a whole is frowned on by the British Government, which has its own reasons for holding potential competitors off the market. Meanwhile changing political tendencies in the Pacific have inevitably modified the British investor's traditional appraisal of New Zealand's external problems, and simultaneously increased the need for armament expenditure.

All this is less New Zealand's fault than her misfortune. But some share of responsibility for the changed attitude of the London capital market towards New Zealand stocks within the last four years must unquestionably be laid at the door of the Dominion's own economic policy. The accompanying table, based on quotations for stocks with identical rates of interest and roughly comparable lives

Stocks	October 30, 1935		June 21, 1939	
	Price	Red. yield %	Price	Red. yield %
New Zealand 3½% 1955-60	104	£ 8. 6	82	£ 8. 10
British Govt. 3½% War Loan	104½d	3 3 9	94¾	3 13 10f
Australia 3½% 1954-59	102	3 8 3	90½	4 4 6
New Zealand stock compared with :—				
Similar British stock	+ ..	-0 0 3	-12¾	+1 5 2
Similar Australian stock	+ ..	-0 4 9	-8½	+0 14 6
New Zealand 5% 1956-71	118	3 12 3	98	5 5 3
British Govt. 5% Cons. 1944-64	117	2 16 6	109	3 2 2
C. of Australia 5% 1945-75	111	3 18 0	102½	4 10 3
New Zealand stock compared with :—				
Similar British stock	+ 1	+0 15 9	-11	2 3 1
Similar Australian stock	+ 7	-0 5 9	-4½	0 15 0

(f) Flat yield.

shows that although all gilt-edged prices have fallen since the autumn of 1935 (when Mr Savage's Government assumed office), the decline in New Zealand issues has been

greater than for either British Government or Commonwealth of Australia stocks, and the yield differential has widened considerably.

As Mr Nash has come here to woo the British investor, the latter's attitude towards New Zealand deserves careful analysis. In general, it is always in the investor's interest that countries in which he is financially interested should enjoy as high a standard of living as possible, if only for the reason that a prosperous borrower is the best of credit risks. The investor, as such, has little concern with party labels and less with class distinctions. He is interested less in policies than in their results. He has long recognised a peculiar and welcome intimacy in the Imperial link between New Zealand and this country, and he does not question the constitutional right of its sovereign government to pursue whatever economic and social policy is desired by a majority of the people.

Nor, equally, can he overlook the fact that the results of that policy, so far as they have impinged on his own special interest, have been unfavourable. The Government of Mr Savage, since November, 1935, has nationalised the Reserve Bank of New Zealand, introduced and implemented a dairy produce marketing and a guaranteed price scheme, actively promoted labour and social legislation and encouraged the establishment of secondary industries. Concurrently, it is estimated that private incomes in New Zealand have risen from £90 millions to £166 millions, while retail prices have increased by 15 per cent., wage rates by 27 per cent. and wages in the aggregate by as much as 50 per cent. Thus, the rise in internal purchasing power and costs has been substantial. Despite a rise in the value of New Zealand's exports, from £NZ46.5 millions in 1935 to £NZ58.4 millions in 1938, imports during the same period have increased from £NZ36.3 millions to £NZ55.4 millions. Since the service of New Zealand debt (including interest payable by local bodies abroad) requires approximately £NZ10 millions per annum, the reduction in New Zealand's favourable visible balance (accelerated a few months ago by a flight of capital which has now been checked) has imposed a severe strain on New Zealand's sterling funds in London. These fell from a high point of £45 millions to £28 millions in April, 1938, and to £7 millions last November. Their present figure is put by Mr Nash at £12 to £13 millions, but a period of seasonal contraction in these balances is now beginning.

Thus, the moment is not far off when the prospect of an empty locker may have to be faced. The New Zealand Government, aware of this danger, has imposed a system of import restrictions, but on Mr Nash's own admission, their full effect will not be felt until after next year, because imports of capital equipment for the development of New Zealand's secondary industries will largely offset the restrictions on luxury and consumable goods during the next eighteen months. Indeed, the immediate effect of the imposition of exchange restriction may have been to increase rather than diminish the drain on London funds and the Dominion will require additional sterling to the amount of perhaps £10 millions to meet its foreign commitments up to the end of the year. This sum roughly coincides with (but is, of course, in no sense due to) the expenditure that will probably be undertaken outside the Dominion in pursuance of re-armament over the next year

or two. If it were possible for the Dominion to borrow now in London for defence purposes, the fact of having these funds in advance of the expenditure would relieve the immediate shortage of sterling, and the solution of this problem would help to solve that of the loan maturity next January.

The surmounting of the immediate difficulties will not, however, impress the British investor unless he is convinced that they will not recur every year. And that depends on the future course of the whole economic policy of the New Zealand Government. Mr Nash has defined New Zealand's policy as "insulation not isolation." But investors may be sceptical of the extent to which "insulation" is feasible for a country which has specialised in meat and dairy produce for export, whose foreign trade per head has been for years the highest of any country in the world, and whose national income must needs be profoundly affected by the amount which the United Kingdom (which took 76.3 per cent. of New Zealand's exports in 1937) is willing to absorb and the price it is prepared to pay—with due regard to the fact that the British Government is now squarely embarked upon a policy of fostering its domestic agricultural production. Failing a complete reversal of the Savage Government's expansionist policy, some reduction of New Zealand's imports below the current level is inevitable, if default on external debt is to be avoided. That result might be attained either by a further depreciation of the New Zealand pound, or by direct import restriction on more effective lines than those followed hitherto. Currency control is an expedient which the City of London can scarcely be expected to welcome in itself, while restriction of New Zealand's purchases from abroad must needs be even more distasteful to British exporters. Whatever the letter of the Ottawa Agreement, however, it would be hard to justify the argument advanced by the Federation of British Industries that New Zealand is, in effect, a tied house of the Mother Country, which has a prescriptive right to sell a specified minimum quantity of its products there every year. The import licence regulations have been drafted in such a way that the United

Kingdom proportion of New Zealand's total imports cannot decline and is almost certain to increase. Moreover, Mr Nash has declared that the New Zealand Government is willing to spend the whole of the balance from the proceeds of its exports to Great Britain, after deduction of the external debt service, in purchases from this country. Beyond that, in these times, it may be difficult to ask any Government to go.

On the whole, so far as the immediate question of New Zealand's £17 millions debt maturity is concerned, the most practical way out of an admittedly difficult position would seem to be the granting of facilities for the offer of conversion stock in the London market, including underwriting arrangements, etc., on the best terms the Dominion can secure from the investor. It has been made clear this week that there is no question of a Treasury guarantee for New Zealand borrowing. This is hardly a time when the damaging consequences of acute disagreement between Great Britain and the Dominion can be contemplated. But the terms of the conversion must be entirely voluntary, and the repercussions on New Zealand's external credit of her Government's policy must find due recognition in an enhanced rate of interest—possibly of 5 per cent.—offered on the new stock, as compared with the old. For the rest, friendly but firm representations from London to New Zealand will not be out of place, regarding the ultimate dangers of a policy of "insulation." Here, the British Treasury, though it has no clear *locus standi*, may at least recall a relevant precedent. New Zealand's Government loans are trustee stocks under the Colonial Stock Act. The British Treasury is specifically excluded from financial liability under that Act, but it was deemed advisable, in Newfoundland's case, to give special treatment to trustee issues, at the expense of the British Exchequer, rather than to allow default to occur. The British authorities may well urge the New Zealand Government not to confine itself to mere declarations of determination to maintain its debt service, but so to frame its policy that danger will never arise. Ultimately, those who will the end must also will the means.

The Market for Electrical Appliances

A HUNDRED years ago it was possible to regard a house simply as a collection of living rooms. Then new amenities such as modern plumbing and gas supply introduced a complicating factor, for in order to secure their full benefit it was found to be necessary to modify first some small details of building and then the whole structure. The development has not slackened, and it is becoming possible to regard the house as being adapted to the needs of the people who live in it, but not merely to those of an increasing number and variety of domestic machines. Of the latter, an increasing proportion are electrically operated.

The latest phase of the domestic change has an industrial counterpart. The market for electrical domestic appliances is expanding. The construction on a large scale of houses and flats equipped with electricity, and the cheaper cost of electricity itself, are probably the most important causes; but the demand for labour-saving devices in both home and office, is undoubtedly of great importance. And the potential market for electrical appliances is still enormous. The tables on the next page show that the use of appliances has already attained a considerable size in the United States, and comparison of the American with the British figures strengthens the view that this market is still almost untapped in this country.

Nevertheless, it is doubtful whether the British market can, in the near future, hope to rival the American. There is, first of all, the question of price. The appliances in this table are of the expensive variety; and, in comparing the statistics for the two countries, it should be pointed out

that in the United States 16,000,000 out of 30,000,000 families, according to some estimates, have an income of over £4 a week, against only 3,000,000 out of 12,000,000 families in the British Isles. The higher level of family incomes, the absence of our own prejudice against electrical devices, and the responsiveness of the public to intensive selling campaigns, have enabled the American manufacturer to exploit a market which even in its early days was large enough to justify mass production methods. And by lowering prices he has been able to expand it still further.

In Great Britain, on the other hand, circumstances have been unfavourable from the start. There is, first of all, a strong preference for coal fires; and there is also strong competition from the gas companies both for cooking and heating. Thus, the number of all-electric houses is small compared with the total number of houses wired; and this in its turn hinders the general adoption of the "two-part" tariff, which aims at encouraging the general use of electrical appliances by providing additional current required at cheaper rates. The lack of a standard voltage, inadequate wiring, insufficient points—even in new houses—and the refusal of a large part of the public to look upon electrical appliances as anything but luxuries, have all tended to discourage manufacturers from producing on a scale large enough to enable them to make a substantial reduction in prices.

The question of price can also be regarded from the angle of distribution. Table I shows that the number of cookers per thousand wired homes is actually slightly higher in this country than in America, and the total number of

TABLE I.—Electrical Domestic Appliances in use in the U.S.A. and the British Isles

	U.S.A.		British Isles	
	In use	Per 1,000 wired homes	In use	Per 1,000 wired homes
Electric cookers	3,000,000*	132	1,000,000*	143
Electric washing machines and boilers	11,000,000	500	300,000	42.8
Elec. refrigerators	9,000,000	416	200,000	28
Vacuum cleaners	11,000,000	500	2,300,000	333

* Low figures explained by extensive use of gas.

TABLE II.—Yearly Sale of Electrical Domestic Appliances in the U.S.A. and the British Isles

	U.S.A.	British Isles
Electric cookers	400,000-500,000	200,000
Water heaters	...	85,000
Wash boilers	*	30,000-40,000
Washing machines	2,000,000	9,000
Electric refrigerators	2,000,000	20,000
Vacuum cleaners	2,000,000	400,000
Electric irons	over 2,000,000	1,500,000

* Included with washing machines.

cookers in use compares very favourably with that of refrigerators, washing-machines and boilers. To a certain extent this is because a cooker of some sort is an accepted necessity, and an electric cooker is therefore not regarded with the same suspicion as a refrigerator; but another reason for the cooker's relative success is that it is not as a rule owned by the householder but hired from the local supply company or Corporation, which has a virtual monopoly of the distribution of cookers. In encouraging the use of cookers by means of small hiring charges and free upkeep services, the supply companies are working to their own advantage, for cookers use considerably more current than the smaller appliances, or even than vacuum cleaners. The companies have not the same incentive to push these and other devices, and their distribution, as a result, is mainly left to the retailers—who are not in a position to give the householder the facilities which the methods of the distributors of the expensive-to-run apparatus have taught him to expect. The inability of the public to grasp the fact that it cannot have cheap running costs and cheap hiring as well as service facilities is one of the reasons for the failure of manufacturers to obtain a wide sale for many of their products.

Another reason for the comparatively small sales of devices other than cookers in Great Britain is that many electrical domestic appliances are still looked upon as expensive toys. In general, it may be said that an electrical appliance which has (by traditional esteem) the character of a necessity and replaces an already existing apparatus has a better chance of success than an entirely new device, even though the latter may be cheaper both to buy and to run. Thus, the electric cooker is substituted for the kitchen range, and the vacuum cleaner for the old carpet sweeper; but a refrigerator is frequently regarded as a white elephant, except for a very short time each year, and gadgets such as kitchen mixers for cooking purposes, hot plates and electric drying-cupboards are still eyed somewhat askance. In the case of the electric iron, necessity, low price and low running costs have combined to ensure its popularity. There are now over 800 electric irons per thousand wired homes, and the yearly average sales still remain at about 1,500,000 as a result largely of replacement purchases. In contrast, the annual sale of wash boilers and washing machines is only 30-40,000 and 9,000 respectively, but there are signs of an expanding market for these in Wales and in the North, where the tradition of the home laundry has so far stubbornly persisted.

When all allowances have been made for conservatism and inertia the fact still remains that the British market for domestic electrical appliances is likely to go on expanding, and it is necessary to examine what facilities are required to supply the growing need. If these can be provided by the adaptation of existing plant rather than by the undertaking of new capital construction, so much the better.

It is therefore opportune to direct attention to the reduction of profits in the wireless industry during the past year and the consequent fall in the value of shares in wireless companies. Over-stocking and the industrial setback of the autumn of 1937 were the immediate causes of the decline. But even if the industry had enjoyed another good year it is probable that soon the demand would have contracted. The fall in the number of wireless licences held from 8,968,089 in March, 1939, to 8,962,850 in April was the first instance of a decrease in the history of the British Broadcasting Corporation and probably indicates that saturation point was very near. The maintenance of the industry at full productive level would have been problematical under the most favourable circumstances. As it was, the industry was hard hit by the general recession; and many firms, seeing no improvement in prospect, began to look out for alternative employment for their productive capacity.

The special technique of wireless manufacture requires plant which does not readily lend itself to other forms of employment. Television is an obvious alternative, but the sale of television sets is still seriously hindered by their high price and by technical considerations. More attractive is the manufacture of electrical domestic appliances. Their smaller parts can be made by wireless firms without entirely reconstructing their existing plant, and their sales can in many cases be handled by existing organisations and distributors.

In addition to the uncertainties arising from the vagaries of the market and the not easily calculable rigidities of habit and custom, the wireless manufacturer turning his attention to electrical appliances will have to face competition from firms who are already well established in this field, firms who have in many cases no other manufacturing activities. These firms, some of whom are of American origin and consequently have access to the resources and research data of America's own thriving industry, are in a position to make difficult any encroachment on their markets; and even in appliances which have not yet been exploited, the organisations of the established firms are well equipped to hold their own against rivals.

All these considerations might well deter any new entrants into the manufacture of electrical appliances. Yet, forced to choose between the likelihood of a rapidly contracting market for wireless sets and the possibility of an expanding market for toasters, shavers, water heaters and the like, the wireless manufacturer may feel that he has nothing to lose and everything to gain by launching out in new directions. He will not find success easy to come by; but, increasingly as time goes on, he will find working on his side a strong aversion to unnecessary manual labour in the home and a consequent welcome, once prejudice has been overcome, for the speed and efficiency which are the distinctive properties of an electrical appliance to-day.

Next week's issue of THE ECONOMIST will include the annual review of BUILDING SOCIETIES

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Finance and Banking

Record Floating Debt.—For the first time since the post-war inflation period, the Treasury bill issue in the past two weeks has topped the £1,000 millions mark. Last Saturday's total was £1,011 millions, which, although far below the record level of £1,221 millions reached in the spring of 1921, is substantially greater than the figures of recent years. Including Ways and Means Advances, the total floating debt now stands at £1,055 millions. There is, of course, nothing unexpected about this expansion. It results simply from the widening of the Treasury's current deficit caused by heavily increased defence spending in the lean revenue quarter; though it is interesting to note that last week the Treasury charged a small part of its outgoings "below the line," under the Defence Loans Acts, whereas previously no loan charge has appeared in the accounts until late in the financial year. The high level of the floating debt has, however, been linked by some market commentators to recent discussions about a further instalment of Defence borrowing and consequent funding of Treasury bills. After the spectacular failure of the Australian issue and the subsequent weakness of Gilt-edged, those who had believed in the imminence of a Defence issue have concluded that the authorities have once again "missed the boat." But the rise in the floating debt beyond £1,000 millions has drawn attention to the fact that there must be an upper limit of safety, and the question has been raised whether the point will soon be reached at which the Treasury might feel it expedient to fund, whether or not market conditions are particularly propitious. This question is, indeed, of some practical importance for, since the early post-war years, Treasury policy in the management of the floating debt has on the whole been distinctly conservative, and the total has never been allowed to remain for long in the vicinity of £1,000 millions.

Is Funding Urgent?—It is, of course, impossible to say whether the authorities have in mind any maximum figure which the Floating Debt should not exceed. The only rule about floating debt management which is definitely known to have influenced Treasury policy was propounded by the Colwyn Committee, which suggested that the Treasury bill issue ought not to be allowed to rise much above £600 millions. Presumably that principle has been abandoned—and perhaps forgotten—long ago. But it might be argued that if the Treasury regarded £600 millions as reasonable before 1931, it certainly ought not to contend that anything less than that figure, excluding the Exchange Account bills, is unreasonable now. Clearly, there can be no danger in carrying bills which are wholly backed by gold held outside the banking system, while the Exchange Account "tap" bills are the most nominal of all nominal debts—they represent simply the Account's unutilised borrowing powers. On this argument, if the Treasury shows concern at a Treasury bill issue of anything appreciably less than £1,200 millions, it would be managing the debt more conservatively than it did before 1931, when the need for conservatism was greater. Such conservatism, however, will almost certainly be displayed. But if a funding issue were launched at an early date, a distinctly liberal expansion of the credit base would be required to ensure a really willing response from the banks. The effective floating debt—the "tender" bill issue—still stands at no more than £469 millions. And in May the bill portfolio of the eleven clearing banks was still only £200 millions—they had absorbed only £10 millions of the average expansion of £75 millions which had occurred in the tender issue since the low point was reached in March. The banks have succeeded, none the

less, in virtually restoring their ratio of liquid assets to 30 per cent., but it is significant that they achieved this principally by sales of investments. That a further reduction occurred in May, when advances—for the first time since November—also declined, may have been due simply to the firmness of the Gilt-edged market. But the sales do suggest that the banks would hardly welcome the chance to subscribe to an issue which would be used to redeem their most liquid earning assets.

The B.I.S. New President.—Dr Beyen's term of office as president of the Bank for International Settlements was originally fixed for three years from May, 1937, and it was already known that he did not seek re-appointment, owing to his decision to join the board of Lever and Unilever N.V. The appointment of his successor, Mr T. H. McKittrick, though it is due to apply from January 1, 1940, has therefore no connection with the recent controversy regarding the transfer of Czech gold to Germany. Mr McKittrick is a partner of the banking house of Higginson and Company and has been a member since 1931 and vice-chairman since 1933 of the Arbitration Committee under the German Standstill Agreement. Since he is of American birth and has worked for many years in the City of London, he is well chosen as president of what should be a truly international financial institution. The president of the Bank occupies a position of considerable prestige and responsibility, but it is worth noting by those who stress the political aspects of the Bank's management that it will now have an Anglo-American president and two managers, one French and one German, to supervise its work.

The Reichsbank.—The new Reichsbank Statute, which came into force on June 16th, gives legal form to the *de facto* nationalisation of the Reichsbank. Though the capital will still remain in the hands of private shareholders, they will have no say in the bank's management, which will be entirely under the control of Herr Funk, acting as Herr Hitler's deputy. As foreshadowed in *The Economist* last week, the foreign ownership of the bank's capital is to be eliminated; it is now learned that foreign shareholders are to receive for every Rm. 100 Reichsbank

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shares, not, as was stated last week on the basis of preliminary reports, $4\frac{1}{2}$ per cent. Treasury bonds, but Rm. 200 non-voting 4 per cent. preference shares of the Gold Discount Bank, plus a non-recurring bonus of $1\frac{1}{2}$ per cent. on their new shares, both interest and bonus to be transferable. "Eligible" German nationals will be given Rm. 500 new Reichsbank shares, on which the dividend will be fixed at 5 per cent. in order to put an end to "speculation" in the shares, for every Rm. 500 old shares, and also Rm. 400 of the 1938 $4\frac{1}{2}$ per cent. Treasury bonds. Formerly, the Reichsbank dividend was 12 per cent., of which 8 per cent. was paid in cash and transferable and 4 per cent. placed on loan-stock deposit, so that the income actually received by the foreign shareholders will be unaltered, while the German holders will receive 8.6 per cent. In addition, their claims on the loan-stock will be met by the payment of Rm. 3.78 tax credit certificates for every Rm. 100 Reichsbank shares. (The certificates are negotiable but not transferable.) This treatment of the foreign shareholders contrasts very favourably with that generally accorded to foreign creditors of the Reich, and no difficulty about accepting the offer is expected. As usual, some discrimination is made against "ineligible" German nationals, that is, Jews, who will only receive Rm. 900 of the Treasury bonds for every Rm. 500 Reichsbank shares, thereby obtaining a return of 8.1 per cent., but this discrimination is comparatively mild. Apart from these changes in the capital structure, the chief point of interest in the new statute is the formal divorcing of the gold and foreign exchange reserves of the bank from the currency in circulation, which is declared, somewhat vaguely, to be based on the productive capacity of German labour.

Insurance Moratorium for Militiamen.—An Order-in-Council, published only late last week and rushed through Parliament on Tuesday and Wednesday, has added to the "near-war" problems of life assurance offices, which were reviewed in *The Economist* of June 10th. The Order establishes a moratorium on premiums, both for the ordinary and industrial branches, for militiamen in training and Territorials or reservists called up for service. The period varies according to a complicated formula, but on old policies it will usually be eighteen months for militiamen—plus, apparently, the usual period of grace stated on the policy—and for a Territorial or reservist called up, the period of his service plus a more or less extended period thereafter. Thus, the offices may be deprived of premium payments over considerable periods in respect of the majority of men coming within the moratorium, for no differentiation is made between those who can, and those who cannot, reasonably be expected to maintain their premiums. Hence the unsatisfactory position arises that an assured person may obtain life cover for the period for which his premiums are in arrear and afterwards may surrender or lapse the policy. The offices can only protect themselves under the Order by reducing the surrender value—or, on maturity, the claim—to the extent of the arrears (or by a stipulated sum in certain types of industrial life assurance) but claims by death under industrial policies will have to be paid in full.

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The Position of New Policies.—For policies taken out after June 15, 1939, the period of moratorium is less than for old policies, and does not apply until the policy is a year old, but there is an obvious danger that policies will be taken out simply in the expectation of free cover after the first year's premium is paid, the policy being afterwards lapsed when no surrender value exists out of which the office can recoup itself. The objections of the offices are, in fact, largely directed against the application of the moratorium to new policies. In all cases, however, the interest which is foregone on premiums withheld under the moratorium represents a serious loss. The Order might be less objectionable if it applied only to the militia, though the charge for relieving the conscript army of contractual payments should surely be a national one, not one on the general body of assured persons. Moreover, the Order clearly implies the possibility of a moratorium in war-time for all engaged in national or military service—already Territorials and reservists called up are within its provisions. Perhaps there is a prospect of the Order being revised on some of these points, for the Prime Minister and the Lord Chancellor have admitted that some amendments may be necessary. If it is unaltered, the offices may have to review their decision to continue to issue policies unrestricted for the war risk without extra premiums.

The Ottoman Bank.—The balance sheet of the Ottoman Bank at December 31 of last year shows only small changes compared with 1937. Deposits are virtually unaltered at £17,711,837, and the only change of importance in the assets is a rise of £1,198,118 in cash and a corresponding fall in Government securities and bills in portfolio. With so little to comment upon in the Bank's report, the chairman's speech at the annual general meeting was mostly concerned with trading conditions in the countries of the Near East. He pointed out that many of them cannot find an adequate market for their exports in countries with a free exchange, so that they have been forced to look to Germany—and to a lesser degree to Italy—to find an outlet for their products; and the resulting clearing and payments agreements, together with the growing multiplicity of exchanges rates, make normal banking very difficult to pursue. Nevertheless, the Bank has been able to maintain its dividend at 3s. per share, and the chairman emphasised that the results for the year were very much better than those shown by the published accounts.

Bank of British West Africa.—The depressed state of trade in West Africa is reflected in a further fall in the profits of the Bank of British West Africa for the year to March 31st last. It will be recalled that the previous year was a bad one for the Bank because of the cocoa producers' hold-up in the Gold Coast, and though the hold-up came to an end soon after the opening of the year under review, the market has since been very weak. Nor can the Bank have fared better in the other territories of West Africa, for the prices for ground nuts and palm products continue to be low. In the circumstances, therefore, it is not surprising that deposits show a fall of £2,571,376 at £7,280,393. On the assets side, the counterpart to the fall in deposits is shown in the cash items which are down by £3,590,144 to £2,275,422. Last year's balance sheet showed that the cash total was equal to more than half the deposits, so that part of this year's fall may be explained by a desire to restore the ratio of the various assets to deposits to more normal figures. Thus, investments show a rise of almost £1,000,000 at £3,411,449 and bills are also slightly higher, while, in view of the state of West African trade, it is encouraging to note that advances are only about £200,000 down at £2,349,548.

MONEY MARKET NOTES

The Money Market

THE higher rate at which the Treasury Bills were allotted at the June 16th tender caused an adjustment in other rates and the market houses quoted $1\frac{1}{2}$ – $\frac{3}{4}$ for the fine three months' bank draft. After the week-end, however, rates tended to weaken, for though there was no eagerness on the part of any of the clearing banks to buy, the market was equally reluctant to sell. One or two banks were purchasers of September bills at $\frac{3}{4}$ per cent., but the market, convinced that rates will fall once the end

	June 23, 1938	June 15, 1939	June 22, 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	$\frac{7}{8}$	$1\frac{1}{2}$ – $\frac{5}{8}$	$1\frac{1}{2}$ – $\frac{5}{8}$
Discount Rates:			
Treasury bills	$\frac{9}{16}$	$2\frac{1}{2}$ – $3\frac{1}{2}$	$2\frac{1}{2}$ – $1\frac{1}{2}$
Three months' bank bills	$\frac{9}{16}$ – $\frac{5}{8}$	$\frac{5}{8}$	$1\frac{1}{2}$

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

of the month is passed, was an unwilling seller at this rate, preferring to carry its bills into July. It is even anxious to obtain more commercial paper, and rates for the fine bank draft have not been maintained at the higher levels to which they were raised at the end of last week. Though $1\frac{1}{2}$ per cent. is still quoted, the best paper can often only be obtained at $\frac{3}{4}$ per cent. Credit conditions have remained very comfortable, and even the bigger demand for credit on Wednesday, when the market had to take up a big quota of Treasury bills, had no effect on short loan rates. The clearing banks are willing lenders against bills at their $\frac{1}{2}$ per cent. minimum, while for loans against bonds borrowers pay only $\frac{3}{4}$ per cent. and sometimes even less.

The Bullion Market

ON Wednesday an interesting feature of the bullion market was the revival of sales of gold from Continental hoards, which accounted for the bulk of the turnover of £356,000. This was the first time for many weeks that unhoarding of an appreciable size took place.

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.
June 16 ...	148 6 $\frac{1}{2}$	1 pm	248	193 $\frac{1}{2}$	197 $\frac{1}{8}$
" 17 ...	148 6	12 pm	196	191 $\frac{1}{16}$	197 $\frac{1}{8}$
" 19 ...	148 6	12 pm	446	193 $\frac{1}{8}$	193 $\frac{1}{8}$
" 20 ...	148 5 $\frac{1}{2}$	12 pm	556	191 $\frac{1}{8}$	181 $\frac{1}{16}$
" 21 ...	148 5 $\frac{1}{2}$	12 pm	356	19	181 $\frac{1}{16}$
" 22 ...	148 6	12 pm	395	191 $\frac{1}{4}$	191 $\frac{1}{8}$

* 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 continues to be very weak under the influence of persistent fears lest a fall in the American Treasury's official buying price for foreign silver should be made on June

30th. Tuesday was thought to be the last day on which purchases could be made for shipment to New York in time for resale to the American Treasury before the end of the month, and prices on that day fell by as much as $\frac{1}{4}$ d. for cash and $\frac{1}{8}$ d. for forward. On Wednesday, however, it was discovered that a Dutch liner was leaving in time, and some purchases for shipment were made in the afternoon, which to a certain extent counteracted the earlier heavy selling from India and elsewhere, and the market closed steadier. On Thursday, India took a more optimistic view of the outlook and sent over some buying orders which raised both the cash and forward prices by $\frac{1}{4}$ d.

The Bank Return

A FURTHER small fall in the note circulation is shown by this week's Bank Return, but it may be noted that the level is over £10 millions higher than at the corresponding date of last year. Bankers' deposits have not benefited by the return of notes, for they are down by £3.1 millions, while there has been an exactly similar rise in public de-

	June 22, 1938	June 7, 1939	June 14, 1939	June 21, 1939
	£ mil.	£ mil.	£ mil.	£ mil.
Issue Dept.:				
Gold	326.4	226.2	226.3	226.3
Value per oz. fine ...	85.1	148.5	41.148.5	51.148.5
Notes in circulation	463.3	498.4	495.0	494.7
Banking Dept.:				
Reserve	44.0	28.4	31.8	32.2
Public Deps. ...	21.7	18.4	22.1	25.2
Bankers' Deps. ...	105.5	100.6	100.3	97.2
Other Deps. ...	35.3	36.1	36.4	36.1
Govt. Secs. ...	110.2	114.2	116.3	112.6
Discounts & Advances	5.5	7.8	5.6	6.5
Other Secs. ...	20.6	22.6	23.0	25.2
Proportion	27.1%	18.2%	20.0%	20.3%

posits. This switch-over to public deposits can probably be explained by the incidence of Treasury bill payments and maturities. It is known that the market was paying for a large amount of bills on Wednesday. There is a fall of £3.7 millions in Government securities, but this has been almost counterbalanced by a rise of £0.9 millions in discounts and advances and £2.2 millions in other securities.

Foreign Exchanges

STERLING has withstood the uneasiness felt over the situation in the Far East fairly well, and on Monday and Tuesday actually showed small gains against the dollar, closing on Tuesday at 4.68 $\frac{3}{4}$ d. After a firm opening, however, on Wednesday, a weaker trend set in during the afternoon, although this was more the result of small purchases of dollars, in a narrow market, by Continental hoarders converting their gold holdings than of any widespread selling of sterling. On Thursday, the market continued to be very quiet, and only a small amount of official support was necessary to keep the rate at 4.68 $\frac{3}{4}$ d. Continental currencies have shown very little change but have been, if anything, slightly firmer in terms of sterling. Thus the Swiss franc was quoted at 20.76 $\frac{1}{2}$ on Thursday, against 20.78 on Saturday, and the belga at 27.52 $\frac{1}{2}$,

against 27.54 $\frac{1}{2}$. The Shanghai rate continued to be held at 6 $\frac{1}{2}$ d., and was unaffected by unconfirmed rumours which reached London on Wednesday evening that the Chinese banks in Shanghai were declaring a three-day moratorium.

INSURANCE NOTE

Beacon Insurance.—The results of the triennial valuation of this company at December 31st are set out below. Life contracts have been valued on the same basis as three years ago, i.e. 0.3 per cent., but reserves for annuities and capital redemption policies have been somewhat strengthened:—

	1933–35	1936–38
Surplus earned	235,515	218,186
Investment profits realised	3,736	4,861
Brought forward	32,941	15,215
	272,192	238,262
Allocations—		
Policyholders' bonuses	241,977	167,110
Staff pensions	5,000	5,000
Shareholders' account	10,000	12,500
Strengthening of reserves	—	4,977
Carried forward	15,215	48,675
	272,192	238,262

The reversionary bonus on the sum assured has been drastically reduced from 36s. per cent. per annum for whole life and 34s. per cent. per annum for endowment assurances to 22s. per cent. for whole life and 20s. per cent. for endowment assurances. It will be noticed that the carry-forward has been increased from £15,000 to £49,000, but had it remained unchanged, the bonus earned would have been increased by only about 4s. per cent. The net rate of interest was £4 0s. 9d. per cent., compared with £4 0s. 1d. per cent., and the mortality experience is favourable. Over the last ten years, actual deaths in the "Abstainers" section amounted to 75 per cent. of the total expected by the A¹⁹²⁴⁻²⁹ table and to 90 per cent. in the "General" division. Expenses, however, amounted last year to £106,000, or more than 23 per cent. of the premium income. This rate seems unduly high, even allowing for the effect of increased new business and for the low scale of premiums in the "Abstainers" section. New sums assured amount to £1,291,000, a record for the company. Business in the fire and accident department further expanded, and premium income increased from £135,000 to £240,000. After providing for unexpired risks, this department showed a trading loss of £35,000. Total assets amount to £5,253,000, of which £2,470,000 is represented by mortgages on property in the United Kingdom, probably a result of the company's house purchase scheme, which has now been in operation for forty years. Stock Exchange securities total almost £2 millions; during the year depreciation accounted for £37,000, which has been provided from investment reserve, now standing at £102,000. The new issue of capital towards the end of 1938 provided a premium of £40,000, of which £30,000 was transferred to development account. The company has expanded rapidly in recent years, and it is stated that the policy of the directors for the next few years will be one of consolidation.

Investment

A.P.D. and the Investor.—Compared with the storm which greeted N.D.C. in its original form, the City's reception of the Armament Profits Duty has been mild in the extreme. Its announcement coincided with a rise of 1½d. in Vickers ordinary stock to 18s. 9d., and even further reflection upon its possible consequences exerted limited effect upon aircraft shares, except for a fall of 1s. in Fairey Aviation to 21s. In fact, the operative factors in this week's market movements have been initial optimism—apparently unbacked by any firm evidence—that the Tientsin incidents would be solved, and that an Anglo-Russian pact was progressing towards conclusion. Such explanations appear to have been devised to fit the technical fact that the market, and particularly gilt-edged stocks, staged a useful list of gains without the benefit of any considerable amount of business. Nor can the mid-week reaction be attributed to A.P.D., for its general influence had apparently been relatively fully discounted in such shares as Vickers, which have fallen from a "high" of 24s. this year, while the majority of the aviation issues stood at levels which discounted some possible interference with profits. A rough examination of their earnings position, however, suggests that serious effects upon dividend policy are unlikely, since the general incidence of the tax, in most cases, does not threaten the whole margin of excess earnings over recent dividend payments. Precise computation of the effect of A.P.D. on individual companies, however, is ruled out, for a number of reasons. It is impossible, in the majority of cases, to divide the turnover of the companies, concerned between arms and civil production, which is the basis on which the arms profits will be computed. That, however, is but one of the complexities. It has yet to be seen where the Minister of Supply will place the dividing line between firms "substantially engaged" in the supply of armaments and others. Will this definition cover suppliers of materials for "works," as opposed to "articles" required for the armed forces? Will the minimum arms turnover of £200,000 exclude a considerable number of sub-contractors, whose ratio of profits arising from the defence programme is probably considerably greater than that obtained by direct contractors?

The Tax in Practice.—Generally, however, the authorities have avoided the main injustices which would have been inflicted by the first version of N.D.C. For example, the base years—1935 or 1936, or an average of either year with 1937—appear to provide a reasonably high standard of profits for the calculation of the excess, as the following table, based on *The Economist's* profits records for the groups most closely affected, suggests:—

	CHAIN INDEX OF PROFITS AFTER DEBENTURE INTEREST	
	Iron, Coal and Steel	Motor Cycle and Aviation
1935	100	100
1936	129.6	129.0
1937	174.1	162.5
1938	215.8	157.0

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These index numbers suggest that the average profits for the years 1936 and 1937 will usually be selected for the standard. No mention is made in the White Paper regarding the treatment of subsidiary companies. For N.D.C. a parent company may group the income of subsidiary companies controlled to the extent of 90 per cent. with its own income. The importance of consolidation is evident, not merely from the aspect of assessment, but also for the equitable apportionment of contracts, where these may have been let out to subsidiaries in amounts below the £200,000 minimum. E.P.D., however, has left its legacy—which also appeared in the first version of N.D.C.—in the exclusion of debentures from the computation of capital. Hence a company which happens to have increased its capital appreciably by means of debenture issues since the standard years will not obtain the 8 per cent. allowance on additional capital. This point may have some relevance for Hawker-Siddeley, which issued £3½ millions of debenture stock in November last year. But the position of this company, like that of Vickers, is complicated by the problem of subsidiary companies. In general, companies whose civil business was poor in the base years, or who entered the rearmament field at a late stage, will suffer the bigger impost. On this general criterion, aircraft and machine tool companies may fare relatively badly, while individual examples among shipbuilding companies—William Beardmore is a case in point—may also suffer. An approximate computation for a group of companies suggests the following possibilities:—

	Latest Earnings	Latest Dividend	Net A.P.D. on latest profits on Ord. Cap.
	%	%	%
Wm. Beardmore	39.1	3½	9*
Vickers	22.0	10	5½†
Fairey Aviation	25.7 t.f.	15 t.f.	6 t.f.‡
Rolls-Royce	29.1	25	3§

* Maximum estimate; 6 per cent. allowance on reduced capital may apply.
† Difference attributable to Vickers-Armstrongs only.
‡ After allowance for increased capital.

These results, however, are subject to reductions for commercial business. They take into account the effective net incidence of 41½ per cent. for A.P.D. after allowance for the consequent saving in N.D.C. and income tax.

Stock Exchange Discussions.—"A considerable measure of agreement" is officially reported to have been reached in the three-day discussions last week between the representatives of the London Stock Exchange and the Council of Associated Stock Exchanges. The subjects "very fully considered" included problems affecting inter-market relationships and the control and conditions of agency. It remains for the provincial delegates to report to their various bodies, who, in turn, will doubtless raise supplementary points for consideration in the further discussions which are expected to take place in due course. The precise nature of the Stock Exchange Committee's communiqué confirms the expectation that the discussions have been exploratory, but even at this initial stage they have evidently covered a certain amount of detailed ground. Meetings were also held on Friday this week between the representatives of the London Stock Exchange and the Provincial Brokers' Stock Exchange, and were expected to be concerned mainly with the establishing of personal contacts and general explanatory talks.

Company Notes

John Brown Yield.—The preliminary profits of John Brown were discussed in some detail in *The Economist* of June 3rd. In the interval, the 10s. ordinary shares have fallen from 33s. to 28s. 9d., of which 1s. 3d. is represented by the final dividend of 12½ per cent. tax free. Trading profits increased at a better rate than was suggested by the net profits shown in the preliminary announcement, for total income for the year to March 31st amounted to £925,032, compared with £817,544. Of this sum, the tax collector demands £212,213, against £141,243, while the depreciation provision has been increased from £49,787 to £64,317. These increased provisions account for the very modest increase in equity earnings from £477,963 to £501,672, equivalent to 23.3 per cent., tax free, against 22.2 per cent. for 1937-38. The Clydebank shipyard and engineering works were fully employed last year and Thos. Firth and John Brown recorded a further improvement in profits, while their output continues at a high level. But the collieries and coke ovens, although working at a satisfactory rate, were affected by the reduced demand and prices for coke. The coke section should show better results this year, in view of the high level of activity in the steel industry, and the problem of adequate mercantile shipbuilding orders (the more urgent in view of the expected completion of the "Queen Elizabeth" early next year) has been relieved by the Government's subsidy proposals. Meanwhile, the naval yards remain busy, and the group's interests cover a wide range of heavy industry—much of it closely connected with the defence programme. Moreover, John Brown now holds a 50 per cent. interest in Westland Aircraft. It is impossible to establish the degree to which the group will be affected by A.P.D., since the proportion which arms turnover bears to its total business is unknown. But the presumption from the earnings margin of nearly 6 per cent., tax free, is that the present rate of dividend is not seriously threatened. In such circumstances, a yield of 8 8s. per cent. gross appears relatively generous, compared with certain other returns in the arms group.

Guest, Keen and Nettlefolds.—The preliminary profits announcement of Guest, Keen and Nettlefolds (discussed in last week's issue of *The Economist*) indicated a moderate fall in earnings, and the customary insistence by the directors on a cautious distribution policy. The full report throws little additional light upon these results, but it makes the point that the new steel bar strip mill at Cardiff only came into operation towards the end of the financial year, and is now in full production. Conditions also showed a gradual improvement during the year to March 31st. Hence the reduction in trading profits, before depreciation, from £1,326,735 to £1,286,311, was evidently a consequence of quieter trading during the summer months of 1938 than of any failure of the group to participate in the subsequent recovery in the heavy industries. The balance sheet shows that a further sum of £341,320 has been expended on plant, which now stands at £2,523,767 after depreciation, compared with £1,924,690 in March, 1936. In the same period the company's cash holding has been increased from £250,698 to £1,055,756. The parent company's own position, of course, is not fully representative of the group, for subsidiary companies account for £10,778,907 out of total assets of £19,359,697. But it has made steady provision for the possibility of technical expansion at some future date. The group has yet to decide whether to follow the lead of Richard Thomas and John Summers in installing hot strip mills. Certainly, its present cash holdings would permit the company to cover an appreciable proportion of the heavy capital costs involved. Meanwhile, steel and tinplate activity in South Wales appear to justify the current yield of 5 4s. 3d. per cent. tax free (equivalent to 7 4s. per cent. gross) on the ordinary stock.

General Electric Profits Maintained.—The General Electric report confirms the favourable news of the preliminary announcement that total profits have been fully maintained, at £1,776,099 compared with £1,772,181. Full employment is reported at the works, but the satisfactory results may have been assisted in part by some carry-over of orders from 1937-38, for the report states that new orders in 1938-39, although at a satisfactory level, did not reach the previous peak. A rise in production costs is causing some competitive difficulty; but the company has participated in the arms programme. The further increase in overseas business to a new record is gratifying, though import restrictions in New Zealand threaten to endanger the business recently built up in that country. Recent results are set out in the accompanying table and chart:—

	Years to March 31		
	1937	1938	1939
	£	£	£
Profit	1,604,512	1,772,181	1,776,099
Depreciation	343,248	368,642	380,492
Taxation	275,000	400,000	430,000
Pensions, and fees	50,405	58,295	66,857
Preference dividends	190,569	185,840	182,700
Ordinary stock—			
Earnings	745,290	759,404	716,050
Paid	551,036	608,764	608,764
Earnings %	23.7	24.9	23.5
Paid %	17½	20	20
General reserve	125,455	100,000	100,000
Carry-forward	749,294	799,934	807,220

Owing to increased taxation and pensions provision, earnings for the equity are some £43,354 (1.4 per cent.) lower than in 1937-38. The distribution of a 10 per cent. dividend plus a 10 per cent. cash bonus is repeated, and is still well covered, while the provision for general reserve is

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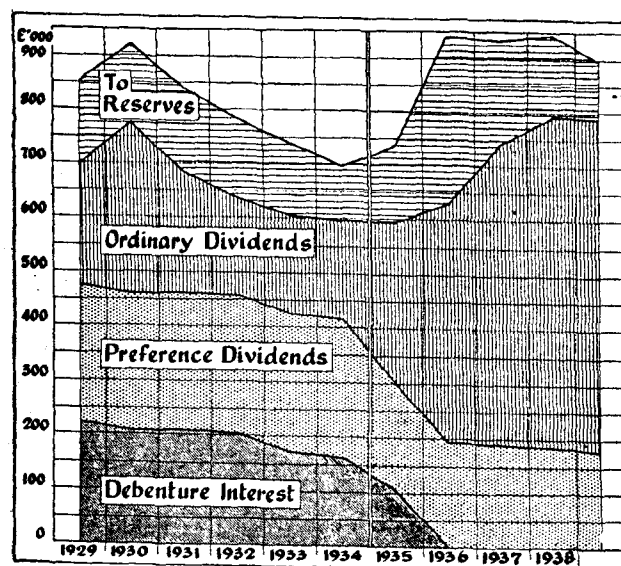
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maintained at £100,000. A strong position is again shown by the balance sheet, which shows an increase in holdings of securities from £185,690 to £643,632 following the



settlement of insurance claims. At a current price of 76s., the £1 stock units offer the moderate yield of £5 5s. 3d. per cent.

Bleachers' Association Problems.—With the passing of the dividend for the year to March, 1939, Bleachers' Association 5½ per cent. preference stock carries almost 29 per cent. of dividend arrears, due since the end of 1933. No payment, of course, had been expected, but stockholders have been dismayed at the further substantial loss of ground during the year to March 31. Total trading profits amounted to £332,422, before depreciation (excluding a credit of £15,000 from income tax reserve) compared with £459,547 for the previous year. After providing £140,000 for depreciation, compared with a total of £193,249 for 1937-38, debenture interest which absorbs £101,250, and was covered by a margin of £699 in the previous year, was short-earned by no less than £68,187—a heavier net loss than any recorded in the worst depression years. A year ago the preference units stood at 5s. 9d.; to-day, they are quoted at 6s. While the Association has commendably provided satisfactory sums for depreciation throughout the years of adversity, it has never been able to earn a satisfactory return on its £7,154,151 of fixed assets. And even with the present improvement in the textile trades, it is difficult to envisage an early recovery sufficient to justify the introduction of a capital reconstruction scheme.

Anglo-Iranian and Lobitos.—The full report of Anglo-Iranian oil expands the information given in the preliminary statement (discussed on page 671 of last week's issue of the *Economist*), though it does not completely explain the relatively heavy fall in profits. In amount the reduction of £2,090,803 in total profits is appreciably greater than the reduction of £1,345,617 shown by the preliminary figures, for some saving in taxation and royalty payments has been achieved. Production in 1938 was little changed compared with 1937, and the fall in oil stocks

from £3,119,607 to £2,992,649 suggests no considerable rise in physical stocks, such as might have followed a fall in sales. Falling prices have apparently had an unexpectedly severe incidence upon the company. The allocation of earnings is shown in the following table:—

	Years ended December 31		
	1936	1937	1938
	£	£	£
Total income.....	9,624,434	12,662,195	10,583,985
Royalty, etc.	2,580,206	3,545,313	3,307,479
Income Tax and N.D.C....	910,559	1,651,588	1,157,029
Extra depreciation	514,976	744,215	602,602
Fees, etc.	10,200	10,200	10,000
Pref. dividends	1,071,234	1,071,234	1,071,234
Ordinary stock—			
Earned	4,537,259	5,639,645	4,435,641
Paid	3,356,250	5,034,375	4,027,500
Earned %	36.7	29.1	22.8
Paid %	25*	25	20
General reserve.....	1,200,000	546,872	300,000
Carry-forward	492,135	517,411†	625,552

* And 50% capital bonus. † After £33,122 issue expenses.

The group's development continues very active. The report refers to considerable increases in the equipment of certain refineries, and the balance sheet shows a rise from £4,385,349 to £6,575,494 in buildings, etc., while stocks of stores and materials total £2,936,850 against £1,686,182. The reduction of one-fifth in the Anglo-Iranian dividend is an adverse pointer for the current year's results of Burmah Oil, and also for the miscellaneous receipts of the British Treasury. Lobitos Oilfields' full report shows that the repeated 15 per cent. distribution is covered by earnings of 27.2 per cent. against 29.5 per cent. Trading profits amount to £146,928 against £139,782, but total income on revenue account is £39,233 lower at £308,186, while profits from sales of investments amount to a mere £767 against £31,180. Anglo-Iranian £1 stock units stand at 73s. 9d., to yield £5 8s. 6d., and Lobitos Oilfields at 32s. 6d. to yield £9 6s. 3d. per cent.

Outlook for "Shell" Transport.—The satisfactory accounts of "Shell" Transport (reviewed in *The Economist* last week) were augmented by an informative commentary on the year's working—for "Shell" in particular and for the industry in general—by Lord Bearsted last Tuesday. The "second interim," which caused some mystification when it was announced, arose from the directors' decision, owing to the uncertainty of the times, to distribute such accumulated profits as were available, rather than wait until normal payment in July. Development work played an important part in the year's operations. The rise from £40,000 to £869,000 in "advances to a subsidiary" was due to financing of concessions by Shell Overseas Exploration. And in Venezuela, with whose Government Lord Bearsted reported continued good relations, Venezuelan Oil Development is carrying out a large investigation programme. Lord Bearsted foreshadowed an increase in the importance as an oil producer of Colombia, where recent legislation was described as "enlightened," but for Mexico he was only able to express the hope of an eventual settlement. Reports this week, which lack official confirmation, suggest that negotiations between the Government and the expropriated companies are progressing favourably, although a final agreement can hardly be imminent. Despite increased production from Illinois—a State that has no conservation law—and a small reduction in demand, crude oil stocks in the U.S.A. fell by nearly 31 million barrels in the year, but Lord Bearsted did not take an optimistic view of the oil outlook in the U.S.A. Stockholders will accordingly appreciate the group's considered development policy more highly in view of the more difficult times through which the industry has recently been passing.

Baltimore and Ohio Problems.—The results of the Baltimore and Ohio are representative of the difficulties of all American railroads in 1938. Freight traffic forms a very high proportion of the company's total receipts, and it was \$31,786,000 lower at \$115,426,000. Total operating revenue thus fell by 20.5 per cent. to \$134,722,000 against \$169,436,000. As the wages increase awarded in 1937 operated for a full year, expenses could not be reduced by the same proportion, and net operating revenue was \$10,839,000 lower at \$29,738,000. After charging other expenses, and crediting other income (which is only \$4,208,000, against \$6,555,000), the balance available for fixed charges of \$32,184,000 is only \$19,060,000. In 1937, a comparatively small deficit of \$721,000 was recorded, but last year fixed charges were short-earned by \$13,125,000. The position, however, will be relieved this year, for a plan for modification of interest on certain bonds became operative early this year under which some \$11,376,000 of annual interest becomes contingent on profits for eight years, though priorities are maintained. Earnings are now improving, and for the first four months net operating income amounts to \$4,968,000, against \$292,000 a year ago. But the resumption of preferred stock payments lies a long way ahead.

Zinc Corporation Position.—Ordinary and participating preference shareholders have experienced a severe cut in dividends in 1938, owing to the heavy fall in metal prices last year. Average prices of lead and spelter fell by roughly £8 a ton, or over 33 per cent., last year, but thanks to increased mining and treatment of a higher grade of ore mine receipts of the Corporation fell by 25 per cent., from £1,741,815 to £1,301,158. In the circumstances, such results must be regarded as satisfactory. Ore treated totalled 414,500 tons, against 390,360 tons, and production amounted to 82,826 tons of lead and 74,651 tons of zinc concentrates, against 76,627 and 63,908 tons, respectively, in 1937. As a result of this higher output, combined mining and milling costs fell by 1s. 9d. to 28s. 7d. a ton, though costs in 1937 were at a high level. Since total development expenses are lower and savings of £36,250 on royalty and £51,974 on taxation are recorded, the reduction in net profits from £457,909 to £181,369 is considerably smaller than the fall in total income. The additional participating dividend on the preference shares is reduced from 42½ to 15 per cent., while the reduced ordinary dividend of 30 per cent. against 85 per cent. for 1937 is barely covered by earnings. The outlook for the current year is rather more hopeful, for prices have been steadier, while the Lead Producers' Association was formed last autumn and a zinc cartel is now under discussion. The duty on foreign zinc has been raised by 17s. 6d., but Empire producers retain only 2s. 6d. of this advantage, since 10s. goes to Imperial Smelting and 5s. to a pool. Such a change, clearly, is of relatively small importance in the general price context. At the current price of 68s. 9d. the 10s. ordinary shares yield £4 7s. 3d. per cent.

Further Kaffir Interims.—The Kaffir interim season closed satisfactorily last week with the Anglo-American and General Mining announcements. "Sallies" distribution is 2s. 3d., against general expectations of not more than 2s., compared with 6d. last December. Thanks to its holding in South African Land, and to lower capital expenditure this year, Brakpan is paying 1s. 9d. against 1s. 7½d. Springs' payment of 1s. 3½d. compares with 1s. 4½d., but West Springs' payment of 1s. 4½d. against 1s. 3d. caused some disappointment in view of the profits trend. Daggafontein has repeated the December payment of 1s. 3½d. In the General Mining group, Van Ryn Gold pays 10 per cent. as against 12½ per cent. Current expenditure on surface equipment has been taken into account in the West Rand Consolidated distribution. The ordinary shares receive 1s., against 1s. 6d. in December and 1s. in June, 1938, while the deferred distribution is reduced to 56s. 8d., against 85s. in December, and 56s. 8d. in June, 1938.

Great Boulder Proprietary.—Few company disputes have become so acrimonious as the Great Boulder Proprietary Gold Mines controversy in recent months. Since opposition to the existing management was launched by the "Grundt" Committee at the beginning of March, shareholders have been deluged with circulars and counter-circulars, many of which have introduced regrettable personalities into the dispute. In the circumstances, it will be understood that the actual position of the mine and the financial condition of the company are of fundamental importance. It is pertinent, therefore, to study the annual report for 1938 in the light of the criticisms which have been levelled against the management. Last year's results were, in fact, considerably better than those for 1937. They do, indeed, suggest that some of the sting has been taken from the arguments originally put forward by the shareholders' committee. First, the company handled a considerably increased tonnage, although a smaller volume of tributors' ore was treated. Secondly, there was an increase of 2 per cent. in extraction (which at 90.18 per cent. may be considered not unsatisfactory); and, further, working costs were reduced by roughly 2s. 9½d. to 26s. 9d. Australian per ton. After higher depreciation and development allowances, the result is a net profit of £172,482 against £73,553, while dividends totalled 37½ per cent., against 25 per cent. It is noticeable that the board has taken some trouble to avoid the criticism of providing inadequate information regarding the mining position. Development footage was not maintained on the greatly increased level of 1937, but percentage payability improved. Hence, although a greater tonnage was mined, ore reserve at 1,213,496 tons showed a net improvement of 151,296 tons, although the grade was reduced by 0.4 dwts. to 6.5 dwts. Many mining companies show a position less satisfactory than this. At the same time, the best cannot be expected of any concern when controversy about the management's past and present activities is so acute. Inevitably, the average shareholder becomes dubious about the relative merits of the two sides of the argument. Nevertheless, it cannot be denied that a considerable body of opinion would favour a fuller degree of representation for shareholders on the board. The proceedings at the annual meeting were in progress as we went to press.

The Week's Company Profits.—The heavy industries are well represented in our usual analysis of profit and loss accounts, which appears on page 751, and contains 81 companies for which comparable figures are available. Total net profits of these companies (excluding banks) amount to £14,091,000, against £16,157,000, a decline of 13 per cent. Aggregate net profits of 1,403 companies reporting in 1939 to date amount to £192,949,000, and show a decline of 8½ per cent. below the £210,708,000 earned by the same companies in the previous year. The week's results are discussed in preceding Notes and on page 730 under the heading "Shorter Comments."

Company Meetings of the Week.—Reports of the week's company meetings begin on page 736 of this issue. Lord Bearsted's survey of the "Shell" Transport and Trading position is discussed in a Company Note on page 726, and Sir Herbert Lawrence's review at the Ottoman Bank meeting on page 722. At the meeting of General Mining and Finance Corporation, Sir George W. Albu referred to the policy of greater collaboration with

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the Central Mining-Rand Mines group, as seen in the company's acquisition of 25,000 reserve shares in Rand Mines, Ltd. At the meeting of *British Electric Traction*, Mr J. S. Austen pointed out that if £100 of deferred stock were bought at £1,000, and if, instead of announcing a stock bonus the company were to distribute its income in cash, there would be enough to pay 5.89 per cent. on the £1,000. Sir Cyril Entwistle informed shareholders of *Decca Record* that turnover for the current year showed an improvement, and it was estimated that profits had been maintained at last year's level. Col. Charles E. Ponsonby informed shareholders of *Forster's Glass Company* that the year's sales, though down on the year, due partially to bad weather, were the second highest in the company's history. At the meeting of *Great Universal Stores*, Sir Archibald Mitchelson expressed satisfaction at the extensions made this year, and expected the full benefit to be more apparent in the future. Mr Harry Marland, at the *Griffiths Hughes Proprietaries'* meeting, declared that considerable expenditure had been made on research and advertising in the home market, from which the company hopes for appreciable benefit in the future. Sir Frank Newnes, at the meeting of *George Newnes, Ltd.*, having referred to the effect of higher paper costs and lower advertising revenue, declared the company to be in an excellent position to benefit from any general increase in

prosperity. Mr F. T. Jackson informed shareholders of *Telephone Rentals* that their English subsidiaries were able to give a favourable report on 1939 prospects, on the basis of business done in the first five months. At the meeting of *British Borneo Timber*, Sir E. J. Holberton reported rough timber production to be gradually increasing, while operations of the saw mills would soon, he hoped, be working full time again. Mr J. Davidson informed shareholders of *British Empire Trust Company* that depreciation of their securities was only 7 per cent., and this had been made good out of reserves. Col. Fenwick explained at *Willoughby's Consolidated* meeting that as a result of writing down shareholdings, their market value on June 12th was £278,029, against a book value of £274,857. At the *Charterland and General Exploration and Finance Company* meeting, Mr J. E. W. Lomas pointed out that taking quoted investments at their market price on May 31st, and allowing for other assets and liabilities, there was a surplus of £96,573 over the issued capital. Mr Kenneth O. Hunter informed *Siamese Tin Syndicate* members that for the first five months of this year estimated profit was £48,855, against £39,371 for the same period in 1938. At the *Bangrin Tin Dredging* meeting, he explained that the lower provision for mine depreciation was due to the longer working life of the mine arising from acquisition of the new area.

THE STOCK EXCHANGES

London

SETTLING DAYS
TICKET ACCOUNT
JULY 4 JULY 6

DESPITE occasional rallies, markets have remained on the whole subdued. Political factors alone are responsible, and dealers are attentive to any report which would justify a marking up of prices. Changes on the week have been quite small, and A.P.D. had little effect, but it is evident that the upward trend cannot be resumed until the political atmosphere is cleared.

In the *gilt-edged market*, the week opened in dull fashion, though absence of selling and some bear-covering brought a distinct recovery, with undated stocks in the lead. This more cheerful tendency was due to reports that an Anglo-Soviet agreement had been reached, and to the belief that the trouble in Tientsin might remain localised. This tentative optimism continued on Tuesday, but being unsupported by specific news, it gave way to renewed dullness. Selling pressure, however, never reached pronounced proportions. The dated stocks followed in the wake of the irredeemable issues, though in mid-week the short-dated stocks held firm. Home corporations were neglected, and on Monday were

somewhat heavy on news of the Hertfordshire loan. In the Dominion section, New Zealand issues became steadier after early weakness on reports of difficulty in arranging the new loan. The South African scrip attracted occasional support, reaching ½ premium on Tuesday.

In the *foreign bond market*, Japanese issues gave way in mid-week after a satisfactory start. The trend of Chinese bonds was downwards. Movements in European bonds lacked interest, while Brazilian issues were fairly steady.

Movements in *home rails* were somewhat erratic. A poor start was followed by recovery on professional support, a reaction, and then by a fresh spurt in anticipation of the traffics, but in the absence of solid reasons for the movement, there was some setback in mid-week, except in debenture stocks, which found some support. Argentine rails were quiet but on the whole firm.

The *industrial market* showed a subdued tone in mid-week after sporadic attempts at cheerfulness. Armaments shares weakened moderately on consideration of the new tax, aircraft issues being the most affected. Turnover was small in the iron and steel section, with irregular movements, and relatively modest price changes on balance.

Changes were not uniform. Thornycroft lost 1s. 9d. on Tuesday. Small losses were the rule in the engineering section. Coal shares were irregular, changes in quotations remaining small. Powell Duffryn were unaffected by the reduced dividend. Electrical equipment issues also moved irregularly and within narrow limits. General Electric rose slightly on the issue of the full report. Motor shares were an exception to the general trend, and rose comparatively strongly in the earlier part of the week, especially in the heavy section, though later on a more mixed showing was apparent. Aircraft issues were weak from the outset, and declined more sharply on details of the new arms profits tax. Further losses in mid-week were unimportant. Textile shares were unexciting but firm. Patons and Baldwins responded to the increase in profits, and other textiles were sympathetically affected in mid-week. Breweries became steadier after a hesitant start, and there was quiet support for the tobacco leaders until they succumbed to the mid-week reaction. Movements in store and provision and catering issues were varied, and mainly within narrow limits. Until a more hesitant tone became noticeable in mid-week, miscellaneous issues were fairly steady. There was some support for Dunlop on Monday.

In the *oil market*, the new account opened quiet and irregular, but a firmer tone developed on Monday afternoon on Continental support for "Shell," Royal Dutch and Eagle issues. Later, there was some investment demand for Burmah Oil and Lord Bearsted's speech promoted a further improvement in "Shell," but by mid-week withdrawal of Continental support and some profit-taking in Mexican Eagle left the market easier. Among *rubber* shares, after a quiet start, Anglo-Dutch and Rubber Trust led a short rally. On Tuesday the firmer tone developed under some public support, but in mid-week the market was quieter.

Among *mining* shares, Kaffirs opened quiet but some Cape and local support led to an advance in which South African Land were a firm feature. On

Tuesday, the advance was held on local and Paris buying, Randfontein being in request, but in mid-week a cautious attitude developed, which provided irregular price movements and a small turnover. On Monday, West Wits led a sharp rally among developing issues, followed by Western Holdings, but the general hesitancy in mid-week wiped out the earlier gains. Finance shares, apart from Paris support for Gold Fields on Tuesday, were featureless all the week. Among West Africans, Ariston were in demand early in the week but later eased on profit-taking.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains	Corres. Day 1938	30 ord. shares*	20 fixed int.†
June 16	5,035	5,335	79.5	118.9
" 19	5,575	5,690	79.7	118.8
" 20	5,195	6,440	80.0	119.0
" 21	4,910	6,030	79.8	118.8
" 22	4,390	6,015	79.8	118.8
1939 High...	...	...	88.0	123.5
Low...	...	...	73.7	114.9
			Jan. 3	May 1

* Approx. total recorded in S.E. List. † July 1, 1935 - 100. ‡ 1938 = 100.

ACTUARIES' INVESTMENT INDEX

The continued depression of the markets is shown by a further moderate fall in the Actuaries' index of 160 industrial equity prices, which on Tuesday, June 20th, stood at 62.2, against 63.8 a week ago and 62.8 a month ago. The corresponding average yields are 5.58, 5.48 and 5.65 per cent. A selection of the separate indices is given below:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)	Prices 1939 High
	May 23, 1939	June 13, 1939
Insurance (10) ..	110.4	113.8
Aircraft mfg. (5) ..	79.7	81.7
Bldg. mfg. (6) ..	67.6	68.3
Cotton (5) ..	21.5	22.7
Elec. mfg. (13) ..	117.1	119.3
Iron and st. (19) ..	57.1	57.1
Home rails (4) ..	43.3	45.4

Group	Yields (%)	Prices 1939 Low
	May 23, 1939	June 13, 1939
Insurance	3.89	3.77
Aircraft mfg.	9.89	9.63
Building mfgs.	7.46	7.22
Cotton	3.50	3.40
Elec. mfg.	5.81	5.58
Iron and steel.	6.63	6.42
Home rails	0.37	0.36

† Dec. 30, 1938 = 100.

New York

SENTIMENT was cheerful at the opening of Wall Street on Monday, though interest later slackened. Higher steel mill activity imparted a firmer tone to steel issues, while bear covering in such leaders as A.T.T., Chrysler and U.S. Rubber gave an initial stimulus to prices, reinforced by the latest news on tax revision and the Government's spending programme. The advance was resumed on Tuesday under the lead of rails and utilities, but business was restricted by the latest developments in the Far East. In mid-week, price changes were small. *Iron Age* estimates steel mill activity at 55 per cent. of capacity, against 52.5 per cent. last week.

New York Prices

Close Latest June 15, 1939	Close Latest June 22, 1939
1. Rails and Transport	4. Manufacturing
Atchafalaya	Briggs
Balt. & Ohio	Chrysler
B.M.T.	Elec. Autolite
Can. Pacific	Gen. Motors
Ches. & Ohio	Hudson Mtr.
G.N. Ry. Pl.	Nash Kelvnt.
Illinois Cent.	Packard Mtr.
N.Y. Central	Bendix Avtn.
Norfolk Pac.	Boeing Airpla
Pennsylv. R.R.	Douglas Air
Southern Pac.	United Aircrft.
Southern Ry.	Air Reduction
Union Pac.	Allied Chem.
Greyhound	Col. Carbon
	Dupont
2. Utilities and Communications	Un. Carbide
Am. W. Works.	U.S. Ind. Alc.
C.W. & S.	Allis Chalm.
Con. Edison	Gen. Electric
Col. Gas & El.	West. Elec.
El. Bond & Sh.	American Can
Nat. Pow. & Lt.	Addressograph
N. American	Caterpillar
Pac. Gas & El.	Cont. Can.
Pac. Lighting	Ingersoll Rand
Pub. Serv. N.J.	Int. Harvester
San Gas & E.	Johns Manvle
United Corp.	Am. Radiator
Un. Gas Imp.	Corn Prods.
Amer. Tel.	I. Case & Co.
Inter. Tel. For.	Glidden
Westn. Union	G. Am. Trans.
Radio	Allied Stores
3½% Pref.	Celanece of A.
	Ind. Rayon
3. Extractive and Metal	Colgate Palm.
Am. Rot. Mill	Eastm'n Kdk.
Beth. Steel	Gillette
Beth. Steel P.	Loews
Republic St.	20th Cen. Fox
U.S. Steel	
Alaska Ind.	5. Retail Trade, etc.
Am. Metal	Mont. Ward
Am. Smelting	J. C. Penney
Anaconda	Sears Roebck.
Bohn Alum	Walgreen
Cerro de Pas.	Woolworth
Int. Nickel	Borden
Kennecott	Gen. Foods
Patterson Mfg.	Kroger Grcy.
Tex. Glt. Sul.	Nat. Biscuit
U.S. Smelt.	Nat. Dairy
Vanadium	Am. Tob. B.
Atlantic Refg.	Clarendon
Phillips Petr.	Reyn. Tob. B.
Shell Union	Nat. Distillers
Shell Un. Pl.	Schenley Dis.
Socony Vac.	
Stan. Oil Co.	6. Finance
Stan. Oil N.J.	Comel. Credit
Texas	Atlas Corp.
	Com. Inv. Tr.

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	June 7, 1939	June 14, 1939	June 21, 1939
	Low Apr. 12	High Jan. 4		
347 Ind'ls.	92.8	114.5	101.1	100.2
32 Rails	23.6	32.5	26.3	25.6
40 Utilities ..	77.8	88.3	85.7	84.0
419 Stocks ..	79.3	95.6	86.6	85.6
Av. yield* ...	4.34%	3.31%	4.00%	4.11%
	High: Low			

* 50 Common Stocks.

† March 8th.

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

June 15	June 16	June 17	June 19	June 20	June 21
108.9	109.3	110.0	110.7	111.5	111.6

1939 High: 130.3 January 4th. Low: 98.8 April 8th.

TOTAL DEALINGS IN NEW YORK

1939	Stock Exchange	Bonds	Curb Shares
	Shares 000's	Bonds 000's	000's
June 15	580	5,630	108
" 16	400	4,910	73
" 17	170	2,110	33
" 19	340	4,170	80
" 20	480	5,190	91
" 21	470	5,520	77

* Two-Hour Session

Capital Issues

THE resounding success of the *Hertfordshire* loan has done much to compensate for the sad failure of the Australian issue a fortnight ago. The new stock offers £3 15s. to redemption, and it was priced some two points "below the market." Compared with the Essex loan, which is of identical date, but which stood around 100 when the Hertfordshire loan was announced, the latter's issue price of 96½ was bound to attract substantial support. Cash applications on Thursday are reported to have totalled £45 millions, but conversion applications in respect of £1,944,014 6 per cent. stock, 1940-60, were receivable until Saturday. Steady investment support was accorded the offer of 4½ per cent. preference shares of *West Kent Electric* at 20s. 6d., for the yield of £4 7s. 9d. per cent. compared favourably with the general level of electricity supply preference stocks. The prospectus relating to the issue of 150,000 10s. ordinary shares of *James Howden and Company* reveals a sharp rise in profits in recent years, although the record only extends for three years and ten months. The *Mount Isa Mines* debenture issue is made in conversion of the existing 4½ per cent. guaranteed sterling debentures, and is guaranteed by the Government of Queensland.

CAPITAL ISSUE TOTALS

Week ending June 24, 1939	Nominal Capital	Conversions	New Money
To the Public	3,575,000	2,439,014	1,587,236
To Shareholders	280,535	...	581,032
By S.E. Introduce	Nil	...	Nil
By Permits to Deal	897,581	...	2,030,914
Savings Certs. week to June 17, 1939	500,000	...	500,000
	Including Conversions	Excluding Conversions	
Year to date			
1939 (New Basis)	66,116,801	61,446,720	
1938 (New Basis)	176,232,350	161,464,297	
1939 (Old Basis)	39,791,055	36,140,976	
1938 (Old Basis)	148,316,853	134,498,895	

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1939 (New Basis)	36,122,130	23,143,586	2,181,004
1938 (New Basis)	139,059,206	19,975,862	2,429,229
1939 (Old Basis)	20,937,135	14,883,841	320,000
1938 (Old Basis)	116,457,026	15,642,745	2,399,124

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1939 (New Basis)	32,077,090	3,731,981	25,637,649
1938 (New Basis)	123,951,256	7,365,910	30,147,131
1939 (Old Basis)	26,860,921	1,659,572	7,620,483
1938 (Old Basis)	115,165,223	2,678,496	16,655,176

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

Hertfordshire County.—Issue of £3,000,000 3½ per cent. stock at 96½, redeemable at par August, 1959, or from 1954 on notice. Holders of £1,944,014 6 per cent. redeemable stock, 1940-60, may convert into equal nominal holdings of new stock, and would receive £3 10s. cash per £100 stock. A Trustee stock. In 1938: population, 485,500; rateable value, £3,992,481; net loan debt, £4,897,246 (of which housing £1,625,291). Current rates, 7s. 4½d. Cash lists closed 9.5 a.m., June 22nd. Applications reached £45,000,000.

West Kent Electric Company.—Issue of 500,000 4½ per cent. cumulative £1 preference shares at 20s. 6d. Total assets, end 1938: £1,556,222. Profits,

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PROVIDENT INVESTORS' TRUST	30	5½%
Completely Flexible Management Powers		
INVESTORS' FLEXIBLE TRUST	124	5½%
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after depreciation, before tax: 1936, £72,025; 1937, £73,758; 1938, £67,447. In 1938: units sold, 114,725,668; revenue, £456,270. Proceeds to repay money borrowed (£110,000) and for working capital. Lists closed 9.15 a.m., June 20th. Over-subscribed.

Mount Isa Mines.—Issue of £500,000 5 per cent. five-year guaranteed sterling debentures at 99; principal and interest guaranteed by Government of Queensland. Redeemable at par June, 1944; third floating charge. Holders of 4½ per cent. guaranteed third mortgage sterling debentures may convert; would receive also £1 cash per £100. Total assets, £A5,869,677. Profits, after interest, before depreciation, years to June 30, 1936, £A22,583; 1937, £A98,434; 1938, £A47,867.

BY OFFER FOR SALE

James Howden and Company.—Offer for sale of 150,000 10s. ordinary shares at 16s. 6d. Boiler auxiliary makers; owns James Howden and Company (Land), Ltd. Combined profits, after depreciation, before interest, years to June 30: 1937, £30,298; 1938, £54,623; 10 months to April 30, 1939, £105,452. Combined net assets, £220,710. Montrose Trust take issue at 15s. 10½d., including expenses.

BY STOCK EXCHANGE INTRODUCTION

West Yorkshire Gas Distribution Company.—Messrs David A. Bevan and Company are taking £47,500 4 per cent. debenture stock at 99. Redeemable at par June, 1959.

BONUS SHARES

Silentbloc, Ltd.—It is proposed to capitalise general reserve of £62,500, and make a bonus issue of one new share for each share held on June 26, 1939.

Skefko Ball Bearing Company.—It is proposed that £300,000 (part of undistributed profits) should be capitalised, and that 1,200,000 5s. ordinary shares should be issued as a capital bonus in the proportion of three new shares for five held.

Rhondda Transport Company.—This company is to make a bonus distribution in the proportion of one share for four shares held.

ISSUES TO SHAREHOLDERS ONLY

King's Motors (Oxford).—Issue of 50,000 6 per cent. cumulative redeemable £1 preference shares at 20s. 3d., and 150,000 2s. ordinary shares at 5s. 6d.

Metal Box Company.—Ordinary stockholders as at June 15, 1939, are being offered one new ordinary £1 share, at 50s., for £7 ordinary stock held.

Davis and Timmins.—Issue of 20,000 5s. ordinary shares at 15s., in the proportion of one new for 17 held. New shares will rank for any interim dividend.

Yorkshire Copper Works.—Issue of 34,787 £1 ordinary shares at par; also a 10 per cent. capital bonus to ordinary stockholders, in the form of second preference shares.

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
RAILWAYS	%	%	%	%
Assam-Bengal	1½*	...	June 30	1½*
Vryheid (Natal)	...	5	...	10
BANKS				
Dominion Bank	2½	...	Aug. 1	2½
INSURANCE				
W. Rand Cons.	1/-ps	...	Aug. 1	1/-ps
Do. def.	£2.83	...	Aug. 1	£2.83
TEA & RUBBER				
Anglo-Dutch Pl.	3†	5	...	9
Arnaka Tea	...	5	...	6
Bukit Mertajam Rbr.	...	4	...	6
Bidor Rubber	...	4	July 26	9
Bogawantalawa Tea	5½†	8½	...	10
Caledonian Rubber	...	3	...	5
Ceylon Land, etc.	2½*	...	...	2½*
Chunglun Rubber	...	...	...	...
Deumit Tea	...	10	...	9
Java Para Rbr.	...	6½	July 6	15
Kinta Kelas Rbr.	...	2½	...	10
Kuala Pergau Rbr.	...	2½	...	4
Langkon N. Borneo Rbr.	...	3	...	Nil
Selama Rubber	3½†	6	...	12½
MINING				
Apex Mines	10*	...	Aug. 1	5*
Brakpan	1/9ps	...	Aug. 1	1/6ps
Cam and Motor	24	52	...	64
Daggafontein	1/3½†	...	Aug. 1	1/3ps
Gold Mines of Kal-goorlie	5†	8½	July 12	5
Gopeng Cons.	14½*	...	July 7	1½*
Kinta Kelas Tin	...	2½	...	15
London and Rhodesian	2½†	7½	...	10
London Tin	...	4	...	7
Malaysiam Tin	2½†	3½	July 6	7½
Maroc	7½*	...	July 5	7½*
Rooiberg Minerals	2½*	...	Aug. 1	Nil*
South African Land	2/3ps	...	Aug. 1	Nil
Springs	1/3½ps	...	Aug. 1	1/3ps
S. Tronoh Tin	2½*	...	June 29	2½*
Sungei Besi Mines	2½*	...	June 29	6½*
Tronoh Mines	2½*	...	June 30	7½*
Van Ryn Gold	1/-ps	...	Aug. 1	1/3ps
West Springs	1/4½†	...	Aug. 1	1/3
INDUSTRIALS				
Albion Greyhounds	21½†	39	...	37½
Amal Roadstone	4†	6½	...	6
Aron Electricity	10†	15	...	15
Assoc. Weavers	10†	20	July 17	20
Austrin. Agricul.	†3½†	45	July 14	45
Avon India Rubber	...	25	June 30	Nil*
Banister Walton	15†	25	...	25
Barclay Perkins	4†	6	...	8
Bechuanaland Expln.	...	5	...	5
Beans Industries	10*	...	July 11	10*
Brit. N. Guinea Dev.	3†	5	July 22	5
Buchans' Breweries	7†	10	July 1	10
Chadburn's Telegraph	...	12½	...	10
Combrook Brewery	2½*	...	July 1	2½*
Dutton's Brewery	...	6	...	8
E. African Pwr.	4†	7	...	7
Elder Dempster Hlds.	...	8½	July 1	9
Gale Lister Co.	10†	15	July 6	20
General Electric	...	20	...	20
Globe Telegraph, etc.	...	10	...	10
Greenwood & Batley	12†	15	...	15
Hardy's Cr. Brew.	4†	8	...	8
Harris and Sheldon	2*	...	June 30	2½*
John Bland Co.	...	10	June 30	5
Johnson (H. and R.)	...	3½	June 27	5
Kingsbury Collieries	15†	20	...	15
Linley Engrg.	...	10	...	7½
Lon. Cty. Propts.	2*	...	Aug. 1	2*
Lon. Elec. Wire	2*	...	...	2*
Lysaght (John)	...	†13½	...	†20
Manchester Dry Dk.	...	5	...	5
Marston Valley Brick	5†	10	...	17½
Metal Box	12½†	17½	...	17½
Midland Woodwkg.	11½†	17½	July 13	17½
Mirreles, Bickerton, etc.	...	4	...	4
Monks Investment	2†	3½	...	3½
Openshaw Brewery	5*	...	...	5*
Patons and Baldwins	...	10	...	10
Peck (J. H.) and Co.	...	16½	...	16½
Philips' Lamps	...	11	...	11
Powell Duffryn Coal	4†	6	July 28	7½
Pullin (R. B.)	45*	...	July 12	5*
Purnell and Sons	...	...	July 18	3*
Roberts (J. F. and H.)	3½*	...	...	3*
Rio Claro Invstmt.	2½*	...	June 24	3*
Roberts (Chas.)	...	15	July 6	10
Sanders Bros.	7½†	10	June 30	7½
Scott. Amer. Invst.	2*	...	...	2*
Scottish Cities Invst.	...	1	...	1½
Silentbloc	25†	50	...	58½
Truman Hanbury etc.	†17†	47	...	24½
Trust Houses	4½†	27	...	11½
Welsh Assoc. Colls.	...	1½†	July 28	1½
Wharfedale Colls.	2½*	...	July 1	2½*
Young Accum.	...	5	...	3½
UNIT TRUSTS				
Bank Insur. & Finan.	...	3½	...	...

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

SHORTER COMMENTS

Company Results of the Week.—Trading profits of BARCLAY PERKINS have fallen from £320,046 to £307,064, and since other receipts are lower by a similar amount, the dividend is reduced from 8 per cent. to 6 per cent. On the whole, heavy industrial companies show some decrease in profits. ALLIED IRON-FOUNDERS' total profits are £203,389, against £241,661, and the dividend is reduced from 10 per cent. to 9 per cent. A fall of nearly £49,000 in total profits is recorded by the BUTTERLEY COMPANY, while net profits amount to £167,355, against £194,904. TREDEGAR IRON AND COAL COMPANY maintain the 4 per cent., tax free, dividend, although a moderate reduction in profits is reported. Coal output was 97,610 tons lower at 2,297,243 tons. CHARLES ROBERTS AND COMPANY (whose report now includes a consolidated balance sheet and profit and loss account) record a moderate but satisfactory rise in profits, and the dividend is raised from 10 to 15 per cent. TRUST HOUSES show maintained net profits, and again pay 7 per cent. One of the most satisfactory reports of the week is that of CROSSLEY MOTORS, whose total profits are £105,746, against £64,046. The company is now benefiting from technical work done in the past. After experiencing a shrinkage in the volume of outward cargoes, ELDER DEMPSTER LINES show total profits of £826,841, against £1,035,503, but are again paying 9 per cent. ELDER DEMPSTER LINES HOLDINGS pay 8½ per cent., against 9 per cent., though the distribution absorbs a slightly larger cash sum. GLOBE TELEGRAPH AND TRUST total revenue is £273,043 against £280,359. A special bonus of 2½ per cent. on the ordinary stock is payable from the proceeds of the sale of Cable and Wireless 4 per cent. funded income stock. BRITISH PLASTER BOARD have had a very satisfactory year, for total profits of £564,810 for an 11-month period compare with £534,121 in the previous full year. THOMAS DE LA RUE AND COMPANY total profits are £289,991, against £223,523, although the report refers to disappointment with results shown by the plastic moulding section. Owing to lower prices, MARSTON VALLEY BRICK COMPANY total profits are £143,429, against £184,638, and the dividend is reduced from 17½ per cent. to 10 per cent. A moderate setback is recorded by METAL BOX COMPANY, whose total profits are £486,542, against £516,076.

MISCELLANEOUS

Powell Duffryn Associated Collieries.—Final distribution for year to March 31, 1939, of £215,000 (£305,000 a year ago), making for year £385,000 against £475,000, to be divided between Powell Duffryn Steam Coal and Welsh Associated Collieries.

Powell Duffryn Steam Coal.—Final ordinary dividend, 4 per cent., making 6 per cent. for year to March 31, 1939, against 5½, making 7½ per cent.

Welsh Associated Collieries.—Ordinary dividend for year to March 31, 1939, of ½ per cent., against 1½ per cent.

Mexican Railway Company.—Gross receipts for 6 months to end of 1938, 7,078,394 pesos (£393,244), a decrease of 674,797 pesos (£37,488) on second half of 1937. Deficit to net revenue, 647,202 pesos (£35,956) against 42,185 pesos (£2,343). Other credits, £21,704; interest and other charges, £103,764. Debit forward, £1,092,026 (£974,010).

Metal Box Company.—Profit on trading (including dividends received) after depreciation, etc., £482,715 (£508,179). To taxation, £145,500 (£158,000); general reserve, £100,000 (£100,000); superannuation, £16,501 (£15,000). Preference dividend, £1,092,026 (£974,010).

(Continued on page 731)

Industry and Trade

Cotton Spindles Board.—Those provisions of the Cotton Spinning Industry Act, 1936, which established the Cotton Spindles Board to deal with excess capacity come to an end in September next. The scrapping of redundant cotton spindles is provided for in the cotton Industry (Reorganisation) Bill, but it is not likely that this Act will be in force until next year. The President of the Board of Trade has therefore agreed that as the spinning employers are in favour of a continuance of the work of the Spindles Board, the necessary arrangements will be made for it to be prolonged for a further two years. In Lancashire there has been some disappointment that the Board has not been able to scrap more spindles in the three years of its existence. When the scheme was under consideration it was estimated that there were 10,600,000 redundant spindles in the cotton trade. In two years rather more than 4½ million spindles have been bought and broken up, but the fall in textile exports has been so drastic that trade has declined at a greater rate than the surplus capacity, with the result that last September it was estimated that there were then 14 million excess spindles. It is true that since last autumn there has been a definite revival of activity in the cotton industry, but this has been due mainly to work on Government contracts and to a slow increase in domestic civilian demand. Not until last month was there any noticeable increase in exports of cotton goods, and it is most improbable that the volume of exports will ever again reach a level to absorb the surplus capacity. It is, therefore, most important that the work of the Spindles Board is to be continued without interruption.

Prosperity in the Electricity Industry.—All activities in any way connected with the supply of electricity continue to enjoy a measure of prosperity which seems likely to continue for some time to come. The basic figure is that of the output of authorised supply undertakings, and this has shown a continuous increase since 1935. The rate of growth slackened slightly in 1938, but has been resumed in the current year, as is shown in the following table:—

	Output (Mn. kw. h.)	Increase % on previous year
1935	17,568	13.8
1936	20,220	15.1
1937	22,902	13.3
1938	24,376	6.4
1939 (first 5 months)	11,660	12.7

SHORTER COMMENTS

(Continued from page 730)

£49,481 (£51,188). Ordinary dividend and bonus, 17½ per cent. as before, absorbing £157,325 against £157,624. Carry forward £39,609 (£46,548). Total assets £4,340,776 (£4,344,280). Subsidiary companies, £2,019,020 (£2,167,637). Current assets, £1,306,113 (£1,247,593).

Edgar Allen and Company.—Trading profit for year to March 31, 1939 £141,998 (£122,045). Total profit, £156,272 (£132,937). To depreciation, £23,237 (£21,009). To tax, £46,000 (£39,000). To staff pensions, £5,000 (£5,000). Preference dividend, £10,875 (£11,250). Ordinary dividend 12½ per cent. absorbing £26,036, against 10 per cent. absorbing £20,829. To general reserve, £35,000 (£25,000). Carry forward, £37,673 (£34,269).

Philips' Incandescent Lamp Company.—Profits 1938-39, £1,803,000 (£1,801,507). Ordinary dividend maintained at 11 per cent. Liquid assets have increased from £1,320,000 to £1,510,000.

Globe Telegraph and Trust.—Net revenue year to May 31, 1939, £258,331 (£264,747). Ordinary dividend of 10 per cent., tax free, is repeated. To reserve £20,000, against nil. Carry forward reduced from £135,454 to £117,992. Investments at cost, £5,011,000; value on May 31, 1939, was £6,312,000 (£6,372,000).

Stephenson Clarke and Associated Companies.—Report for year to March 31, 1939, shows profits £607,865 (£589,358). To depreciation £185,890 (£186,574). Tax and N.D.C. £125,000 (£119,000). Net profit £220,585 (£208,908). Ordinary dividend maintained at 10 per cent., absorbing £102,406 against £91,719. To general reserve £50,000 (£50,000). Carry forward raised from £73,968 to £83,422.

Bank of British West Africa.—Profit for year to March 1939, £42,878 (£60,106). Ordinary dividend reduced from 5 to 4 per cent. Carry forward £50,592 (£55,714). Total Assets £9,860,306 (£12,538,551). Cash £2,275,422 (£5,865,566). Investments £3,411,449 (£2,439,603). Current deposits and other accounts £7,280,393 (£9,851,759).

Barclay Perkins and Company.—Gross trading profits for year to March 31, 1939, £307,064 (£320,046). Dividends from subsidiaries £84,448 (£101,771). Net profits, after taxation and interest, £212,432 (£244,200). Ordinary dividend 6 against 8 per cent. To reserve for contingencies £20,000, as before. To workpeople's fund £4,067 (£5,481). Carry forward raised from £65,044 to £70,513.

Tredegar Iron and Coal.—Profit for year to March 31, 1939, £83,380 (£88,467). To depreciation £10,000, as before. Ordinary dividend 4 per cent., tax free, as before. Carry forward £39,648 (£35,512). Total output of coal 2,297,243 tons, or 97,610 tons less.

Reynolds Brothers.—Net profit year to March 31, 1939, £184,308 (£172,671). Debenture redemption reserve £50,000 (£25,000). Reserve for Umwalumi Valley Estates £10,000 (nil). To reserve for Union and provincial taxes £18,794 (£18,350). Ordinary dividend and bonus 12½ per cent., as before. Carry forward £94,314.

(Continued on page 750)

exports to Japan, which fell from £13½ millions in 1929 to £4·2 millions in the worst year of the depression, declined still more in subsequent years, to £4·3 millions in 1937 and £1·8 millions last year. The table below gives details of the British imports from and exports to Japan of commodities whose value in 1937 exceeded £300,000:—

BRITISH TRADE WITH JAPAN						
	Unit	1937		1938		As % of total Imports or Exports in Group
		Quantity	Value £'000	Quantity	Value £'000	
Imports from Japan						
Tea	mill. lb.	12·5	419	7·3	243	0·1
Salmon, canned ...	'000 cwt.	454	1,572	395	1,506	33·6
Fruit, preserved ...	...	238	357	*	*	6·0*
Raw silk	'000 lb.	4,055	1,674	4,557	1,657	81·8
Sawn oak	mill. cu. ft.	2,326	629	954	276	15·0
Clothing	...	...	1,012	...	777	9·7
Yarns and tissues :						
Cotton	...	...	631	...	401	12·8
Silk	...	...	703	...	576	26·7
Wood manufactures	...	...	467	...	225	3·3
Toys	...	...	516	...	*	29·1*
Exports to Japan						
Machinery	tons	9,750	948	5,998	778	1·3
Iron and steel and manufactures ...	..	41,701	771	6,954	256	0·1
Woolen and worsted tissues	'000sq.yd.	4,074	488	762	28	...

* Not available; percentage in last column worked on 1937 values.

With the exception of sawn oak and wood products, of which a considerable quantity is used by the building and furniture trades, and of raw silk, the goods imported from Japan could probably be obtained from other sources. Supplies of canned salmon, for instance, of which an unusually large quantity has been imported from Japan in recent weeks, could be drawn to a greater extent from Canada and Norway, although admittedly at higher prices. And even the complete disappearance of Japanese oak and raw silk would not cause serious harm to the British economy. On the other hand, Japanese imports from Britain, which are made up of many small items, are now confined largely to producer's goods.

The total share of Britain in Japanese trade is, however, small and if supplies could not be obtained from this country, other sources could probably be found. The next table summarises Japanese trade with the yen block, the United States and the British Empire:—

JAPAN'S FOREIGN TRADE (Million yen)			
	1936	1937	1938
Imports, total.....	2,764	3,783	2,663
of which from			
Yen block*	239	294	399
China	155	144	165
United States	847	1,270	915
U.K.	73	106	63
British Empire†	735	953	438
Exports, total.....	2,693	3,175	2,690
of which from			
Yen block*	498	612	853
China	160	179	313
United States	594	639	425
U.K.	147	168	135
British Empire†	1,139	1,220	786

* Kwantung, Korea, Manchuria.

† Canada, India, Ceylon, South Africa, Australia, New Zealand, Hong Kong, Straits Settlements, British Borneo.

An embargo on British exports to Japan would therefore have little immediate effect unless combined with similar measures by the United States or by other parts of the

British Empire, who supply Japan with her imports of vital raw materials such as rubber, cotton, wool, iron and tin. But, as the above table shows, Japan has a favourable balance of trade both with the United Kingdom and with the British Empire, so that a restriction of her exports would seriously reduce the amount of free exchange by which she finances her purchases from other countries.

Milk—Fresh and Canned.—At the annual general meeting of the Milk Marketing Board, Mr Baxter made two important statements. He drew attention to the increase in the sales of milk produced under accredited, attested or tuberculin-tested licences, which covered in 1938-39 42 per cent. of all milk sold through the Board. The steady progress in the production of cleaner milk is a matter on which the Board can rightly be congratulated, particularly since the withdrawal of the proposed Milk Bill has temporarily imposed on the Board the payment from its own reserves of the quality premiums. Mr Baxter also informed the meeting that, in his opinion, farmers could no longer rely on obtaining any higher prices for their liquid milk and that a further increase in profits would have to come from greater efficiency in the management of farms. In view of the continuously rising level of retail prices of liquid milk in recent years, consumers may indeed be grateful to know this opinion of Mr Baxter's; but they may also view with apprehension the announcement of the Board of Trade that imports of condensed milk will be regulated by a formal quota. This new step follows the breakdown during last year of the agreement between Dutch and Danish exporters and English manufacturers of processed milks over imports and prices, which had the effect of making the English market so profitable that supplies from New Zealand and Canada increased rapidly. The fact that a "voluntary" quota arranged by the English manufacturers (among whom is the Milk Marketing Board) has been supplanted by a quota administered by the Board of Trade might not be altogether disadvantageous to the public interest, but the publication last week of the annual quotas showed that a considerable reduction in imports is to be enforced. Compared with actual imports on an average of the last three accounting years ending in June, imports of whole and of skimmed milk are to be reduced by about 30 per cent. The consumer may feel, therefore, that the pressure of the Milk Marketing Board for higher prices has only been diverted from liquid milk to condensed milk, which is at present the only substitute for the very expensive fresh product.

Glass Research.—In the British glass industry, which at the Census of Production in 1935 had an output valued at more than £17 millions and employed about 46,000 workers, a scientific institution for teaching and research is a simple necessity. This fact received wide recognition soon after the foundation in 1915 of the pioneering Department of Glass Technology at Sheffield University and, subsequently, of the Society for Glass Technology, which has now an international character; and contact with industry was organised through the Glass Delegacy of Sheffield University, in which the industrial representatives are now the strongest element. The formal opening last week of the Department's new premises draws attention at a critical time to its value and activities. The effect of the German annexation of Czecho-Slovakia on exports of glass from the latter country to Great Britain cannot yet be finally assessed, but there are indications that it will be by no means negligible. There has been a considerable falling off in the past few months, as is shown in the table opposite. The decrease in imports from Czecho-Slovakia has not been offset by the increase in imports from Germany. There of course remains a possibility that the present decline may be due to temporary factors. It is in fact known that at the moment British importers are experiencing difficulty in obtaining deliveries on orders already given. But if any part of the reduction may

IMPORTS OF GLASS INTO THE UNITED KINGDOM. FIVE MONTHS ENDED MAY 31ST

	1938 (Cwt.)	1939
Domestic and fancy glassware:—		
From Germany	28,690	49,471
" Belgium	42,751	43,356
" Czecho-Slovakia	62,470	19,606
" Other countries	23,163	23,425
Total	157,247	135,939
Plate and sheet glass (other than spectacle glass):—		
From Germany	63,300	125,953
" Belgium	375,002	366,372
" Czecho-Slovakia	78,730	339
" Other countries	119,990	120,340
Total	637,022	573,004

be regarded as permanent, then quite the best way of filling the gap would be by increased home production. In an expansion of this kind the Department of Glass Technology could undoubtedly give valuable assistance—as could many Czech refugees. It is also worthy of note that during the War grants were made to the Department by the Ministry of Munitions for optical and glassware work. There was in fact an acute shortage of optical and scientific instruments in the early part of the War, and it is desirable that the Department should be encouraged to assist in ensuring that no such gap occurs in future.

Dry Docks on the Bristol Channel.—An outbreak of war directly involving this country would have as one of its immediate consequences a diversion of shipping traffic to the ports of the West of England and to those of the Bristol Channel in particular. These ports are relatively safer from attack from the sea or the air than are, say, London or Hull or even Liverpool. The National Industrial Council of Wales and Monmouthshire has therefore performed a valuable service in drawing attention in its journal to the fact that present dock facilities in South Wales are hardly adequate to the existing traffic, which is itself attenuated as a result of persistent depression. The immediate aspect of the question with which the Council is concerned is the necessity for improved dry dock accommodation at Barry, Cardiff, Newport, Swansea, Port Talbot, Pembroke Dock and Milford. The local authorities of the first six of the above-named ports, together with that of Llanelli, and the Welsh Parliamentary Party are petitioning the Government for assistance to build five new dry docks and improve ten others. In a memorandum prepared for this purpose, it is pointed out that, in addition to the potential usefulness of the suggested improvements in war time, they are an immediate necessity to the trade of the area. The existing docks were built before the War to accommodate small coal-carrying vessels, and until they are widened they are not suitable to take more modern types of tramp steamer. At present there are only twenty-two workable berths at Cardiff, Barry and Newport, and of these only seven will take vessels of 58 feet beam. If the proposed improvements are not made the sorely needed increase of trade at these ports will be positively handicapped. If they are made, recovery in South Wales will at least not be checked by remediable deficiencies, and work will certainly be given to local contractors and local workmen. It is not often that the precautions necessary for war and the provision of facilities for peaceful trading can be supplied by one and the same action. When they can, as in the present case, the opportunity should not be missed.

Revival in Textile Exports.—The textile trades were among the first of Britain's staple industries to feel the trade recession which began at the end of 1937. In the last few months there has been a revival in activity in

Lancashire and Yorkshire, due very largely to Government orders. Home demand showed a spurt during the hot weather at Whitsun and trade in cheaper woollen cloths has been fairly satisfactory. There has also been a very definite increase in exports of woollen, linen and pure rayon piece goods, due, as the table below shows, almost entirely to better trade with the Empire:—

British Exports of Textiles			
	January to May		
	1937	1938	1939
Wool tops ('000 lb.):—			
Empire	4,539	4,163	6,769
Foreign	15,241	8,088	11,559
Worsted yarns ('000 lb.):—			
Empire	3,149	2,583	3,078
Foreign	8,333	6,063	7,692
Woolen tissues ('000 sq. yds.):—			
Empire	15,073	11,283	11,049
Foreign	18,417	14,004	15,008
Worsted tissues ('000 sq. yds.):—			
Empire	6,125	5,885	6,400
Foreign	11,186	8,270	7,308
Pure rayon tissues ('000 sq. yds.):—			
Empire	12,924	10,350	17,719
Foreign	1,541	2,031	2,311
Mixed rayon tissues ('000 sq. yds.):—			
Empire	11,275	8,683	8,050
Foreign	4,033	4,281	3,301
Linen tissues ('000 sq. yds.):—			
Empire	8,302	8,556	8,453
Foreign	33,725	14,966	22,278
Cotton tissues (mill. sq. yds.):—			
Empire	493·1	374·8	352·9
Foreign	333·9	233·9	237·0

The reduction of American duties on imported cloth is partly responsible for the larger exports to foreign countries

THE BALTIMORE AND OHIO RAILROAD CO.

SUMMARY OF ANNUAL REPORT FOR THE YEAR 1938

Report of the Company's operations for the year 1938 is being mailed to the stockholders. Stated briefly, the results for the year show a decrease of 20·49 per cent. in gross revenues, or from \$169,436,436 in 1937 to \$134,722,330 in 1938, and an increase in the net loss, after all taxes and other deductions, from \$720,695 to \$13,124,530. Total operating expenses of \$104,984,021 showed a reduction of \$23,875,495, or 18·53 per cent., compared with the year 1937. The expenses reflect an increase in wage rates which took effect in the latter half of 1937 and added about \$4,150,000 to the company's expenses in 1938. Railway tax accruals, at \$10,412,774, reflected a decrease of \$505,781. Tax accruals include \$3,709,108 pay-roll taxes covering unemployment compensation under the Social Security Act and the Carriers' Taxing Act of 1937 for the purposes of the Railroad Retirement Act.

CONDENSED STATEMENT OF OPERATING RESULTS

	Year 1938	Year 1937	Decrease
Railway Operating Revenues:	\$	\$	\$
From Freight	115,426,378	147,212,330	31,785,952
From Passenger	10,561,495	11,918,602	1,357,107
From All Other Sources	8,734,457	10,305,504	1,571,047
Total	134,722,330	169,436,436	34,714,106
Railway Operating Expenses	104,984,021	128,859,516	23,875,495
Net Railway Operating Revenue	29,738,309	40,576,920	10,838,611
Other Operating Charges:			
Railway Tax Accruals	10,412,774	10,918,555	505,781
Equipment & Joint Facility Rents	4,473,741	4,749,740	275,999
Net Railway Operating Income	14,851,794	24,908,625	10,056,831
Other Income from Investments and Other Sources (Net)	4,207,959	6,554,711	2,346,752
Income Available for Fixed Charges	19,059,753	31,463,336	12,403,583
Fixed Interest and Other Charges	32,184,283	32,184,031	*252
Net Income	(D)13,124,530	(D)720,695	12,403,835

(*) Denotes Increase. (D) Denotes Deficit.

BALANCE SHEET

The balance sheet at December 31, 1938, shows total investments (less accrued depreciation) of \$1,078,104,478 and current assets of \$23,818,931. The total of interest-bearing debt and leased lines obligations outstanding was \$683,808,070. Current liabilities amounted to \$26,855,503. The capital stock outstanding was \$315,158,485 and corporate surplus \$60,337,728.

The report presents a condensed statement of the Plan for Modification of Interest Charges and Maturities, and points out that of the total of \$542,810,628 of securities affected by the Plan, voluntary assents have been received on \$469,481,178, or 86·49 per cent., from more than 57,000 holders.

DANIEL WILLARD, President.

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of woollen and linen tissues, while China has increased her purchases of wool tops and Germany and Scandinavian States have taken greater quantities of worsted yarns. But this revival, while very welcome to the industries concerned, has not yet counterbalanced the very sharp drop in exports between 1937 and 1938, except for the single case of pure rayon tissues. The revival in this trade has indeed been very striking; production of continuous filament has increased steadily since last autumn, and the production of staple fibre reached in May a record monthly level of 5.7 million lb.

* * *

Cut in Cement Prices.—Prices of cement to the consumer were officially reduced by 1s. per ton last Monday. As wages were advanced by 2s. per week in May and the price of coal has increased in recent years, costs of production in the industry are showing a rising tendency and it seems difficult to account for a price cut at the present time on that score. Two months ago the Chairman of Associated Portland Cement Manufacturers, Sir Malcolm Stewart, suggested that a reduction might be made if the decline in demand gave way to an expansion. This decline has, in fact, now been arrested, largely owing to building in connection with defence work, and the Cement Makers' Federation states that it is hoped that the lower price will further stimulate the improvement so that increased production will be warranted. It is not impossible that a desire to discourage new undertakings has also influenced the Federation's decision, for although present capacity is sufficient for all normal requirements, the high profits of the past few years have attracted newcomers and reports of a possible new producer last November caused considerable anxiety in the industry. This question of a cut in prices was the subject of a good deal of discussion when the new quota agreement in the industry was under negotiation, as the smaller concerns whose costs are relatively higher were unwilling to agree to it. When the agreement on quotas and prices was eventually signed in April it was stated that there had been concessions on both sides so that the present reduction may be regarded as the outcome of that agreement. Actually it now appears that the producers are unlikely to lose over the new prices, for a good deal of the reduction will be borne by the merchants in the shape of smaller margins and discounts.

* * *

Anglo-American Barter.—During the last few days the negotiations between the Governments of the United States and of this country for the exchange of about one million bales of cotton against an equal value of rubber have proceeded further. At the end of last week representatives of the Liverpool Cotton Association attended a conference in London, held under the auspices of the Board of Trade, at which they took the opportunity to convey to the President of the Board of Trade their strong opposition and disapproval of the proposed scheme. Direct exchange between the two Governments would naturally cause a considerable loss of potential trade to the merchant firms in Liverpool and the existence of large stocks of raw cotton held by the British Government would provide a further element of uncertainty to a harassed market. It is, therefore, not surprising that members of the cotton trade should oppose the barter scheme, which does, indeed, present grave difficulties. The final decision must, however, be taken on wider grounds than the opposition of the cotton trade, and it is possible that the transaction might be carried out through the facilities offered by the recognised trade associations. It is understood that an extraordinary meeting of the Liverpool Cotton Association will be called as soon as the President of the Association can disclose any further information on the progress of the negotiations.

Labour in Gold Mines.—Gold production in South Africa has been at a very high level during 1939. For the first five months the total output was 5,194,677 ounces, an increase of 262,571 ounces over the production in the corresponding period of last year. This expansion is partly the result of the employment in the mines of an increasing number of natives drawn from the tropical areas north of latitude 22 degrees south. When the experiment was originally begun in 1933, in order to alleviate the labour shortage, only 2,000 of these natives were employed, but by the end of 1937 their number had increased to more than 10,000 and by the end of 1938 to more than 16,000. Most of the chairmen at the latest annual meetings of the Rand mining companies considered that the employment of these natives had been a success and were hopeful that the State restrictions on their recruitment would soon be reduced; the Rand labour organisation has already opened branches in the districts from which the natives are drawn, in anticipation of a further increase. It is true that the death rate, which is a rough measure of the health conditions, of the natives from tropical areas has improved in a striking fashion, falling from 18.18 per 1,000 workers in 1937 to 8.60 per 1,000 in 1938, but even at this level it is higher than the average death rate of natives working in the Transvaal mines, which fell from 7.59 per 1,000 in 1937 to 5.36 per 1,000 in 1938. There would, therefore, seem to be a strong argument for avoiding haste in increasing the employment of men from the tropical districts, particularly as the Governments of South Africa and Portuguese East Africa have prolonged for a further five years the Mozambique Convention for the employment of natives from the Portuguese colony in the Rand mines.

* * *

Italian Coal Imports.—Imports of coal and coke represent one of the largest items in the Italian import trade. In 1938, 12 million metric tons of coal and coke were imported, valued at 1,732 million lire, while the total value of Italian imports last year amounted to 11,124 million lire. The table below gives details of the origin of the Italian supplies of coal and coke in recent years:—

ITALIAN IMPORTS OF COKE AND COAL
(Thousand metric tons)

	1933	1934	1937	1938
Coal	8,790	11,781	12,573	11,817
From U.K.	4,747	4,614	1,999	2,233
„ Germany*.....	2,201	4,539	7,628	6,972
„ Czechoslovakia.....	1	...	705	540
„ Poland and Danzig	652	1,163	1,640	1,612
„ Russia	577	616	1	...
Coke	772	952	354	215
From U.K.	182	108	...	...
„ Germany*.....	253	414	199	115
„ Poland and Danzig	38	119	33	8
„ France	144	113	73	68

* Including Austria.

It will be seen that there has been a marked change in the relative importance of the different sources of supply between the pre- and post-sanctions periods. Since 1934, British exports of coal to Italy have been halved, while those from Germany increased by 50 per cent.; with the absorption of Czecho-Slovakia the importance of German coal will be further increased. Exports from Poland have also risen in the last two years, compared with the earlier period. In spite of this shift, however, the great bulk of Italy's supplies of coal continue to reach her through the English Channel, since both the Polish and German exports are shipped by sea from Danzig or Rotterdam. Only a very small quantity of Czecho-Slovakian or South German coal is sent overland on the long and arduous journey through the Alps by the Tarvis and Brenner passes.

INDUSTRIAL REPORTS

Iron and Steel

Sheffield.—Rather quiet conditions prevail in the iron market in contrast to the activity of the steel market, where pressure for supplies is difficult to meet in full. Business in forge and foundry iron is hampered by the absence of any pronouncement concerning prices, and buying is largely confined to small parcels for near delivery. Exceptionally, the demand for basic pig is very active, with forward business on a good scale. Hematite consumers are waiting for the lower prices which will operate next month. Bar iron demand is disappointing.

Supplies of heavy basic steel billets are inadequate. Producers are fully booked, and some have been compelled to decline further commitments for the present. Acid billets are also in rather short supply. Business in small steel bars, wire rods and structural steel is on a large scale.

Both Government and commercial orders continue at a high level, although international developments have hampered the latter during the last ten days. Steel production is being expanded to capacity, but demand is still ahead of supply. Some firms have enough orders on hand to keep them busy for many months.

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Middlesbrough.—The full production of semi-manufactured and rolled basic steel is readily absorbed and is insufficient for re-rollers' demands. Further quantities are being imported from the Continent. Government requirements are receiving first preference but commercial orders are being implemented as far as possible without delay. Sheet mills continue to run to capacity and other departments are fully occupied.

Trade in Cleveland foundry pig iron shows little change, while East Coast hematite pig iron is in very poor request until the new prices come into operation on July 1st. Although some hematite furnaces are working on slack blast there is a tendency for stocks at makers' yards to increase.

There is no change in the position of heavy steel melting scrap, which is taken up as soon as it becomes available. The foreign ore position is unchanged and supplies of good Durham blast-furnace coke are available at the official prices.

*

Glasgow.—Business is moving fairly steadily. In the home market the household trade is quiet, but industrial demands are maintaining their improvement. In addition to the good trade with steelmakers and other buyers, there is a stronger demand from the railways. The shipping trade is also satisfactory on the whole, with a good increase continuing in respect of cargo business. Little change has taken place in prices during the week, but there is an easier tendency due to seasonal influences. There has been some short-time working in Lanarkshire owing to the contraction in household business, but most other districts have been steadily employed.

Glasgow.—Further contracts for Clyde shipbuilders are announced this week, the most important being that for the aircraft carrier which Messrs John Brown and Company, Limited, of Clydebank, are to build. In Glasgow and the West of Scotland steel plants are running to capacity except where supplies of raw material are inadequate. This difficulty is, however, being overcome by increased shipments from abroad. Pressure for delivery from users of every description of steel is severe, and it is practically impossible to buy material for early delivery. A large amount of new business has been placed within the past week and inquiries are numerous.

News from Abroad.—Most buyers, after having purchased considerable tonnages during the last few months, have sufficient stocks and turnover has been slightly lower, but current requirements for a number of products, particularly sheets, are still on a large scale. Belgian producers, who are doing the bulk of the export trade, expect that the favourable situation will be maintained for many months, and a number of works are already booked up almost to the end of the year. The Belgian works are anxious to foster their sales of finished goods, for current orders are for relatively large quantities of semi-products. The British demand for the latter has remained as keen as ever, and other countries, including Japan and Scandinavia, are buying in this market.

Prices have remained firm, and even in the Far East, where American offers cause disturbances in the market organisation, there has been an improvement in prices recently. Quotations for thin sheets, wire rods and castings have shown a particularly sharp advance. Low-priced American offers are effective in the market for ship steel. Although delivery times range from about seven to ten weeks, an official upward revision of the price level by the Cartel is less persistently canvassed than several weeks ago. Rebates on official prices are granted, if at all, to a limited extent on sections and merchant bars.

Textiles

Cotton (Manchester).—In some sections of the industry producers are very busy and early delivery is not easily obtained, but in other branches it is difficult to sell current output. The chief activity is in the coarser end of the trade. Comparatively minor fluctuations have taken place in raw cotton rates. Confusion with regard to the future action of the United States Government is still as great as ever, but it is probable that the export subsidy appropriation will be considered by the House of Representatives before the end of the week. The progress made with the scheme for the exchange of cotton for rubber between the British and United States Governments is discussed on page 734.

It now seems probable that the price agreement for 42's American welt, which expires at the end of this month, will be renewed, for at a meeting of the members this week there was only one dissident. The Executive Committee will report on the position after a further meeting on June 29th. The better demand in the yarn market has been maintained and a persistent inquiry has been experienced in the cloth market from home and export buyers. Fair prices have been fixed for Government contracts and some substantial orders have been given out.

*

Wool (Bradford).—Activity in the wool textile industry has been greater during the past fortnight than at any time within the past twelve months, due mainly to Government orders. More machinery is running and nearly all plants are working full time. Khaki requirements affect crossbred wools far

(Continued on page 745)

COMPANY MEETINGS

OTTOMAN BANK

EFFECTS OF DISTURBED EUROPEAN CONDITION ON THE BANK'S AFFAIRS

DISINCLINATION OF CAPITAL TO ENGAGE IN LONG-TERM COMMITMENTS

FRANCE'S RALLY LEADS TO RETURN OF CONFIDENCE

ADVANCE IN BANK'S PROFITS DESPITE UNFAVOURABLE ATMOSPHERE

CASH POSITION MAINTAINED AT HIGH LEVEL

RECORD YEAR FOR AGRICULTURAL PRODUCTION IN TURKEY

SIR HERBERT LAWRENCE'S ADDRESS

The annual general meeting of shareholders of the Ottoman Bank was held, on the 20th instant, at Winchester House, Old Broad Street, London, E.C.

General The Hon. Sir Herbert A. Lawrence, G.C.B., presided.

Mr W. Stewart McKim (secretary to the committee) having read the notice convening the meeting,

The Chairman said:—Ladies and Gentlemen,—I have been informed that this meeting is properly constituted, and I presume it is your pleasure that the report and balance sheet circulated among you should be taken as read. (Agreed.)

THE LATE MR BARRY

Only a few days after our last general meeting the bank suffered a most grievous loss by the death of Mr Barry. Mr Barry was appointed to the managership of the London office in 1898, and retained that position when he was elected to the committee in 1909. He identified himself completely with the bank up to the day of his death. He contributed greatly to the prestige of our establishment by his rare qualities as a banker, his judgment, and the respect which he justly enjoyed in the City. We shall always have a loyal regard for his memory.

The career of Monsieur de Cerjat, who does not offer himself for re-election, resembles that of Mr Barry in many respects and was also entirely devoted to the service of the bank. He joined the staff nearly 45 years ago, and, after rapid advancement, first in France and then in Turkey, was appointed manager of the Paris office in 1903 and a member of the committee in 1911. He fulfilled his functions with distinction and devotion, notably in the difficult days of the Great War. He resigned his executive office in 1923, but remained a valued colleague on the committee. In his retirement he carries with him our affectionate esteem.

Monsieur Roudy, whose resignation is announced in the report, had been for eight years a member of the committee, during which time we learned to appreciate the soundness of his judgment and his technical and administrative abilities. It is a pleasure to me on this occasion to thank him for the readiness with which he in all circumstances placed his qualities at our service.

THE PAST YEAR

There is, doubtless, no need to remind you of the serious events which marked the year 1938. The spreading of the Chinese-Japanese war, the continuance of the civil war in Spain, the suppression of an independent Austria, followed almost immediately by the tension between the German Reich and Czecho-Slovakia—from which a general conflagration promised to ensue, until the Munich Agreement detached the Sudeten territory—in short, the steady collapse of that order which was instituted in Europe by the treaties of 1919 without any sign of a peaceful means whereby a new equilibrium could be reached—all this is still in your minds. I should not have felt obliged to refer to these events at the beginning of my remarks if it were not a fact that in the world to-day political factors contribute at least as much as economic factors in determining the general conditions in which an institution such as this conducts its activities.

Certainly the industrial and commercial recession which has been felt since the middle of the year 1937 is not comparable either in duration or gravity to the great crisis of 1930. Barely a year after its appearance it was possible to discern in the figures of industrial production and foreign trade, as also in a better price tendency, some symptoms of a recovery, discounted by Wall Street, which was supported further by a universal abundance of crops. But though a rift in the political clouds during the autumn was enough to encourage the movement, it is hardly to be expected that it can continue so long as international anxiety prevails.

PARALYSING THREATS OF WAR

These continual threats of war paralyse all spirit of enterprise. Capital is everywhere disinclined to engage in long-term commitments. It turns, seeking an escape from recurring risks, from one currency to another, when it does not sterilise itself in gold. These sudden migrations of capital exercise a steady pressure on all currencies and in the end succeed in weakening the soundest of them. Last year the pound sterling, which is the currency of your balance sheet, experienced a depreciation up to 7 per cent. in terms of the dollar and of other foreign currencies which are, freely or artificially, maintained at their gold parity. The franc, which, as you are aware, is the currency in which a part of our assets are represented, fell by 18 per cent. between January 1st and May 5th, when the rate of 179 was fixed as a limit beyond which it should not be allowed to fall. The return of confidence brought about by the remarkable rally of France in the face of external danger later resulted in considerable repatriations of funds, and thus materially assisted the franc.

These threats of war are the sole cause also of the weakness and instability of the great stock markets. In particular, the heaviness of the best State funds may be explained by the prospect of large and continual borrowings rendered everywhere inevitable by the increase in expenditure on armaments.

BUSINESS DIFFICULTIES AND PROBLEMS

The business of our bank and its subsidiary and allied institutions is faced with difficulties of a special nature, working as we do in countries which are exporters of primary commodities and therefore dependent upon world prices. Moreover, some of the countries in the Near East export commodities for which sufficient markets cannot be found, even at world prices, in countries with a free exchange. As a result they have been forced to look to Germany—and to a lesser degree to Italy—to find a remunerative outlet for their products, and have concluded with those two totalitarian Powers a whole network of clearing agreements. The consequences for trade and the repercussions on currency questions, on which I dwell three years ago, are to-day recognised by all as one of the problems of the day which it is most necessary and most difficult to solve.

Meanwhile, until a remedy is found, these countries are more and more involved in the regime of restriction, control, and autarchy which the States in question have adopted as the means of mobilising permanently their resources of every kind. It is no more possible to

withdraw funds from Turkey than from Greece, Iran, Yugoslavia, or Roumania, or to make a transfer from one account to another without permission of the authorities.

EXCHANGE RATES OBSTACLES

Commercial operations with foreign countries are conducted by way of compensation, involving ever-widening differences between the exchange rates adopted and the official rates, and this is by no means one of the smallest obstacles to the regular service of the old financial debts. The consequence has been the progressive disappearance of all international credit in its traditional form, whether at short or long term. From the monetary point of view the practice of multiple rates is becoming general, implying varying purchasing powers, or, if you like, varying percentages of depreciation dependent on the goods bought and the identity of the parties to the contract. The prices of the chief agricultural and mining products have been driven by German purchases to fictitious levels, and their exaggeration in relation to prices on the free markets is the measure of an unacknowledged devaluation.

THE SEPTEMBER CRISIS

Again, it is not surprising that an alarm such as that of last September should have caused almost everywhere withdrawals from the banks. The most critical period, fortunately, only lasted some days and most monetary and banking systems were sufficiently flexible to withstand the strain without moratorium or accident. None the less, the fact remains that credit establishments were obliged to exercise the greatest prudence precisely at the season when the business campaign was at its height, which is normally the most productive part of the year.

In spite of so unfavourable an atmosphere, our profits, reaping the benefits of reorganisation carried out by your various managements, show a very perceptible advance on those of preceding years. In reality the results of our exploitation proper have been very much better than those shown by the published accounts, and have allowed us, without touching our reserves, to cover the depreciation in exchange and in investments which was caused by the circumstances which I have just mentioned.

Unfortunately—and this does not depend on ourselves—for certain groups where the efforts made have met with the best results, it continues to be impossible or almost impossible to obtain the transfer of profits earned.

But for this factor, which is of especial importance in such a field of action as ours, we should have been in a position to envisage a substantial increase of dividend instead of maintaining it at the previous figure, as will presently be proposed.

As my remarks on the general situation apply to all our groups, it will be possible to be brief in reviewing the conditions peculiar to each.

CONFIDENCE IN THE FUTURE OF TURKEY

For Turkey, the year 1938, the fifteenth anniversary of the Republic, will remain above all one of national mourning. In the name of all of you, I wish to express to the Commissary of the Government, who is present to-day, the respect and regret we feel for the great figure of Kemal Ataturk. Of the man and his work nobody is unaware. I may here be allowed merely to recall, as the most worthy tribute to his memory, that he was able to restore to the Turkish nation the deep sense of their national dignity. In this way and by no other means the new Turkey has been raised by its founder to the rank of a Great Power. At his departure no more worthy successor could have been found than his loyal comrade in the past struggles and the confidant of his thoughts. Our best wishes go to General Ismet Inonu in his responsible task. In his hands Turkey and her friends can view the future with confidence, whatever the uncertainties of the time.

Here I must add that to this bank, with its Franco-British committee and its roots established for over three-quarters of a century in Turkey, the arrangements in course of conclusion between Great Britain and Turkey and France and Turkey are a source of the keenest satisfaction. We all hope that the object which they have in view, the maintenance of European peace, will be attained and thus help to bring nearer the time when a solution to the economic problems of the world can be sought in a calmer atmosphere.

RECORD LEVEL OF AGRICULTURAL PRODUCTION

Agricultural production, especially that of cereals, reached record levels in 1938, thanks to irrigation works carried out by the Government. A fresh increase in livestock was also registered. In the industrial sphere, the plans already announced are in course of execution. Last year a mill for merino yarn was opened at Bursa,

and one for artificial silk at Guemlik. At Ismit a chlorine plant is in course of construction.

Out of the British credit of sixteen million pounds, to which I referred last year, ten million pounds was destined for productive equipment, and Turkey proposes to make use thereof to carry out a new plan, extending over four years, which includes the construction of ports and the purchase of ships. The German Government shortly afterwards opened to the Turkish Government a commercial credit of one hundred and fifty million reichsmarks.

So vast a programme of industrialisation entails heavy purchases of material abroad. This explains the fact that, whereas imports and exports taken together represented in 1938 a value higher than that of 1937 by 17 per cent., the percentage of increase amounts to 31 per cent. for imports and only 5 per cent. for exports. Thus there reappears a deficit in the trade balance, estimated at four million eight hundred thousand Turkish pounds, which really, under the system of clearings, does not signify an outflow of funds, but expresses an indebtedness in products of the country.

Railway receipts, which reflect home trade, increased by 25 per cent., though the length of railways under exploitation only increased by 3 per cent. Suspensions of payment, however, were more frequent than in 1937, and still more than in 1936, and accounts due from Anatolia seem less easy of recovery.

RESTRICTION OF PUBLIC PURCHASING POWER

It may be that the stagnation of trade in manufactured goods in particular denotes a certain restriction of the purchasing power of the population. The rise in the cost of living doubtless accounts for much; the public authorities are therefore concerning themselves with reducing prime costs, while in the matter of sales, any departure from fixed prices has been made illegal.

In a statement of accounts published by the Central Bank, the Bill Portfolio, from the end of one year to the end of the next, rose from fifty-one million five hundred thousand Turkish pounds to ninety-seven million four hundred thousand Turkish pounds. This may be taken as the cause for the expansion of the note circulation from one hundred and sixty-eight to one hundred and ninety-four millions between the same dates. This expansion has resulted in an easing of the money market and the official discount rate, which had been at 5½ per cent. since March, 1933, was reduced to 4 per cent. on July 1, 1938. Since this date also a law which directly affects the banking industry, restricts to 8½ per cent., as against 12 per cent. formerly, the interest charged on most lending operations.

NATIONAL DEFENCE EXPENDITURE

Although the requirements of national defence have now brought the Budget of public expenditure to the unprecedented figure of some three hundred millions of Turkish pounds, the estimated revenue to meet it has easily sufficed to balance this expenditure, and, though the revenue surplus is no longer what it has been in recent years, it has nevertheless been possible to effect reductions in taxation.

It will be readily understood that in Turkey, as elsewhere, it has only been possible to cover extraordinary credits by the issue of bonds or by internal loans. The external debt also will be increased by bonds issued for the purpose of indemnifying the electricity and tramways of Istanbul, a concern which was taken over at the turn of last year. Our establishment has been charged with the service of these bonds.

THE BUDGETARY SITUATION

While the budgetary situation in Turkish pounds remained as a whole satisfactory, the Treasury, in the early months of 1938, suffered a reduction in its balance of foreign currencies for the general reasons already explained.

It will be recalled that at the date of our last general meeting negotiations on the subject of Turkey's external debt had begun between the Turkish and French Governments. These resulted on July 18, 1938, in a revision of the Agreement of April 29, 1936. Henceforth the total amount of the coupons is payable in goods, and the task undertaken by the Société Commerciale Franco-Turque is correspondingly increased. Since the same measure is to be applied to the various repurchase annuities, the annual economy in foreign currencies to be realised by the Turkish Government may be estimated at the equivalent of five millions of Turkish pounds.

CO-OPERATION WITH NATIONAL AND FOREIGN BANKS

As you are aware, we ourselves, in February, 1938, helped the exchange situation by a readjustment of our temporary credit to

the Government. It may be said generally that the relations of the bank with the authorities continue to be those of close mutual confidence.

It is an evidence of the activity displayed by our general management for Turkey and by all the branches there, both in the way of increasing their resources and by obtaining better results through co-operation with the other national and foreign banks, that the results in local currency of the group rose this year to a level which affords the greatest satisfaction. It may even be difficult for them to maintain this standard in the near future if shocks such as those of September, 1938, and March, 1939, with all their repercussions and the precautionary measures which they impose, should constantly throw their programme out of gear.

POSITION IN EGYPT

In Egypt the past year was one of particular difficulty, owing not only to the world political situation but to the influence of a number of local factors.

The draft budget for 1939-40 estimates expenditure at forty-one million eight hundred and forty-seven thousand Egyptian pounds and revenue at forty million two hundred and forty-seven thousand. The latter figure includes three million Egyptian pounds, which is the estimated yield of the new income tax and other new taxation. It is proposed to meet the deficit of one million six hundred thousand Egyptian pounds by drawing on the reserve fund.

Foreign trade contracted sharply, and for the first time in a number of years shows an unfavourable balance. Imports in 1938 amounted to thirty-six million nine hundred and thirty-four thousand Egyptian pounds and exports (including re-exports) to thirty million one hundred and twenty-five thousand Egyptian pounds. In 1937 the figures were: Imports, thirty-eight million and thirty-seven thousand Egyptian pounds; exports, forty million six hundred and thirty thousand Egyptian pounds.

COTTON CROP

The heavy drop in the export figures was mainly due to the fall in quantity and price of the exported cotton, which was valued at twenty-one million one hundred and ninety thousand Egyptian pounds, against twenty-nine million and two thousand Egyptian pounds in 1937.

The 1938-39 cotton season has been a bad one for the cultivator, and it is estimated that the crop will only be some eight million cantars, compared with a record crop of eleven million cantars in the previous season. It is expected that this small crop, together with the one million five hundred thousand cantars carried over from the 1937-38 season, will be exported by the end of the current campaign. Exports during recent months have maintained satisfactory levels, and stocks of cotton in Alexandria at June 1, 1939, were only two million four hundred and seventy-five thousand cantars, as against three million and thirty-three thousand cantars at the same time last year.

Negotiations have taken place for the renewal with modifications of the Charter of the National Bank of Egypt. This is a matter of great importance to Egypt, and it is earnestly to be hoped that the decisions reached will enable the bank to continue its role of issuing bank and banker to the Government as successfully as it has done in the past.

Prices on the Egyptian Stock Exchange, as elsewhere, have been seriously affected and stocks and shares of all classes have fallen sharply.

It will be understood that in Egypt the year 1938 was extremely difficult from a banking point of view, yet our branches in Egypt were able to improve their earning capacity, although compelled to adopt a policy of caution.

PALESTINE

In Palestine unrest continued, with an increase of terrorism in the second half of the year. Periods of curfew and insecurity seriously interfered with trade, and Arab businesses in particular suffered greatly.

Imports, excluding military stores, amounted to eleven million five hundred and sixty-five thousand pounds, against fifteen million four hundred and thirty-five thousand in 1937, while exports were only five million pounds, compared with five million eight hundred thousand in the previous year. Currency in circulation stood at five million five hundred thousand pounds at the end of the year.

The citrus export season opened with prices at a satisfactory level, but prices realised after Christmas barely covered the cost of production and shipment. Towards the end of the season a distinct

improvement set in, and all things considered, the season has not proved at all a bad one.

From a profit-making point of view, our Palestine branches suffered from the stagnation of business in general and from the necessity of pursuing a policy of extreme caution. In Transjordan conditions and business remained more or less normal.

SITUATION IN IRAQ

In Iraq the political situation was quiet throughout 1938; the frontier treaty with Iran and a non-aggression pact between Iraq, Turkey, Iran and Afghanistan were both ratified.

Ordinary revenues for the year ending March 31, 1938, amounted to six million one hundred and eighty-five thousand Iraq dinars, and expenditure to five million one hundred and sixty-nine thousand Iraq dinars, while for the remaining nine months of 1938 the figures were: ordinary revenues, four million two hundred and forty-one thousand Iraq dinars; expenditure, three million eight hundred and fifty-three thousand Iraq dinars. The dinar is equivalent to the pound sterling.

Beyond the ordinary expenditure there is a "Five-Year Plan" for public works, involving more than eight million pounds. The sums already spent on this plan have exceeded estimates, and measures of retrenchment have become necessary. The general position, however, is considered sound.

OIL ROYALTIES

Oil royalties totalled about two million Iraq dinars. Imports in 1938 amounted to nine million three hundred and sixty-one thousand Iraq dinars against nine million five hundred and sixty-six thousand in 1937, but exports fell off badly owing to the depressed condition of those foreign markets which purchase Iraq produce. Exports amounted to three million four hundred and seventy-two thousand Iraq dinars, against five million five hundred and seventy thousand in the previous year, both figures excluding oil.

Wheat and barley exports were considerably lower, and a larger quantity of the 1938 crop remained in the country at the end of the year. Date exports were down in quantity and value, and the wool season was a bad one, owing to lack of demand from the United States of America. In spite of the reduced trade of the country, our branches had a very satisfactory year and handled a large portion of the available banking business.

EXPLOITING NATURAL RESOURCES OF IRAN

In Iran the Government continued to spare no effort in developing agricultural and industrial production and in exploiting the natural resources of the country. The greatest achievement, of course, has been the completion of the Transiranian Railway, running from the Caspian Sea to the Persian Gulf and covering a distance of one thousand four hundred kilometres. The cost of this enterprise, twenty-eight million pounds, has been met from revenue without recourse to foreign loans.

Foreign trade and exchange continued to be controlled by the Government, and the activities of our establishment have been limited to the purchase and sale of internal bills, the profits from which cannot at present be remitted from Iran.

PROSPEROUS YEAR IN CYPRUS

The Colony of Cyprus had a prosperous year, total revenues amounting to one million and twenty-three thousand pounds and expenditure to nine hundred and eighty thousand, compared with revenue nine hundred and sixty-seven thousand, nine hundred pounds, and expenditure eight hundred and sixty-three thousand, eight hundred in 1937.

Imports increased from £2,219,429 to £2,246,340, a rise of 1.21 per cent., while exports rose from £2,180,000 to £2,473,000, or by 13.45 per cent.

Crops did not come up to expectation, either in quality or in regard to the prices realised, and the greater prosperity was due to increased mining activity. Minerals exported were valued at £1,495,000 in 1938, against £1,127,800 in 1937 and £712,000 in 1936, while royalties and wages paid showed corresponding increases.

The higher wages earned reflected themselves in increased bank deposits, which are now estimated at about two million pounds in the Colony. Important water discoveries made during the year may prove of very considerable benefit to Cyprus. Our branches have participated to the full in the increased activity of the island, and have benefited accordingly.

Our offices in London and in Paris made their usual contribution to the profit and loss account, each in the measure permitted by the current conditions of its own money market. It now only remains for me to say a few words with regard to our affiliated banks.

AFFILIATED BANKS

The privilege of note issue granted to the Banque de Syrie et du Grand Liban was due to expire on March 31, 1939, and our filiate had been engaged for some time in negotiations with a view to its renewal. These negotiations resulted in the signing of two conventions, one with the Lebanon, dated May 29, 1937, the other with Syria on February 25, 1938. The former was ratified by the Lebanese Chamber and entered into force on April 1, 1939; the second has not as yet been ratified by the Syrian Parliament, but a decree of the High Commissioner has maintained provisionally the previous convention in territories outside the Lebanon. Following these agreements, the title of the bank has been changed to that of "Banque de Syrie et du Liban."

The extraordinary general meeting convened to make the alterations in the statutes necessitated by the change in name took the opportunity, with an eye to future possibilities, to authorise the increase of the capital up to sixty million francs. As a first step, the board of the bank at once increased the capital from twenty-five million five hundred thousand francs to thirty-eight million two hundred and fifty thousand francs by capitalising reserves and distributing one bonus share for each two old shares.

For the States of the Levant 1938 was a year of political stability and economic prosperity. Our subsidiary contributed to the latter with all the means in its power. New progress was witnessed in the circulation of its notes, which rose from four hundred and seventy-four millions of francs at the end of 1937 to six hundred and seven million millions at the end of 1938. The dividend for the year is fixed at seventy francs for each fully paid up share, against sixty francs last year.

YUGOSLAVIA

There are few countries whose balance of external payments has been so seriously affected as that of Yugoslavia, as a result of territorial changes in Central Europe. The extension of the German-Yugoslav Clearing Agreement first to Austria, then to the Sudetenland, resulted in depriving Yugoslavia of two of the chief sources of its free exchange. So far from being able, under these conditions, to take a further step towards a system of free exchanges, for the gradual return of which it had at one moment been possible to hope, the National Bank was compelled, in view of the paucity of its holdings of foreign currencies to strengthen existing exchange restrictions and to adopt the policy of being more and more sparing in the grant of transfer permits.

On closing its books and drawing up its balance sheet, the Banque Franco-Serbe, whose profits in dinars last year were more favourable than circumstances seemed likely to allow, was still without the necessary permission to repatriate these profits in francs. Although it is necessary in the meantime to hold them in suspense, our subsidiary was nevertheless able to pay the first statutory dividend of twenty-five francs per share; for 1937 a dividend of thirty francs had been distributed.

Similarly, the British-French Discount Bank, Limited, made satisfactory profits at its office at Athens and its agency at the Piraeus, but the transfer of those profits is subject to the exchange restrictions which still rule in Greece. The season was, however, favourable to wheat and tobacco, and the small deficit in the trade balance was partly compensated by invisible items, notably by some repatriation of capital.

ROUMANIA

In Roumania, our subsidiary, the Bank of Roumania, Limited, found trading conditions very difficult last year. Strict control of the exchanges and the various trade agreements militated against the free exchange of goods, while the low world-price of grain seriously affected the marketing of Roumania's bountiful harvest.

It is hoped that an increase in Anglo-Roumanian trade will result from the recent visit to Bucarest of the British Economic Mission and from the negotiations taking place between the two Governments.

The balance sheet recently published by the Bank of Roumania, Limited, discloses a position of high liquidity, and with its sterling resources unimpaired the bank is fully prepared to take its rightful place in assisting any revival of trade between Britain and Roumania.

BALANCE-SHEET ITEMS

Now, as regards our balance sheet, which is submitted to your approval, it shows a total of £25,765,000, almost the same figure as last year. It presents no special features beyond an increase in cash and a corresponding reduction in Government securities and bills in portfolio.

The strength of our cash position in each of the countries where we work has been consistently maintained at the high level the general situation required.

After deduction of all expenses and charges, and without taking into account profits which had not yet been remitted in the currency of the balance sheet at the end of the financial year, the accounts show a net balance of £76,741, which, with the sum of £37,498 brought forward from last year, makes a total of £114,239 at our disposal.

But I may repeat here what I said earlier in my remarks, that had it been possible to transfer into sterling all the profits earned in foreign currencies the balance available would have been substantially increased.

DIVIDEND MAINTAINED

Your committee proposes to distribute the same dividend of three shillings as for the past few years. If you are so good as to follow our recommendation, this dividend will be payable on June 26 in Istanbul, London, and Paris, free of all tax in Paris.

The report which you have before you gives details of the nominations on which you will be asked to vote. Monsieur Roudy having resigned his functions at the end of last year, we provided for his replacement, in accordance with Article 16 of the statutes, by nominating, subject to your ratification, Monsieur de Thomasson, who, like his predecessor, is a manager of the Banque de Paris et des Pays-Bas.

The committee further presents to you an administrator of the same establishment, Monsieur Oudot, to fill the seat which becomes vacant to-day by the decision of Monsieur de Cerjat not to seek re-election. I have no doubt that both these elections will have your unanimous assent, as also the re-election of those members of the Committee who have to retire this year in the ordinary way in accordance with the statutes.

TRIBUTE TO STAFF

Before ending I should like to express our special thanks this year to the staff of the bank who, in all ranks and in every group, gave proof of their devotion to the bank in the troubled days of 1938. I now beg to move: "That the report and accounts now read be received and adopted; that the dividend for the year ended December 31, 1938, be fixed at the rate of 3s. per share, and that this dividend be payable in Istanbul, London, and Paris on June 26, 1939." Before I put this resolution I shall be happy to answer any questions.

M. Charles Rist seconded the resolution, which, in the absence of questions, was carried unanimously.

The Chairman next moved: "That Monsieur Paul de Thomasson and Monsieur Emile Oudot be and they are hereby elected members of the general committee."

This was seconded by Sir John P. Hewett, G.C.S.I., K.B.E., C.I.E., and carried unanimously.

The Chairman then moved: "That Monsieur René Bechmann, Lord Hillingdon, Mr A. G. A. Jamieson, and Monsieur Charles Rist be and they are hereby re-elected members of the general committee."

Monsieur J. de Neufville seconded this resolution, and it was unanimously carried.

VOTE OF THANKS

Mr Gordon L. Jacobs: I am sure the meeting would like to thank the chairman for his very interesting speech. In the difficult days of international trading and international banking it is cheery to hear that perhaps more money has been made abroad and possibly, if the world returns to sanity, one day we may be able to get that money over here. Before putting the resolution I would like to express the very deep feeling of regret held at the passing of Mr Barry.

Mr A. Bradbery: I have very much pleasure in seconding the resolution.

The resolution was put to the meeting by Mr Gordon Jacobs and carried unanimously.

The Chairman: I wish to thank you on behalf of the committee for the remarks you have made and fully endorse every word you have said about the loss suffered by the death of Mr Barry.

The meeting then terminated.

"SHELL" TRANSPORT AND TRADING COMPANY, LIMITED

STRONG FINANCIAL POSITION: DISTRIBUTION MAINTAINED

The annual general meeting of the "Shell" Transport and Trading Company, Ltd., was held on the 20th instant, in London.

The Right Hon. Viscount Bearsted, M.C. (the chairman), in moving the adoption of the report and accounts, first referred to the loss sustained in the death of Sir Henri Deterding, who, he said, had been one of the prime factors in bringing the undertaking to its present pitch of prosperity.

Dealing with the operations of the year, he said that the balance of profit and loss account, after providing for the dividends on the first and second preference stocks, was £5,995,794, as against £5,954,330. Two interim dividends amounting to 3s. 6d. per £1 unit, tax free, had already been declared, and the board now recommended a final dividend of 6d. per unit, tax free, leaving £206,668 to be carried forward, as against £165,204 brought in.

The explanation of the directors' departure from their usual practice in declaring a second interim dividend was simple. In these uncertain times they had thought it an undue responsibility to withhold the accumulated profits from the shareholders until the normal date of payment in July. They had therefore decided to distribute at an earlier date such an amount as they knew they could safely rely on being available, and the third and final dividend brought the total distribution up to last year's level. He would again draw attention to the soundness of the financial position with assets of upwards of £53,000,000, whereas creditors amounted to only £230,363.

The Company's tanker fleet had continued to work to full capacity. During the year 24 new ocean-going tankers had been added to the fleet, and it was expected that during the current year a further 24 ocean-going tankers would be added, thus maintaining an appropriate ratio between owned and chartered vessels.

GREAT BRITAIN'S INADEQUATE ROADS

He made no apology for referring once again to the road problem. Year after year the roads of this country were not only falling further behind the best modern standards, but were also becoming increasingly and more dangerously inadequate for the traffic they were called upon to carry. Whereas at one time Great Britain was recognised as a leader in road improvement, to-day they had fallen sadly behind and had nothing to match recent developments in many other countries. Nobody who had visited foreign countries could have failed to have been impressed with what they were doing in the way of road construction, or to realise what improvements in our system of road communications were urgently necessary. They heard frequently references to the need for a "square deal" for one form of transport. This year motor users would pay more than £100,000,000 in taxation, or over 10 per cent. of the total national revenue, but the "bargain" which they got went from bad to worse. Inadequate road development was a false economy, as the roads constituted one of the few objects of public expenditure which could be described as directly remunerative. There was ample evidence that transport facilities created traffic. Not only was the state of the country's roads fast becoming the limiting factor in the progress of one of its healthiest industries, but their present inadequacy would prove a severe handicap in a time of emergency.

PRODUCTION

The group's total production had shown a falling off from last year, almost entirely due to Mexico. World production also showed a falling off, principally in the United States. The ascertained reserves in the United States were probably greater than ever, but restrictions on production had been widely put into force owing to decreasing consumption. One of the most remarkable occurrences in the United States in 1938 had been the new development, of which their Company had had its fair share, in Illinois, where new pools had been discovered. The outlook in the United States for 1939 could not, however, be described as encouraging, as, although gasoline consumption for the first four months showed an increase of about 5 per cent., industrial activity had not yet shown real signs of recovery, nor had the oil industry yet succeeded in finding an economic way of balancing production with demand for its products.

As to Mexico, the Company's financial interest in the Mexican Eagle Oil Company was comparatively small, but the group had a serious responsibility in the management of the affairs of that undertaking. A large part of the oil exported by the Mexican Government since the expropriation had apparently been disposed of

on a barter basis, but there was no doubt that the Mexican Government had derived less benefit than would have been the case had the oil companies been allowed to continue operating the properties. Although certain discussions had taken place between the Government of Mexico and a representative of the American, British, and Dutch oil companies concerned, it was too early to say that a settlement was even in sight.

The Company's operations in Venezuela had been conducted throughout the year under continued good relationship with the Government of that country, but certain legislative requirements had called for large expenditure, which had naturally added substantially to the cost of production there. Recently an increasing amount of exploratory and development work had been carried out in the eastern and central districts, which was beginning to bear fruit, and in order to participate in that important development they had acquired an interest in the concessions and assets of the Mene Grande Oil Company. They were also continuing active exploratory work on the concessions of the Venezuelan Oil Development Company. The group production in Venezuela last year was about 11,310,000 metric tons, compared with 10,280,000 in 1937.

NEW SOURCES OF SUPPLY

In order to ensure new sources of supply the board had turned attention to Colombia, where recent petroleum legislation of an enlightened character had offered encouragement to exploration and an indication of security in future years for production operations. Since 1936 an active campaign of exploration had been carried out, resulting in a number of concessions being obtained, and there was reason to hope that Colombia might take a more important place among oil-producing countries during the years ahead.

The Chairman concluded: "I should fail to do my duty to our excellent staff if I did not make some reference to their constant and unflinching devotion to the interests of the group. I would particularly refer to those who have carried on in China during the recent and, unhappily, still uncompleted troubles. We feel that their interests are in turn safeguarded by the companies who have provided both provident and pension funds for their ultimate security of livelihood."

"These are very troubling times, in which orderly development of purely business interests such as ours on purely business lines becomes increasingly difficult. I think I shall be expressing the feelings of you all when I express a hope that we may soon be able to return to a normal mentality. So-called 'war-prosperity' is a mere flash in the pan, bringing inevitable relapse as its aftermath, and as such can have no place in our aspirations."

The report, with the recommendation of a final dividend of 6d. per £1 unit, free of income tax, was unanimously adopted.

CHARTERLAND AND GENERAL EXPLORATION AND FINANCE COMPANY, LIMITED

The ordinary general meeting of the company was held, on the 21st instant, in London. Mr J. E. W. Lomas (chairman and managing director) said the balance of profit and loss account with the carry-forward of £8,776 made a total of £52,463, out of which the board proposed a dividend of 10 per cent. less tax, leaving to be carried forward the sum of £7,974.

Investments at cost or at middle market price at May 31, 1939 (or at directors' valuation where there was no quotation) which ever was the lower, were entered at £427,967 as against £438,949 last year. Debtors at £6,870 showed an increase of £4,392 and consisted almost entirely of an amount of income tax which the revenue authorities had agreed to refund.

Turning to the profit and loss account, on the credit side the revenue from interest and dividends on investments at £27,988 showed a reduction of £5,817 against last year's figure.

For several years past they had had an item on this side of the profit and loss account, "Net profit on realisation of Debentures, Shares, etc." This did not appear in the present account as, after consultation with the auditors, it was agreed that it would be more appropriately grouped with depreciation. Therefore, this year the debit for depreciation amounted only to £1,725.

With regard to the position of the company at May 31, if they took the quoted investments at the market price at that date and the unquoted at cost, or at directors' valuation, they had a total of £437,566. After adding cash and debtors and allowing for creditors, they had a total of £456,573, which represented a surplus of £96,573 over the issued capital.

The report and accounts were unanimously adopted.

GENERAL MINING AND FINANCE CORPORATION, LIMITED

DIVIDEND MAINTAINED—STRONG POSITION

The annual general meeting of the General Mining and Finance Corporation, Limited, was held in Johannesburg on June 6.

Sir George W. Albu, Bart. (the chairman), who presided, said that the corporation's revenue earning capacity from investments, namely, dividends, interests, and fees, had been well maintained and the strong financial position disclosed was eminently satisfactory. The net profit earned for the year, at £526,578, was £1,021 below that of the previous year, but with a slightly higher carry-forward of £132,149 from 1937, the total available profit, at £658,727, was £433 higher than that of the previous twelve months. For the third successive year the dividend distribution had been maintained at 25 per cent. Another sum of £200,000 had been allocated to general reserve, which brought the total of the reserve up to £1,000,000, and £10,000 had been allowed for taxation, leaving an amount of £132,583 to be carried forward.

Investments in stocks and shares in British, South African, and other Government and municipal securities, including participations, had been brought into account at the book value of £2,535,098. All investments under that heading, for which share market quotations were available, appeared in the books at or under cost, but in no case above the market prices ruling at the end of the financial year. Consequently the aggregate market value of these items was, at the date of the balance sheet, and still remained, greatly in excess of the book value.

In pursuance of the policy of greater collaboration with the Central Mining/Rand Mines Group, the latter company had purchased from the corporation during the year a large share interest in the West Rand Consolidated Mines, Limited, the whole of the proceeds of which had been utilised in the purchase by the corporation of 25,000 reserve shares in Rand Mines, Limited.

Sir George then proceeded to deal briefly with the corporation's principal interests—namely, Van Ryn Gold Mines Estate, Limited, West Rand Consolidated Mines, Limited, East Rand Proprietary Mines, Limited, Durban Roodepoort Deep, Limited, Phoenix Oil and Transport Company, Limited, Metal Traders, Limited, and Castor Lubricants, Limited.

WEST RAND'S RECORDS

The Van Ryn Gold Mines Estate had milled an increased tonnage during the year, but the working profit had decreased owing to a decline in recovery. Two dividends of 12½ per cent. each, amounting to 2s. 6d. per share, had been declared for 1938. Development of the upper leaders continued to be vigorously prosecuted, but the value and percentage of payability of the exposures had shown a declining tendency. The ore reserve as at June 30, 1938, amounted to 989,690 tons, with an average value of 2.6 dwt. over 36 in.

Further advances had been recorded during 1938 in the operations at the West Rand Consolidated. The tonnage milled had increased by 76,000 tons to a total of 2,126,000 tons, and the gross profit had improved from £1,198,358 to £1,234,497. The development programme, though less than for the previous year due to native labour shortage, had been sufficient to show a slightly improved ore reserve, which figure calculated at December 31, 1938, amounted to 10,750,000 tons of fully developed ore—an increase when compared with the previous year of 120,000 tons—the average value and stope width showing no change.

Although there had been an improvement in the native labour strength since the year end, the mine was still considerably below its requirements, and the full tonnage capacity of 220,000 tons per month could not be accomplished until the supply showed a further increase. The tonnage milled for the first four months of the year 1939 had increased by 95,000 tons to a total of 781,000 tons, compared with the same period of 1938, and the profit for that period was £436,630, as compared with £395,170. Since the year end development had been continued at approximately the same rate as for the previous year, with sampling results well maintained.

Sir George, in dealing with the future of gold in relation to the world's currencies, said that it was impossible to prophesy with any degree of certainty, but quoted leading passages from the letter recently written by the Hon. Henry Morgenthau, Secretary of the United States Treasury, in answer to certain important questions put to him, to the effect that the danger that gold would no longer be used as a medium of international exchange was so remote as to merit serious consideration.

BRITISH BORNEO TIMBER COMPANY, LIMITED

A SATISFACTORY YEAR

The nineteenth annual general meeting of the British Borneo Timber Company, Limited, was held, on the 19th instant, at 1-4 Great Tower Street, London, E.C., Sir Edgar J. Holberton, C.B.E. (the chairman), presiding.

Mr S. G. Sandeman (representing the secretaries, Messrs Harrison and Crosfield, Limited) having read the notice convening the meeting and the report of the auditors,

The Chairman said:—I think you will agree that the results which are before you to-day are satisfactory; 1938 was a year of acute international disturbance, to the influence of which our markets in the Far East were specially susceptible. It is therefore gratifying to your board to be able to repeat last year's dividend and to put before you a balance sheet which reflects further strengthening of the company's position.

Our holding of Government securities shows a reduction of £11,500 as compared with the previous year, but, on the other hand, our cash on deposit and on current account in London and the Far East amounts to some £42,000—that is to say, £15,000 more than last year. This may seem an extravagant policy at first sight, as this cash is earning very little interest, but in times such as we have all experienced in 1938 the advantages of a liquid reserve of cash, especially in the Far East, appeared to outweigh the disadvantages, and the opportunity was taken to provide the cash by a sale of a portion of our long-dated Government securities.

In this way, and indeed in the whole policy which we have pursued during the year under review, we have endeavoured to prepare your company to meet whatever may be coming, while at the same time keeping all the channels open by which business may be extended as soon as trading conditions allow.

The addition of £5,020 to capital expenditure represented the cost of a new launch, a new lighter and additional jungle railway material. These improvements in our equipment were laid down in pursuance of the policy outlined above, and will, I trust, be reflected satisfactorily in the profits in due course. The balance from working account is £24,421. This is £7,422 less than the previous year's balance, due to our having to curtail operations, with the result that we had a smaller volume of rough timber to market at a rather higher cost.

MARKET CONDITIONS

Last year I mentioned that production had up to that time been maintained at the high level of the previous year, but that we could not rely upon a continuance. Shortly afterwards, the imports of timber into Far Eastern markets were severely curtailed, and indeed for some time there seemed some possibility that shipments might have to be suspended for an indefinite period. In order to avoid any unwieldy accumulation of stocks, it was therefore necessary to close down certain of our camps. This unsettlement of our markets continued until late in the year, when I am glad to say that a substantial renewal of trade put us in a position to take steps to raise production again. Fortunately, we were able to provide buyers with their immediate requirements as we had stocks in hand.

Last year I gave you, with, I may confess, some little pride, a short recital of this company's achievement towards fulfilling its purpose—the development of the timber resources of British North Borneo. I was then able to tell you that in the preceding decade, the yearly cutting by this company and its sub-licensees had risen from 2½ million cubic feet in 1927 to 7 million cubic feet in 1937. It was therefore a disappointment, both to us in London and to our organisation in the East, to have to slow down operations deliberately, but circumstances beyond our control left us no prudent alternative.

With regard to the prospects for the present year, the rough timber production is gradually increasing, and the forward position with regard to sales is at the moment satisfactory. The operations of the saw mills, which also had to be restricted, will, I hope, soon be on full-time working again. In this connection I should say that we may have to face fairly soon the cost of augmenting the present milling plant in order to meet the increasingly keen competition of the many varieties of cheaply manufactured sawn timber which are now being imported competitively into this and some of our other markets, diverted thereto, perhaps, owing to restricted opportunities for disposal in its usual outlets. It is satisfactory to reflect that we are in a position to undertake any expenditure necessary without impairing the financial strength of the company.

The report and accounts were unanimously adopted.

FORSTER'S GLASS COMPANY, LIMITED

ORDINARY DIVIDEND 6 PER CENT. AND
5 PER CENT. BONUS

The twentieth annual general meeting of Forster's Glass Company, Limited, was held, on the 21st instant, at Winchester House, Old Broad Street, E.C.

Colonel Charles E. Ponsonby, T.D., M.P., the chairman, said: The net profit for the year, after meeting all expenses, amounts to £44,420, as against £53,573 last year, a decrease of £9,153 on last year's record figure. Out of the available balance of £60,982 the directors have transferred £15,000 to reserve, bringing this account up to £90,000, and recommend a distribution of a dividend of 6 per cent. and a cash bonus of 5 per cent. on the ordinary shares.

The decrease in profits arises from numerous different reasons. The first item, of course, is the decrease in the volume of sales. Last year sales reached a record figure. This year the sales are reduced by between 6 and 7 per cent. on last year, but with the exception of last year are the highest in the history of the company.

Your directors are satisfied with the result of the year's work, as it has undoubtedly been very difficult, owing largely to the unsatisfactory international outlook which causes lack of confidence on the part of buyers. In addition, last summer was not a very good one from the weather point of view, and certain of the goods manufactured by your company are dependent on suitable weather conditions. So far this year the weather has been kinder, and we have reaped the benefit.

Costs have gone up slightly during the year, and in addition we have carried out certain work in connection with A.R.P. Your company has also done its best to encourage its members to join the various Territorial Forces, with a satisfactory response, and is undertaking various commitments in making up the wages or granting allowances to employees in camp or training. All these are additional and somewhat unexpected charges on the company, and in addition we have for some time granted all our employees holidays with pay.

Sale prices during the year have remained more or less constant, as it is realised that by keeping prices stable as far as possible sales are encouraged.

The report and accounts were unanimously adopted.

BRITISH EMPIRE TRUST COMPANY,
LIMITED

POSITION STRONG AND SOUND

The thirty-eighth ordinary general meeting of The British Empire Trust Company, Limited, was held, on the 21st instant, at the Great Eastern Hotel, London.

Mr J. Davidson (chairman and managing director), who presided, said: The accounts cover a period of most disturbed and adverse conditions. While war in Europe has been averted, fears of war at the end of April last, when the accounts were made up, were acutely present. The result was that, for the most part, quotations of securities reached at the end of April the lowest for the year under review. It is a relief to the directors that the shrinkage only amounted to approximately 7 per cent. on the total investments, which has been made good out of reserves, leaving your capital intact with a reserve of £250,000 and, after paying the dividends recommended, a carry forward of £20,146 7s. 3d.

Another unfavourable feature of the year has been the low interest rates which have prevailed on the best classes of investments. This arises from various causes, but is probably mainly due to the relatively high prices, and consequent low yields for good securities due to the desire of investors in times of danger to hold such securities in preference to higher yielding investments involving more or less serious risks of capital depreciation.

In spite of these adversities, however, the directors are able to recommend dividends of 6 per cent. on the preferred ordinary shares and 8 per cent. on the deferred ordinary shares. The position of the company, in spite of all the untoward happenings of the past few years, remains strong and sound, and I am certain that if the troubles which afflict the world can be peacefully resolved we will recover much of the depreciation we have suffered.

After giving information on the position of the Dominion of Canada, the chairman said: During the past few years I have referred to various financial troubles in Canada, resulting from the difficult times which have been encountered. A good many of these troubles have been solved satisfactorily, but a notable exception is the debentures and bonds of the Province of Alberta.

The report was unanimously adopted.

GRIFFITHS HUGHES PROPRIETARIES,
LIMITED

STRONG FINANCIAL POSITION

The fifth annual general meeting of Griffiths Hughes Proprietaries, Limited, was held, on the 21st instant, at Salford, Manchester.

Mr Harry Marland, J.P. (the chairman) said: The liquid financial position of the operating company continued to be very strong indeed. The liabilities, including provision for the final dividend and also for taxation on profits for the year, totalled £157,000, as against liquid assets of £640,000.

In the home market considerable expenditure had been made on research, investigation and special advertising. It was hoped that considerable benefit would be derived in the future from these expenditures.

The overseas markets, numbering well over 100, had given the board very considerable anxiety, due to the unsettled state of Europe and the currency depreciation and restrictions in many markets. He stated the board felt confident that, given conditions even approaching normality of two or three years ago, vastly improved results would be obtained. The overseas business had been built up during twenty-seven years' intensive development, and to-day comprised a vast organisation of experts of many nationalities, an organisation which was not only unique in the calibre and quality of its personnel, but was absolutely unrivalled in this class of business.

Regarding dividend—if shareholders agreed to the board's proposal—it would mean that in five years since the business was made a public company, £1,137,500 had been distributed in dividends, equivalent to 57½ per cent. of the ordinary share capital and 5½ per cent. annually on the cumulative preference shares. £180,000 had also been placed to the general reserve.

The report and accounts were unanimously adopted, and the payment of the final dividend of 2½ per cent., less tax, was approved. The retiring directors, Mr Alfred Marland, Mr E. P. Carter and Mr W. L. Coulter, were re-elected, the auditors, Messrs Deloitte, Plender, Griffiths and Company and Messrs J. B. Boyd, Wrigley and Company, were reappointed.

BRITISH ELECTRIC TRACTION
COMPANY, LIMITED

INCREASED PROFITS

The forty-third ordinary general meeting of this company was held, on the 16th instant, in London.

Mr J. S. Austen (the chairman) said that he would begin his speech in the usual way by telling the meeting something which they already knew, which was that their profits had increased by £36,000 during the past year, and that that would have been more like £46,000 if it had not been for the 6d. increase in the rate of income tax. Of course, they had not approached the phenomenal rise in profits recorded in the previous year, but he thought he might say that they had come reasonably near it.

He had something fresh to tell the meeting. If to-day they were to buy £100 of the deferred stock at a price of £1,000, and if the company were to discontinue the custom of a stock bonus every year and, instead of doing so, were to distribute the income in cash, there would be enough to pay them 5.89 per cent.—practically 6 per cent.—upon the cost of £1,000.

That was really a very important matter, because he had more than once told them that the market price of their stock was more than represented by the value of their assets, but he had never before told them that the price of their stock was justified by the income of the Company. He made no apology for talking about the price of the deferred stock, because he knew that there were some who had to sell their bonus shares, but he would still like to say to those who were fortunate enough not to have had to do so that a man who had originally held £100 of that stock and had kept every bonus which had been declared now had £570 of stock, which was worth about £5,700, and was getting a cash dividend equivalent to 28 per cent. on his original £100 holding. In that value the future prospects of the Company were discounted, as the phrase was, on the Stock Exchange, or, as they might more properly say, no account was taken of the possibility of an increase of profits or dividend.

The Chairman proceeded to refer to the relatively greater efficiency of smaller undertakings such as those controlled by the British Electric Traction Company, as compared with larger undertakings. The report was unanimously adopted.

DECCA RECORD COMPANY, LIMITED

IMPROVED POSITION

The tenth annual general meeting of The Decca Record Company, Limited, was held, on June 9, at Southern House, London.

Sir Cyril F. Entwistle, K.C., M.P. (the chairman) said that the accounts for the year ending March 31, 1939, showed a profit of £50,012, compared with £30,658 in the previous year.

The net profits for the past three years were:—

1937	...	...	...	...	£273
1938	...	...	...	...	£15,080
1939	...	...	...	...	£32,321

The directors recommended that £10,000 be placed to general reserve and £20,233 carried forward. In view of the necessity of strengthening the finances, no dividend on the ordinary shares was recommended, although the earnings for the year were equivalent to 16 per cent. on the preference shares and over 50 per cent. on the ordinary shares, both less tax. The board hoped that it would be found possible for the current year to pay a dividend on the ordinary shares, in which case the preference shareholders would receive their maximum 16 per cent.

They had received a dividend from their associated company in America of £20,344, an increase of £9,615. Their liabilities had been reduced by £53,460. Their investment in Decca Records Incorporated stood at £72,909, and the market value at March 31st was £100,446. The turnover of the Decca Record Co. for the current year showed an improvement, and it was estimated that the net profits had been maintained at the level of last year. It was their belief that after years of decline the record business in this country had at last taken a turn for the better and that a process of recovery was under way. Whilst they were not looking for a recovery as rapid as that which had taken place in America, they did believe that the business here would follow the American pattern and that the next few years would witness a steady increase in demand, and they were, of course, doing all in their power to bring back the record industry to a state of prosperity. They had had to fight very hard to achieve the results which they were now able to place before shareholders, and they were confident of their ability to maintain their position in the industry.

The report was unanimously adopted.

TELEPHONE RENTALS, LIMITED

RECORD ANNUAL RENTAL

The tenth annual general meeting of Telephone Rentals, Limited, was held, on the 19th instant, at Southern House, London, E.C.

Mr Fred T. Jackson (chairman and managing director) said that once more they were in a position to report that all their subsidiaries, with one exception, had traded at a profit. In spite of the fact that industries generally, apart from firms engaged on re-armament work, had not had as satisfactory a year in 1938 as in 1937, their operating costs had obtained results which could be regarded as most satisfactory in the circumstances. At previous meetings he had laid stress on the importance of putting forward extra selling effort in bad times, and he believed they had achieved a certain amount of success in this direction, as their annual rental had reached a new high record. Trade generally was on the downgrade when they held their last annual meeting. It was now definitely on the up-grade once more, and the result achieved was better than he anticipated a year ago.

As far as the prospects of their English subsidiaries were concerned, for the year 1939, they were able to give a favourable report, on the basis of the business done during the first five months of the year, and there was no reason to anticipate, as far as one could foresee, that there would be any falling off in earning for the current year. The Australian Associated Company earned a substantial profit for the year ended December 31, 1938, but it was still following a conservative policy in the distribution of profits earned. As far as one could judge from the first five months of 1939 in Australia, they were well on the way to another successful year there.

At previous meetings he had stressed the importance of shareholders who were interested in various businesses availing themselves of the various telephone and other services offered by the company. The board had been gratified by the responses which had been made to this appeal, but they thought shareholders could do more towards promoting the further growth of the business.

With regard to the accounts, there was a substantial increase in

the dividends received from subsidiary and associated companies, amounting to over £12,000, and a small increase on dividends and investments. The net profit to be carried to the appropriation account amounted to £121,561, as compared with £110,492, being an increase of £11,069. An interim dividend of 4 per cent. had already been paid, and the directors now recommended a final dividend of 6 per cent., leaving £44,675 to be carried forward as compared with £42,583 brought in. The general reserve now stood at the satisfactory figure of £170,000, which included the transfer of £30,000 from the profit and loss appropriation account. The total reserve accounts now amounted to £248,164.

In conclusion, the chairman paid a tribute to all those employed in the Telephone Rentals organisation for their loyal co-operation during the year under review.

The report and accounts were unanimously adopted.

WILLOUGHBY'S CONSOLIDATED
COMPANY, LIMITED

EFFECT OF CRISES ON INVESTMENT VALUES

The ordinary general meeting of Willoughby's Consolidated Company, Limited, was held, on the 19th instant, in London, Colonel H. T. Fenwick, C.M.G., M.V.O., D.S.O. (the chairman), presiding.

The Chairman, in the course of his speech, said: Owing to the return of 2s. per share which was made to shareholders on August 19, 1937, the issued capital was reduced to £560,251 4s., divided into 1,400,628 shares of 8s. each, whereas before it consisted of the same number of shares of 10s. each. The unissued capital is £189,748 16s. in 474,372 shares of 8s. each.

The net profit for the year is £23,223 12s. 11d. The board recommend the payment of a dividend of 3d. per share, equivalent to 3½ per cent., and carry forward a credit balance of £7,201 9s. 8d.

Next taking the credit side of the profit and loss account, it will be seen that the profits secured in Rhodesia for the year under review, namely the profit on land and stands sales, balance of land, farm and ranching revenue, rents from town buildings and stands, less expenses and depreciation, amounted to £20,013 which is some £900 less than the previous year.

Revenue from mining claims, less expenditure, is shown at £2,572, an increase of £686 over the previous year. Dividends and interest amounted to £21,237, or £4,700 less than the previous year, which can be easily accounted for by the fact that we had paid back to the shareholders £140,000 in reduction of capital and had that amount less for investment purposes.

On the assets side of the balance sheet, the most important item is property and outlay, which is £304,843 compared with £305,605 in the previous year. I now come to the question of stocks and shares owned by the company to which your directors have given considerable thought. At the end of the year under review there was but a small shrinkage in value, namely £1,955, but very early in 1939 there took place, as you all know, crisis after crisis, and the shrinkage gradually increased.

Your board then decided to do what was obviously the right thing to do and decided to write off the large sum of £25,000, which brought down the book value of our shareholdings to a reasonably accurate valuation. That this action was justified you will realise when I tell you that on June 12th, the market value of our shareholdings was £278,029, compared with their value in our books of £274,857. In nearly every balance sheet published you will see the same result. It is in my humble judgment one of the most important and solemn duties which a board of directors has to perform, namely, by all means in their power to keep the capital of their shareholders intact, even by the stringent and disagreeable method of lowering the dividend. As you all know, even since the issue of this report there has taken place another crisis, in the Far East. This position as regards the general shrinkage of values your directors have squarely faced and we can only hope that the months ahead of us will cause us less anxiety and trouble than the last nine months.

Now as to the general position of affairs in Southern Rhodesia, which next year celebrates her fiftieth year as a separate entity. During the nearly fifty years that have elapsed since the British flag was first hauled up at Salisbury much has taken place. At the moment the Colony, the youngest of British Colonies, is fairly prosperous. One of the best rainy seasons on record has taken place and that invariably makes for prosperity. Both exports and imports are on the up-grade, and I feel convinced that an improvement in the world's political situation is the only thing required to improve the material prosperity and happiness of all.

The report and accounts were unanimously adopted.

GEORGE NEWNES, LIMITED

DIVIDEND MAINTAINED IN DIFFICULT YEAR

The forty-second annual general meeting of George Newnes, Limited, was held, on the 22nd instant, at the company's head office, Tower House, Southampton Street, Strand, London.

Sir Frank Newnes, Bt. (the chairman) said: The net profit for the year amounted to £108,338 10s., as against £117,868 13s. 6d. for the previous year. The reduction in the profits was caused by the increase in the cost of paper and the lower advertisement revenues of some of the company's publications due to the unsettling effect of the international situation. The full effect of these factors has been partly offset by the varied nature of the publications and certain economies that have been made. The directors propose to pay a final dividend of 5 per cent. on the ordinary shares, making 10 per cent. for the year, to allocate to the sick and pension fund £3,000, to the development fund £3,773, bringing that fund up to £22,500, and to carry forward the balance of £51,314 1s. 9d. to next year's accounts. C. Arthur Pearson, Limited, Country Life, Limited, and the Newnes and Pearson Printing Company, Limited, each have their own sick and pension funds, and the total sum allocated to these funds since their formation twenty years ago is over £200,000.

The earnings of C. Arthur Pearson, Limited, show a welcome recovery, the net profit being £35,228, as compared with £27,729 for last year. The earnings of Country Life, Ltd., have been adversely affected by the conditions previously referred to, the net profit amounting to £18,076, as compared with £22,748. Newnes and Pearson Printing Company has well maintained its turnover, but its plant with its battery of high-speed rotary presses is still capable of handling a considerably larger output.

THE PUBLICATIONS

Sir Frank Newnes then referred to the widespread nature of the company's activities, ranging from high-class and exclusive periodicals to popular fiction weeklies, almost every field of periodical journalism being catered for. He said: "Tit-Bits" has just celebrated its 3,000th number, easily a record for a paper of this kind. "Home Notes" circulation is higher than it has been for many years past, and this small-size publication has more than held its own against the advent of large-size publications of recent times. "Woman's Own," a large-size weekly printed in photogravure, has been a great success and now has a sale of over 500,000 a week.

Our important sixpenny women's magazines, "Modern Woman," "Modern Home," "Woman's Sphere" and "Miss Modern," each enjoy a wide popularity with readers and advertisers. In the pocket-size market, "Men Only" has met with much favour. Last week we issued "P.T.O.," another pocket-size magazine, at sixpence. The title is an abbreviation of "People, Topics and Opinions," which aptly describes its contents. "Amateur Gardening" still holds its pre-eminent position in the horticultural field. Country Life, Limited, has acquired "Gardening Illustrated," a paper held in high esteem among horticulturalists. "Home Gardening" and "Smallholder" continue to do well.

Sir Frank concluded by saying that the company was in an excellent position to benefit from any improvement in the general trade and prosperity of the country.

The report was unanimously adopted.

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	£ 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

SIAMESE TIN SYNDICATE, LIMITED

DIVIDEND OF 40 PER CENT.

The thirty-second ordinary general meeting of the Siamese Tin Syndicate, Limited, was held, on the 21st instant, at Winchester House, Old Broad Street, London.

Mr Kenneth O. Hunter (the chairman) said that, taking their operations as a whole, the mining revenue for the past year had amounted to £267,442, compared with £434,020. After charging the cost of mining operations and making provision for depreciation and amortisation there remained a balance of £87,674 at the credit of mining revenue account, compared with £226,669 in the previous year. In the general revenue account was charged the cost of transferred quotas, and after charging administration and other expenditure in the East they had a balance transferred to profit and loss account of £74,379. To that they added their investment income, less London office expenses, directors' remuneration, and provision for National Defence Contribution, the result being a net profit of £71,128 transferred to the balance sheet. The amount brought forward from 1937 was £9,756, leaving a balance available to be dealt with of £80,884. Out of that an interim dividend had been paid towards the end of the year 1938, and a further 15 per cent. in February last, together absorbing with Siamese dividend tax thereon £48,464, leaving for appropriation £32,420. Out of that the directors recommended the payment of a final dividend of 10 per cent., making 40 per cent. for the year, requiring £15,000, leaving a balance to be carried forward of £17,420, subject to Siamese dividend tax on the proposed final dividend.

With regard to the working results for the present year, their output for the five months ended May 31 was 719 tons, with an estimated profit of £48,855, the figures for the same period in 1938 being 789 tons, with an estimated profit of £39,371.

During the year 1938 steps had been taken with a view to improving the plants at their mines and providing cheaper power for the dredges. Those steps had proved very successful and during the current year they looked for a further reduction in their costs. The saving effected was such that it would enable the dredges profitably to work ground of a lower grade than was formerly possible.

The report and accounts were adopted.

BANGRIN TIN DREDGING COMPANY, LIMITED

PAST YEAR'S OPERATIONS

The 19th ordinary general meeting of the Bangrin Tin Dredging Company, Limited, was held, on the 21st instant, in London.

Mr Kenneth O. Hunter (the chairman) said that their total mining revenue amounted to £142,374, compared with £192,334 for the year 1937. The dredges had operated 79 per cent. of possible working time, and had worked an area of 3,642,500 cubic yards, as compared with 4,002,500 cubic yards. The output was 1,121 tons, compared with 1,164 tons in 1937, costs being somewhat higher at 3.36d. per cubic yard as compared with 3.01d. Proceeds for 1938 averaged £127 0s. 2d. per ton, against £165 4s. 9d. in 1937, and that fall in the market value of output was reflected in the reduced mining profit of £59,516, compared with £89,948 in the year 1937. The provision made in mine working account in respect of depreciation was £10,343, against £19,467 provided in the previous year, the directors having taken into consideration the extended working life of the mine. That was due, of course, to the acquisition of the New Sydney Siam area.

They had brought in £9,225 from 1937, and after providing for the interim dividend of 5 per cent. paid during 1938, together with Siamese dividend tax thereon, there remained a balance of £37,658 to be dealt with. The directors recommended the payment of a final dividend of 5 per cent., making 10 per cent. for the year, and they proposed to transfer the sum of £5,000 to taxation reserve and a further £5,000 to general reserve, leaving a sum of £12,658 to be carried forward, subject to directors' additional remuneration and provision for Siamese dividend tax on the proposed final dividend.

With regard to the working results for the present year their output for the five months ended May 31st was 361 tons, with an estimated profit of £28,871, the figures for the same period in 1938 being 545 tons, with an estimated profit of £37,456.

He was glad to be able to speak now from first-hand knowledge of their property, to which he had paid a visit in January. He had found their dredges, power house, workshops and equipment in first-class order.

The report and accounts were adopted.

GREAT UNIVERSAL STORES, LIMITED

NEW RECORD IN PROFITS

ENCOURAGING PROSPECTS

The twenty-first ordinary general meeting of the Great Universal Stores, Limited, was held, on the 16th instant, in London.

Sir Archibald Mitchelson, Bart. (the chairman) said:—You, with your directors, will be gratified by the position presented to you to-day. In my speech at the previous annual meeting I ventured a somewhat optimistic forecast of the results for the year now under review. I think you will agree that that forecast has been amply fulfilled. Further, whatever I may have said in this connection last year, I may say that, after the closest possible discussion with our managing director, we are equally confident in regard to the prospects for the current year, subject always to there being no major crisis or other developments to upset the normal course of our affairs. Considerable extensions have taken place in the scope of his business during the past year, and we are satisfied with the

(Continued from page 735)

more than merinos, and there has been an unusual call for crossbreds from New Zealand. The British new clip is also being bought freely in the hope that the bulk of it will be wanted for the same purpose. Domestic wools are selling at an average of 1½d. per lb. more than a year ago. The rise would have been even more had not the War Office fixed prices for khaki requirements.

During the past fortnight prices have stiffened, particularly for merinos overseas, and this is stimulating home markets.

THE COMMODITY MARKETS

THERE is still no definite trend in commodity prices; the increase in tension in the Far East and the very low level of wheat prices have counterbalanced the upward pressure which might have been expected from the high level of business activity in this country and on the Continent. The raw cotton market is still disturbed by uncertainty over future subsidies by the American Government, and the rubber market has been overshadowed by political uncertainty. With the exception of spelter, metal prices are all higher than last week; the price of standard cash tin rose on Wednesday to £229 5s. per ton. Wool prices remain firm with an upward tendency and the futures market for raw sugar has also hardened. Moody's index of wholesale prices in the United States has changed little in the week ending last Wednesday, dropping by 0.2 to 142.1 (December 31, 1931 = 100).

Metals

Copper.—After an early spell of weakness, the market recovered and the closing price of £42 3s. 9d. per ton showed a net gain of 6s. 3d. on the week. The market still benefited from the favourable May statistics, but the pending seasonal reduction in copper consumption is keeping demand down and thus prevents a major recovery in prices.

Tin.—The price of standard tin gained £1 15s. during the week, to close on Wednesday at £229 5s. per ton. This is the highest tin price since 1913, and it is only 15s. below

the upper limit of the pool. The pool has neither sold nor lent any tin to the market this week, but sales are to be expected if the price should rise further. Demand is not very active, and consumers, in view of the pool's holdings, do not find it necessary to carry stocks themselves. Simultaneously with the rise in price the backwardation widened this week and has now reached £4 5s. per ton, an unusually wide margin, which, however, is still much lower than the average backwardation in 1935. The favourable employment of the Welsh tinplate industry has resulted in the suspension of production quotas until the end of this year. According to the International Tin Research and Development Council, world consumption of tin totalled 50,100 (last year 53,100) long tons in the first four months of 1939, while production reached 44,700 (57,800) tons.

Lead and Spelter.—Lead gained 3s. 9d. to close on Wednesday at £14 15s. per ton, while spelter closed unchanged at £14 per ton, after having been weaker earlier in the week. Both markets remained comparatively idle, but the lead price was supported by a rise of 5 points to 4.70 cents per lb. in the United States price basis East St. Louis. The poor building returns for May proved an adverse factor for both lead and spelter. As far as spelter is concerned, however, sentiment improved in the closing days of the week on information that a meeting was held in Paris a few days ago between zinc producers to discuss the revival of the international zinc cartel.

Grains

WEATHER conditions in North America have been ideal for the growing wheat crop and estimates of the probable output of Canada and the United States may be considerably increased. Shipments from the Argentine continue on a large scale, and with the political developments in North China, the sales of Australian flour to the Far East have been checked. Consequently, there has been no reason for an improvement in wheat prices and Liverpool nearest future remains below 4s. per cwt. Demand for maize, while not large, is sufficient to absorb the Argentine shipments at about 23s. per quarter. The market in imported feeding barley remains steady.

Other Foods

Provisions.—Flour prices were reduced by 6d. per sack last week, a consequence of the renewed fall in wheat prices. The trade in eggs has improved and prices, particularly of British eggs, rose sharply during last week.

Colonial Produce.—Prices for refined sugar have remained unchanged, but in the futures market for raws there was a sharp advance for near positions, reflecting the doubts of the market over the arrival of the new supplies authorised by the International Sugar Council. The price of Accra cocoa continues to decline slowly, with very little buying interest.

Fruit and Vegetables.—The cooler weather has reduced the demand for soft fruits and salads, but sales of English strawberries, now available in large quantities, are quite satisfactory, and are affecting trade in other fruits less than is normally the case. Trade in old potatoes is almost over, and new potatoes are being delivered in sufficient quantities to bring down prices to a reasonable level.

Miscellaneous Commodities

Oils and Oilseeds.—The low level of wheat prices and the unfavourable political developments have affected trade in these commodities. Indian linseed is cheaper and there is hardly any business in Plate; the outlook for the new crop in the United States is satisfactory. Large quantities of Egyptian cotton seed are on the market and prices have touched the low level of £5 per ton for spot supplies. Linseed and cottonseed oil are also cheaper.

Rubber.—The market has been overshadowed by political developments and little business has taken place in the past week. American consumption continues at a satisfactory level and with some buying from the Continent, prices on the London market have held up well.

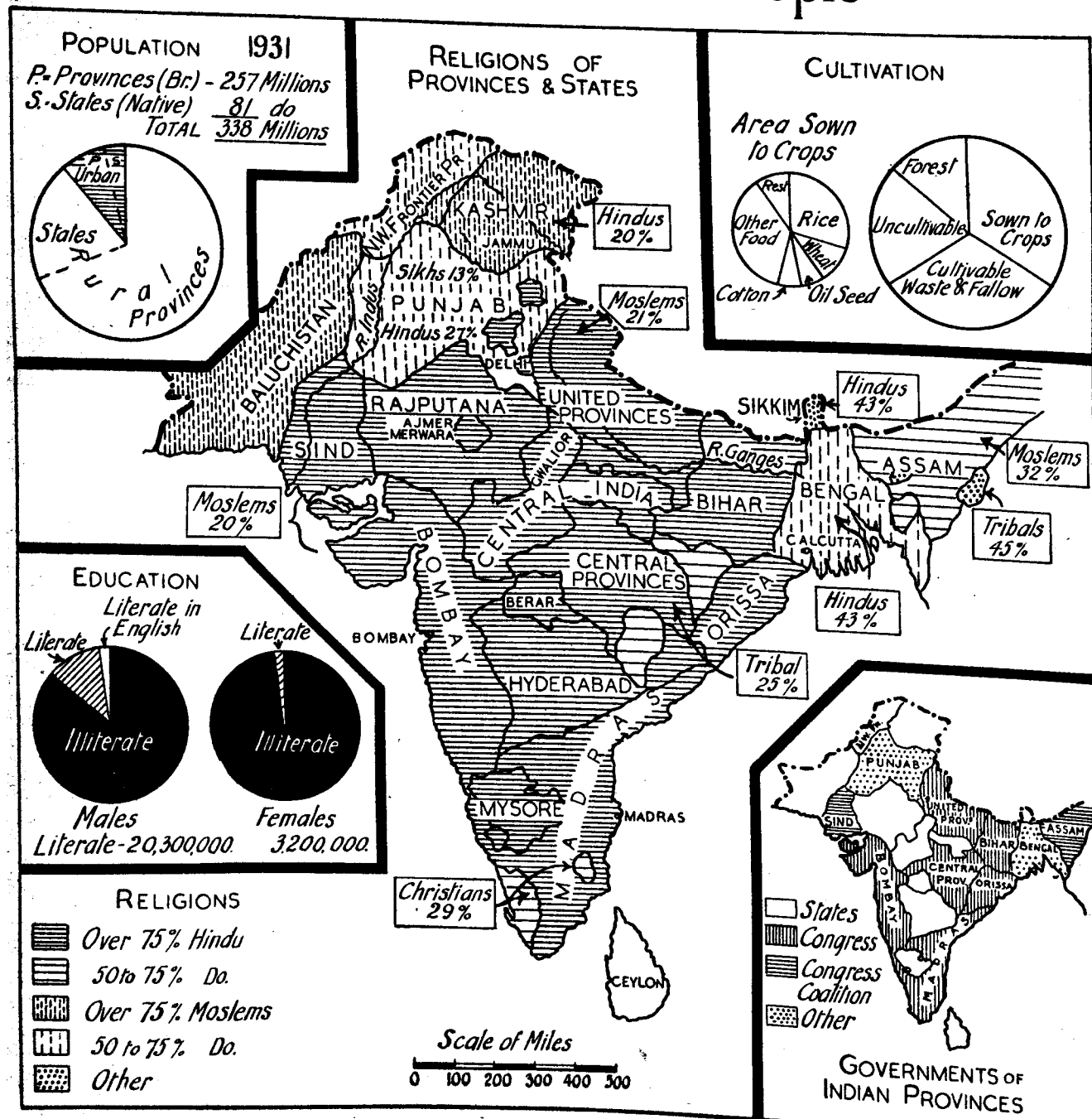
CURRENT STATISTICS

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India : Land and People



Finance

GOVERNMENT RETURNS

For the week ended June 17, 1939, total ordinary revenue was £13,922,000, against ordinary expenditure of £16,445,000, issues to sinking funds of £245,000, and issues of £6,000,000 under the Defence Loans Acts. Thus, including sinking fund allocations but excluding issues from defence loans, the deficit accrued since April 1, 1939, is £122,593,000, against £91,741,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	Apr. 1, 1938 to June 18, 1938	Apr. 1, 1939 to June 17, 1939	Week ended June 18, 1938	Week ended June 17, 1939
ORDINARY REVENUE				
Income Tax	10,405	10,207	15	15
Sur-tax	5,760	6,260	210	320
Estate, etc., Duties	15,000	15,620	1,490	2,270
Stamps	3,470	3,100	340	340
Nat. Defence Cont.	1,420	3,940	90	480
Other Inland Rev.	90	210	...	...
Total Inland Rev.	36,145	39,337	2,145	3,425
Customs	46,101	51,564	4,093	4,201
Excise	25,700	24,860	6,300	5,530
Total Customs and Excise	71,801	76,424	10,393	9,731
Motor duties	4,580	4,629	...	258
P.O. (Net Receipt)	4,760	6,060	200	250
Crown Lands	240	290	...	...
Receipts from Sundry Loans	364	356	...	...
Misc. receipts	1,199	1,086	1	258
Total Ordinary Rev.	119,089	128,182	12,739	13,922
SELF-BAL. REVENUE				
P.O. and Broadcasting	13,690	12,790	900	950
Total	132,779	140,972	13,639	14,872

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	Apr. 1, 1938 to June 18, 1938	Apr. 1, 1939 to June 17, 1939	Week ended June 18, 1938	Week ended June 17, 1939
ORDINARY EXPENDITURE				
Interest & Management of National Debt	73,921	74,391	2,272	2,195
Payts. to N. Ireland	1,189	1,235	...	...
Other Consol. Fund Services	458	395	89	...
Total	75,568	76,021	2,361	2,195
Supply Services	13,997	17,340	17,250	14,250
Ditto, plus loans*	13,397	17,940	17,250	20,250
Total Ord. Expend.	209,565	249,481	19,611	16,445
SELF-BALANCING EXPENDITURE				
P.O. and Broadcasting	13,690	12,790	900	950
Total	223,255	262,271	20,511	17,395

* Supply Services, after addition of issues under Defence Loan Acts.

After raising Exchequer balances by £180,683 to £2,737,086, the other operations for the week (as shown below, excluding issues from loans and to sinking funds) raised the gross National Debt by £8,948,000 to about £8,414 millions.

WEEK'S CHANGES IN DEBT

NET INCREASES (£ thousands)		NET REPAYMENTS, ETC. (£ thousands)	
Treasury Bills	7,570	P.O. and Teleg.	400
Bk. of Eng. Adv.	500	N. At. Shipping	27
Pub. Debt. Adv.	805		
Nat. Sav. Certs.	500		
	9,375		427

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to June 17, 1939, are shown below :—

(£ thousands)		(£ thousands)	
Ordinary Exp.	249,481	Ordinary Rev.	128,182
Issues under Def. Ln. Acts	6,000	Gross borr.	128,832
Inc. in balances	238	Sinking fds.	1,295
	255,719	Net borrowing	127,537
			255,719

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of Eng-land		
1938						
June 18 1938	585.0	303.4	40.1	...	928.5	343.5
Feb. 25 1939	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
" 18	356.0	505.7	41.8	...	903.5	547.5
" 25	366.0	503.2	43.4	...	911.6	545.6
" 31	892.4*	27.9	...	...	920.3	...
Apr. 8	387.0	510.8	34.4	...	932.2	545.2
" 15	394.0	511.7	35.4	...	941.2	547.2
" 22	402.0	498.0	39.1	...	939.1	537.1
" 29	409.0	498.7	50.8	...	958.5	549.5
May 6	419.9	513.0	42.1	4.5	978.6	555.1
" 13	429.0	510.2	44.6	...	983.8	554.8
" 20	439.0	506.2	43.8	...	989.0	550.0
" 27	449.0	505.6	44.7	...	999.3	550.3
June 3	459.0	535.3	41.1	...	1035.4	576.4
" 10	464.0	539.3	43.1	...	1046.4	582.4
" 17	469.0	541.9	43.9	0.5	1055.3	585.8

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

TREASURY BILLS

Date of Tender	Amount (£ millions)			Per Cent. Allotted
	Offered	Applied for	Allotted	
1938				
June 17 1938	50.0	80.5	48.0	11 5 68
Feb. 24 1939	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
" 17	40.0	73.8	40.0	10 1 32
" 24	45.0	57.9	45.0	14 7 44
" 31	45.0	55.8	42.0	25 6 72
Apr. 6	35.0	58.0	32.0	26 2 83
" 14	30.0	51.3	30.0	31 2 37
" 21	30.0	66.0	30.0	26 10 35
" 28	30.0	63.5	30.0	24 3 67
May 5	30.0	60.7	30.0	15 11 77
" 12	30.0	58.3	30.0	13 4 61
" 19	30.0	60.8	30.0	13 3 63
" 26	43.0	58.3	40.0	13 1 91
June 2	45.0	64.0	45.0	13 1 65
" 9	45.0	66.8	45.0	14 5 23
" 16	53.0	70.1	53.0	16 7 81

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 June 16th applications at £99 15s. 9d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted at to about 60 per cent. and applications at higher prices in full. Applications at £99 15s. 10d. for bills to be paid for on Saturday were accepted in full. £50.0 millions of Treasury bills are being offered on June 23rd.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
Twenty-two weeks to : June 4, 1938	14,802,611	11,101,956
June 3, 1939	13,720,979	10,290,697
Week to :— June 4, 1938	666,537	499,903
May 27, 1939	589,757	442,317
June 3, 1939†	524,735	393,551

† Five days only.

BANK OF ENGLAND RETURNS

JUNE 21, 1939

ISSUE DEPARTMENT

(£ thousands)		(£ thousands)	
Notes Issued :		Govt. Debt...	11,015,100
In circultn. 494,671,309		Other Govt. Securities...	288,175,656
In Bnkg. Department 31,615,752		Other Secs. Silver Coin...	98,282
			710,962
		Amt. of Fid. Issue	300,000,000
		Gold Coin & Bullion (at 148s. 5d. per oz. fine) ...	226,287,061
			526,287,061

BANKING DEPARTMENT

(£ thousands)		(£ thousands)	
Props. Capital 14,553,000		Govt. Secs. 112,631,164	
Rest 3,359,459		Other Secs. 6,485,199	
Public Depts.* 25,236,729		Discs, etc. 25,197,937	
Other Depts. 97,235,189		Securities 31,683,136	
Bankers 36,127,762		Gold & Silver Coin 582,097	
			176,512,149

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

THE WEEK'S CHANGES

Both Departments	Compared with	
	Amt. June 21, 1939	Last Week / Last Year
COMBINED LIABILITIES		
Note circulation	494,672	+ 281 + 11,399
Deposits : Public	25,237	+ 3,158 + 3,581
Bankers	97,235	+ 3,062 + 4,667
Others	36,128	+ 272 + 821
Total outside liabilities...	653,271	+ 456 + 7,523
Capital and rest	17,913	+ 41 + 32
COMBINED ASSETS		
Govt. debt and securities	411,822	+ 3,586 + 101,656
Discounts and advances	6,485	+ 853 + 985
Other securities	25,296	+ 2,301 + 4,667
Silver coin in issue dept.	711	+ 100 + 703
Gold coin and bullion†	226,869	+ 116 + 100,456
RESERVES		
Res. of notes & coin in banking department...	32,198	+ 397 + 12,855
Proportion of reserve to outside liabilities—		
(a) Bank, dept. only ("proportion")	20.3%	+ 0.3% + 6.8%
(b) Gold stocks to deposits and notes ("reserve ratio")	34.7%	+ 0.3% + 16.7%

† Revalued from Mar. 1, 1939, in accordance with the Currency and Bank Notes Act, 1939.

COMPARATIVE ANALYSIS*

	(£ millions)				
	1938 June 22	May 31	June 7	June 14	June 21
Issue Dept. :					
Notes in circ.	483.3	499.8	498.4	495.0	494.7
Notes in banking dept.	43.1	26.4	27.8	31.3	31.6
Govt. debt and securities	200.0	298.2	299.1	299.1	299.2
Other sec.	0.0	0.1	0.1	0.1	0.1
Silver coin	0.0	0.9	0.8	0.8	0.7
Gold, valued at s. per f. oz.	326.4	226.2	226.2	226.3	226.3
Deposits :					
Public	21.7	38.3	18.4	22.1	25.2
Bankers	105.5	82.4	100.6	100.3	97.2
Others	35.3	37.1	36.1	36.4	36.1
Total	162.5	157.8	155.1	158.8	168.5
Bkg. Dept. Secs.					
Government...	110.2	119.0	114.2	116.3	112.6
Discounts, etc.	5.5	8.0	7.8	5.6	6.5
Other	20.6	21.7	22.6	23.0	25.2
Total	136.3	148.7	144.6	144.9	144.3
Banking dept. reserve	44.0	26.9	28.4	31.8	32.2
"Proportion"	27.1	17.0	18.2	20.0	20.3
Reserve ratio†	50.7	34.5	34.7	35.0	34.7

* 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—The latest returns of the Bank of Greece appeared in The Economist of May 6th; Australia, Denmark, International Settlements and Portugal, of June 10th; Argentina, Bohemia and Moravia, Bulgaria, Estonia, Finland, India, Iran, Lithuania, Norway and Federal Reserve Reporting Members, of June 17th.

U.S. FEDERAL RESERVE BANKS

Million \$'s					
	June 23, 1938	May 25, 1938	June 15, 1938	June 22, 1938	June 22, 1939
12 U.S.F.R. BANKS					
RESOURCES					
Gold certifs. on hand and due from Treas.	10,636	13,283	13,421	13,466	13,466
Total cash resources	11,057	13,674	13,806	13,841	13,841
Total bills discounted	412	382	376	367	367
Bills pt. in open mkt.	10	4	3	5	5
Total bills on hand	10	5	4	1	1
Industrial advances	17	13	12	12	12
Total U.S. Govt. secs.	2,564	2,564	2,564	2,564	2,564
Total bills and secs.	2,591	2,581	2,580	2,582	2,582
Total resources	14,308	16,965	17,274	17,173	17,173
LIABILITIES					
F.R. notes in circ.	4,109	4,446	4,438	4,429	4,429
Aggregate of excess rr. bank res. over reqts.	2,780	4,300	4,260	4,230	4,230
Deposits — Member-bank reserve account	7,922	10,097	10,101	10,099	10,099
Govt. deposits	929	915	928	941	941
Cap. paid in and surplus	9,295	11,570	11,743	11,754	11,754
Total liabilities	14,308	16,965	17,274	17,173	17,173
RESERVE TO DEPS.					
F.R. notes	82.5%	85.4%	85.3%	85.5%	85.5%
U.S.F.R. BANKS AND TREASURY COMBINED					
RESOURCES					
Monetary gold stock	12,957	15,927	16,027	16,060	16,060
Treasury and Nat. Bk. currency	2,710	2,859	2,868	2,873	2,873
LIABILITIES					
Money in circulation	6,402	6,893	6,936	6,934	6,934
Treasury cash and deposits with F.R. Bks.	3,222	3,561	3,498	3,507	3,507

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

	June 23, 1938	May 25, 1938	June 15, 1938	June 22, 1938	June 22, 1939
Assets					
Gold	453.6	651.7	645.6	649.0	649.0
Bills discounted	3.3	1.3	0.6	1.4	1.4
Bills pt. in open mkt.	0.2	0.2	0.2	0.2	0.2
Total U.S. Govt. secs.	745.8	721.9	721.9	721.9	721.9
Total bills and securities	753.6	726.7	725.6	726.4	726.4
Deposits — Member-bank reserve account	3708.1	5517.0	5405.3	5433.9	5433.9
Reserve to depts. and F.R. notes	87.3%	91.1%	90.8%	91.0%	91.0%

BANK OF FRANCE.—Million francs

	June 15, 1938	May 15, 1938	June 8, 1938	June 15, 1938	June 15, 1939
Assets					
Gold	55,808	92,266	92,266	92,266	92,266
Bills: Commercial	6,730	9,565	9,884	9,035	9,035
Bought abroad	760	726	726	726	726
Advances on securities	3,520	3,396	3,468	3,468	3,468
Thirty-day advances	673	118	845	433	433
Loans to State without interest: (a) general	3,200	10,000	10,000	10,000	10,000
(b) provisional	40,134	20,577	20,577	20,577	20,577
Negotiable bonds	5,575	5,470	5,470	5,470	5,470
Sinking Fund Dep.	4,108	4,377	4,652	4,528	4,528
Other assets	99,414	122,132	121,287	120,215	120,215
Deposits: Public	3,258	4,299	5,592	5,864	5,864
Private	14,966	17,327	17,721	17,508	17,508
Other liabilities	2,872	2,837	3,288	2,917	2,917
Gold to sight liabilities	47.4%	64.1%	63.7%	64.2%	64.2%

REICHSBANK—Million Reichsmarks

	June 15, 1938	May 15, 1938	June 7, 1938	June 15, 1938	June 15, 1939
Assets					
Gold	70.8	70.8	70.8	70.8	70.8
Of which deposit abroad	20.3	10.6	10.6	10.6	10.6
Res. in foreign currencies	5.7	6.0	5.7	6.0	6.0
Bills and cheques	5387.5	7306.9	7176.3	7315.3	7315.3
Silver and other coin	227.9	161.5	153.2	189.9	189.9
Advances	64.7	35.0	34.1	44.9	44.9
Secs. for note cover	844.9	755.0	921.2	921.3	921.3
Other assets	1170.1	1582.6	1908.2	1155.7	1155.7
LIABILITIES					
Notes in circulation	5845.0	8006.4	8191.9	7998.1	7998.1
Other daily maturing obligations	1009.9	1059.9	1117.2	925.3	925.3
Other liabilities	252.2	563.9	579.1	599.1	599.1
Cover of note circulatn.	1.30%	0.96%	0.93%	0.96%	0.96%

NATIONAL BANK OF BELGIUM—Million belgas

	June 15, 1938	May 15, 1938	June 8, 1938	June 15, 1938	June 15, 1939
Assets					
Gold	2,777	3,088	3,153	3,153	3,153
Silver and other coin	53	52	51	54	54
Foreign exchange, etc.	742	509	639	671	671
Bills and securities	841	959	822	771	771
Advances	74	100	55	51	51
LIABILITIES					
Notes in circulation	4,109	4,445	4,438	4,409	4,409
Deposits: Govt.	15	36	9	14	14
Other	279	137	183	188	188

BANK OF CANADA.—Million \$'s

	June 15, 1938	May 17, 1938	June 7, 1938	June 14, 1938	June 14, 1939
Assets					
Reserve, of which	221.1	241.1	242.4	247.8	247.8
Gold coin and bullion	182.1	205.7	205.4	205.6	205.6
Securities	172.7	166.4	165.7	164.3	164.3
LIABILITIES					
Note circulation	154.8	166.4	166.5	165.6	165.6
Deposits: Dom. Govt.	36.6	24.1	25.8	32.5	32.5
Chartered banks	191.9	205.7	206.1	205.3	205.3
Reserves to notes and deposit liabilities	57.4%	59.6%	60.0%	60.7%	60.7%

BANK OF DANZIG—Million Danzig gulder

	June 15, 1938	May 15, 1938	June 31, 1938	June 15, 1939	June 15, 1939
Assets					
Gold coin and bullion	28.95	25.28	25.32	24.85	24.85
Danzig subd. coin	3.89	3.33	3.05	3.49	3.49
Balances abroad and foreign bills	6.79	3.91	3.45	2.95	2.95
Discounts	13.30	18.23	17.89	17.28	17.28
LIABILITIES					
Notes in circulation	31.73	44.78	47.67	42.56	42.56
Deposits on demand	22.46	20.78	16.31	21.88	21.88

NATIONAL BANK OF EGYPT—Million £E

	May 31, 1938	Mar. 31, 1938	Apr. 30, 1938	May 31, 1938	May 31, 1939
Assets					
Gold	6.24	6.24	6.24	6.24	6.24
Brit. Govt. Secs.	13.36	13.66	15.36	14.66	14.66
Egyptian Govt. Secs.	1.50	1.50	1.50	1.50	1.50
Cash	2.10	2.09	2.25	1.96	1.96
Investments	22.65	13.89	13.16	12.63	12.63
Bills and Advances	5.32	7.80	7.99	7.67	7.67
LIABILITIES					
Notes issued	21.10	21.40	23.10	22.40	22.40
Deposits: Govt.	7.36	3.45	2.76	2.88	2.88
Other	20.75	15.60	17.91	17.53	17.53

NATIONAL BANK OF HUNGARY—Million pengő

	June 15, 1938	May 15, 1938	June 15, 1938	June 15, 1939	June 15, 1939
Assets					
Metal reserve	84.1	124.1	124.1	124.1	124.1
Gold coin and bullion	72.4	98.2	95.9	94.0	94.0
Inl. bills, wgs. & sec.	411.2	428.8	424.0	400.0	400.0
Advances to Treasury: Long term	119.9	203.3	202.9	202.9	202.9
Czech-Kr. exch.	95.9	95.7	95.7	95.7	95.7
LIABILITIES					
Notes in circulation	522.5	828.0	832.3	809.4	809.4
Current accounts and sight liab.	242.8	189.5	193.9	192.7	192.7
Cash certificates	69.7	99.0	99.0	99.0	99.0

BANK OF JAPAN.—Million yen

	June 4, 1938	May 4, 1938	May 4, 1938	June 4, 1938	June 4, 1939
Assets					
Coin & bullion: Gold	801.3	501.3	501.3	501.3	501.3
Other	49.1	36.7	45.7	46.7	46.7
Spec. for exch. fund	300.0	300.0	300.0	300.0	300.0
Discounts and advances	505.2	450.2	449.9	467.9	467.9
Government bonds	1127.1	1499.3	1667.7	1494.7	1494.7
Agencies' accounts	93.3	186.3	186.5	188.4	188.4
LIABILITIES					
Notes issued	1837.4	2234.9	2137.4	2171.6	2171.6
Deposits: Government	127.4	134.4	610.2	454.2	454.2
Other	127.4	134.4	204.7	149.1	149.1

BANK OF JAVA.—Million florins

	June 18, 1938	May 20, 1938	June 10, 1938	June 17, 1938	June 17, 1939
Assets					
Gold and silver	136.18	135.06	134.77	134.60	134.60
Discounts, advances & other investments	75.23	74.73	76.14	70.50	70.50
Foreign bills	2.96	12.36	13.59	14.18	14.18
Other assets	47.32	62.48	61.64	62.90	62.90
LIABILITIES					
Notes in circulation	186.78	193.20	201.11	197.32	197.32
Deposits and bills	62.58	77.69	71.20	72.84	72.84

NATIONAL BANK OF JUGOSLAVIA—Million dinar

	June 15, 1938	May 15, 1938	June 8, 1938	June 15, 1938	June 15, 1939
Assets					
Gold	1,829	1,918	1,919	1,919	1,919
Other foreign exchange	342	437	587	559	559
Discounts and advances	1,529	1,872	1,830	1,812	1,812
Government advances	2,241	2,229	2,230	2,230	2,230
LIABILITIES					
Notes in circulation	5,916	7,274	7,209	7,065	7,065
Sight liabilities	2,543	1,590	1,770	1,847	1,847

BANK OF LATVIA—Million lats

	June 13, 1938	May 15, 1938	June 5, 1938	June 12, 1938	June 12, 1939
Assets					
Gold coin and bullion	77.59	92.83	92.84	92.84	92.84
Silver coin	13.80	11.80	11.80	11.90	11.90
Foreign currency	40.85	38.61	39.95	39.81	39.81
Treas. notes and change	9.42	8.94	9.78	10.79	10.79
Short-term bills	50.28	52.54	52.83	52.84	52.84
Loans against securities	82.60	107.65	95.90	94.59	94.59
LIABILITIES					
Notes in circulation	61.73	87.58	84.51	81.95	81.95
Deposits & current accs.	133.59	143.50	138.56	141.44	141.44
Government accounts	68.02	71.10	71.49	71.24	71.24

NETHERLANDS BANK—Million florins

	June 20, 1938	May 22, 1938	June 12, 1938	June 19, 1938	June 19, 1939
Assets					
Gold	1481.2	1209.5	1199.8	1189.8	1189.8
Silver	21.1	17.7	19.1	20.5	20.5
Home bills, etc.	8.4	11.5	11.5	10.1	10.1
Foreign bills	5.4	2.7	2.3	2.3	2.3
Loans and advances in current account	328.4	211.4	207.0	208.4	208.4
LIABILITIES					
Notes in circulation	905.5	1031.9	1015.5	998.8	998.8
Deposits: (a) Govt.	152.6	48.6	38.2	41.5	41.5
(b) Other	806.9	993.2	405.6	412.8	412.8

RESERVE BANK OF NEW ZEALAND—Million £N.Z.'s

Million £N.Z.'s					
	June 13, 1938	May 15, 1938	June 5, 1938	June 12, 1938	June 12, 1939
ASSETS					
Gold	1938	1939	1939	1939	1939
Sterling exchange	2.80	2.80	2.80	2.80	2.80
Advances to State	16.94	4.70	5.88	5.77	5.77
Investments	4.57	19.68	18.11	17.76	17.76
	2.73	3.77	3.77	3.77	3.77
LIABILITIES					
Bank notes	13.70	15.64	15.66	15.70	15.70
Demand liab.: State	5.00	3.01	4.61	3.50	3.50
Banks and others	7.04	10.56	9.04	9.51	9.51
Reserves to sight liab.	76.7%	25.5%	29.7%	30.6%	30.6%

EXCHANGE RATES—cont.

NEW YORK

New York on	June 15, 1939	June 16, 1939	June 17, 1939	June 19, 1939	June 20, 1939	June 21, 1939
London—						
60 days	467 ¹⁰ / ₃₂	467 ¹⁰ / ₃₂	467 ¹⁰ / ₃₂	467 ¹⁰ / ₃₂	467 ¹⁰ / ₃₂	467 ¹⁰ / ₃₂
Cables	468 ¹⁰ / ₃₂	468 ¹⁰ / ₃₂	468 ¹⁰ / ₃₂	468 ¹⁰ / ₃₂	468 ¹⁰ / ₃₂	468 ¹⁰ / ₃₂
Demand	468	468 ¹⁰ / ₃₂	468 ¹⁰ / ₃₂	468 ¹⁰ / ₃₂	468 ¹⁰ / ₃₂	468 ¹⁰ / ₃₂
Paris, Fr.	2 65	2 64 ¹⁰ / ₃₂	2 64 ¹⁰ / ₃₂	2 65	2 65	2 65
Brussels, Bd.	17 00	17 00	17 00	17 01	17 01	17 01
Switzerland, Fr.	22 53 ¹⁰ / ₃₂	22 53	22 53	22 54 ¹⁰ / ₃₂	22 54 ¹⁰ / ₃₂	22 54 ¹⁰ / ₃₂
Italy, Lira	5 26 ¹⁰ / ₃₂	5 26 ¹⁰ / ₃₂	5 26 ¹⁰ / ₃₂	5 26 ¹⁰ / ₃₂	5 26 ¹⁰ / ₃₂	5 26 ¹⁰ / ₃₂
Berlin, Mark	40 11	40 11	40 12	40 11 ¹⁰ / ₃₂	40 12	40 12 ¹⁰ / ₃₂
Amsterdam, Guilder	53 08 ¹⁰ / ₃₂	53 10	53 09 ¹⁰ / ₃₂	53 14	53 10	53 09 ¹⁰ / ₃₂
Copenhagen, Kr.	20 90	20 90 ¹⁰ / ₃₂	20 91	20 90 ¹⁰ / ₃₂	20 91	20 90 ¹⁰ / ₃₂
Oslo, Kr.	23 52 ¹⁰ / ₃₂	23 52 ¹⁰ / ₃₂	23 53	23 53	23 53	23 52 ¹⁰ / ₃₂
Stockholm, Kr.	24 10 ¹⁰ / ₃₂	24 10 ¹⁰ / ₃₂	24 11	24 11	24 11	24 10 ¹⁰ / ₃₂
Athens, Dr.	0 85 ¹⁰ / ₃₂	0 85 ¹⁰ / ₃₂	0 85 ¹⁰ / ₃₂	0 85 ¹⁰ / ₃₂	0 85 ¹⁰ / ₃₂	0 85 ¹⁰ / ₃₂
Montreal, Can. \$	99 69 ¹⁰ / ₃₂	99 72 ¹⁰ / ₃₂	99 73	99 76 ¹⁰ / ₃₂	99 75	99 75
Yokohama, Yen	27 32	27 31	27 32	27 32	27 32	27 31
Shanghai, \$	12 81	12 75	12 80	12 81	12 81	12 81
B. Aires, Peso	29 04	29 04	29 05	29 05	29 05	29 04
Rio, Milreis†	5 30	5 30	5 30	5 30	5 30	5 30

Source: T.T.

† Official.

CLEARING ACCOUNTS

The Controllers of the Anglo-Romanian, Anglo-Italian and Anglo-Turkish Clearing Agreements have made the following statements of transactions up to May 31, 1939.

ANGLO-ROMANIAN CLEARING AGREEMENT

RECEIPTS

(September 12, 1938, to May 31, 1939)

	£	177,414
Balances from the previous Agreements		
In respect of debts due for Roumanian goods	3,941,163	
Less amounts allowed for Oil Companies' transactions under Article 3 (1) of the Agreement	486,286	
Advanced by the National Bank of Roumania, under Article 13 (4)		3,454,877
		8,511*
		3,640,802

ALLOCATION AND DISPOSAL

	Allocated	Paid and in course of payment
Roumanian Public Debt, etc.	£ 646,357	£ 414,192
Short-term Banking Credits, etc.	78,568	71,327
Trade Debts—		
(1) Outstanding Debts—		
(a) Due before August 1, 1935	187,901	175,237
(b) Due after July 31, 1935, for Imports of United Kingdom Goods before September 12, 1938	138,254	138,254
(2) Current Exports (United Kingdom Goods Accounts)	811,736†	461,279
(3) Roumanian Government Purchases (United Kingdom Goods)	193,806	165,941
(4) Compensation Trade—		
(i) United Kingdom Goods	429,650†	351,258
(ii) Goods from any Country	314,461†	245,363
Miscellaneous Remittances (General United Kingdom Account)	546,696†	520,598
National Bank of Roumania	293,373	293,373
	3,640,802	2,836,822

* Advances made by the National Bank of Roumania under the previous and the 1938 Agreement £26,116. Under the provisions of Article 13 (4) of the Agreement £26,116 is considered to have been repaid from the sterling allocated to the National Bank of Roumania.

† This sterling is held by the Clearing Office in Sub-Accounts in the names of Roumanian authorised banks. To settle their debts due to United Kingdom creditors, Roumanian debtors must purchase this sterling from these authorised banks, at whose request the Clearing Office makes payment. The Clearing Office is not aware of the extent to which the unpaid balances may have been sold forward.

SHORTER COMMENTS

(Continued from page 731)

Metal Industries, Ltd.—Profit for year to March 31, 1939, £160,423 (£178,164). Taxation £41,869 (£43,998). Ordinary dividend 5, against 7½ per cent. To plant depreciation, etc., £6,198. Carry forward increased from £68,319 to £82,196. Work in progress, etc., £145,559 (£485,842).

Imperial Bank of Iran.—Net profits before tax on dividends for year to March 20, 1939, £92,922. Tax this year £24,750. Comparable basis of net profit £68,172 (£65,974). Ordinary dividend 9 per cent., less tax, against 6½ tax free (or 8-874 per cent., less tax). Balance forward £56,930 (£54,008). Deposits £3,355,430 (£3,740,552). Investments £3,167,940 (£3,056,518). Bills discounted £2,129,528 (£2,720,367).

National Bank of New Zealand.—Net profits year to March 31, 1939, £106,524

(£105,727), after contingencies (from which bad debts, exchange and N.D.C. provided). To premises, £10,000 and pensions, £14,000 (the same). Final dividend 2½ per cent., making 5 per cent., less tax, for the year against 4½ per cent., of which 2 per cent. interim, tax free. Carry forward £114,131 (£113,690). Deposits £13,298,385 (£13,908,667). Advances £11,921,749 (£12,702,613).

Anglo-Dutch Plantations of Java.—Profit for 1938 £198,621 (£424,290). Ordinary dividend reduced from 9 to 5 per cent.

Trust Houses, Ltd.—Profit for year to March 31, 1939, £196,018 (£192,340). Ordinary dividend 7 per cent., as before. To taxation £35,000 (£30,000). To debenture redemption reserve £15,138 (£14,711). To installations £10,000 (£10,000). Written off furniture, etc., £5,000 (£10,000). For A.R.P. £5,000. Carry forward £30,788 (£34,558).

Patons and Baldwins, Ltd.—Net profit for year to April 29, 1939, £361,885, against £260,666 (after crediting part of stock reserve). Preference dividends £64,761 (£68,156). Ordinary dividend again 10 per cent., tax free, absorbing £191,915. To reserve £75,000 (nil). To A.R.P. £30,000 (nil). Carry forward raised from £74,007 to £74,007.

London Tin Corporation.—Profit for year to April 30, 1939, £237,096 (£319,801). Income tax £15,924 (£6,849). Special provision of £120,000 made for writing down investments. Ordinary dividend reduced from 7 to 4 per cent., absorbing £144,729. Carry forward reduced from £143,046 to £99,489.

Witwatersrand Working Profit.—Total estimated working profit of Witwatersrand gold mines for April, 1939, amounted to £2,806,884, against £2,938,774 for March

IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended June 22, 1939

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
GOLD					
South Africa	1,663,255	...	Netherlands	£ 78,372	...
S. Rhodesia	26,028	...	Denmark	120	...
British East Africa	6,246	...	France	35,820	...
British India	240,366	...	Switzerland	3,203	...
New Zealand	4,728	...	Siam	1,015,509	...
Netherlands	746,577	...	United States	8,537,983	...
Switzerland	15,614	7,954			
Total*	2,708,735	7,954	Total	9,589,432	81,575
SILVER					
British India	52,868	...	Canada	1,472	...
Burma	16,800	...	Bermuda	5,750	...
Hong Kong	20,743	...	Sweden	2,150	...
Poland	20,605	267	Poland	1,703	...
France	8,692	251	Hungary	2,200	...
Egypt	2,087	15	Egypt	26,997	...
Germany	2,093	15	United States	216,120	...
Total*	122,170	6,697	Total*	226,743	34,104

* Including other countries.

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended June 18 (£'000)					Aggregate Gross Receipts, 24 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Total Goods	Total	Passenger	Merchandise	Coal & Coke	Total Goods	Total
L.M. & S.—	577	444	231	675	1,252	10,920	11,264	6,362	17,626	28,546
1938	543	517	229	746	1,289	10,763	11,123	6,588	17,712	28,475
1939	370	309	211	520	890	7,080	7,953	5,963	13,916	20,996
L. & N.E. (a)—	364	346	247	593	957	7,022	7,672	6,168	13,840	20,862
1938	370	309	211	520	890	7,080	7,953	5,963	13,916	20,996
1939	231	183	101	284	515	4,540	4,582	2,683	7,265	11,605
Great Western—	227	225	115	340	567	4,541	4,741	2,732	7,473	12,014
1938	227	225	115	340	567	4,541	4,741	2,732	7,473	12,014
1939	372	63	26	89	461	7,051	1,457	754	2,211	9,262
Southern—	367	70	30	100	467	7,080	1,440	785	2,225	9,305
1938	367	70	30	100	467	7,080	1,440	785	2,225	9,305
1939	1550	989	569	1568	3,118	29,551	25,256	15,762	41,018	70,609
Total—	1501	1158	621	1779	3,280	29,406	24,976	16,274	41,250	70,656

(a) Week ended June 17

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	71	134	209	43
24 weeks to June 18, 1939	2 95	5 58	8 70	1 70
Av. weekly decrease, 1st half 1939	+ 37	+ 67	+ 52	+ 6
Latest week compared with 1938	106	99	48	...
Latest week compared with average 1927-30	...	...	...	...

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended June 16, 1939 (£'000)			Aggregate Gross Receipts, 24 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—	2 7	0 4	3 1	46 2	16 3	66 5
1938	3 0	0 4	3 4	48 1	10 2	58 3
1939	10 7	8 9	19 6	214 1	208 5	422 6
Great Northern—	11 4	10 3	21 7	221 4	240 3	461 7
1938	37 2	38 9	76 1	741 0	549 6	1,690 6
1939	38 4	38 6	77 0	749 4	966 7	1,716 1

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 Adelaide	Mar. 27	£ 45,345	71,121	116,466	£ ...	£ 65,625	% 5½	£ 20,000	£ 30,841	£ 65,788	% 5
Bank of British W. Africa ...	Mar. 31	55,714	42,878	98,592	...	48,000	4	...	50,592	60,106	5
Imperial Bank of Iran	Mar. 20	54,008	(1) 92,922	146,930	...	90,000	9	...	56,930	65,974	6½
National of New Zealand ...	Mar. 31	113,690	106,524	220,214	...	82,083	5	24,000	114,131	105,727	4½
Ottoman Bank	Dec. 31	37,498	76,742	114,240	...	75,000	1½	...	39,240	79,350	1½
Breweries											
Barclay, Perkins and Co. ...	Mar. 31	65,044	274,687	339,731	75,600	107,296	6	82,255	74,580	307,479	8
Dutton's Blackburn	Mar. 31	22,149	40,081	62,230	20,300	14,500	5	5,000	22,430	46,560	8
Greene, King and Sons	May 31	52,940	120,807	173,747	10,000	70,200	18	39,300	54,247	118,559	18
Financial Land, etc.											
Bechuanaland Exploration...	Mar. 31	2,210	23,397	25,607	...	10,914	5	11,691	3,002	24,308	5
Beira Works	Mar. 31	15,454	42,447	57,901	...	20,000	8d.	22,022	15,879	132,794	2 -
Cons. London Properties ...	Mar. 25	16,690	45,105	61,795	13,200	26,400	8	5,333	16,862	47,107	8
Duff Development	Mar. 31	9,932	20,528	30,460	...	13,296	10	2,054	15,110	22,454	10
New River Company	Mar. 25	7,489	36,533	44,022	...	28,275	7½	8,000	7,747	34,093	7½
Selected Land and Property	Mar. 31	3,363	7,695	11,058	...	2,898	4 & 14	...	8,160	5,013	4 & 14
Hotels, Restaurants, etc.											
Short's, Ltd.	Mar. 31	1,418	23,056	24,474	15,500	8,750	5	...	224	24,285	5
Trust Houses	Mar. 31	34,558	161,018	195,576	45,000	84,650	7	35,138	30,788	162,340	7
Iron, Coal and Steel											
Allen (Edgar) & Co.	Mar. 31	34,269	80,315	114,584	10,875	26,036	12½	40,000	37,673	72,928	10
Allied Ironfounders	Mar. 31	157,221	198,429	355,650	50,476	109,256	9	35,000	160,918	230,767	10
Brown (John) and Co.	Mar. 31	163,392	614,999	778,391	49,010	376,931	17½	164,317	188,133	576,760	17½
Butterley Co.	Mar. 31	59,755	167,355	227,110	21,250	117,000	6½	30,000	58,860	194,904	8½
Guest, Keen and Nettlefolds	Mar. 31	483,636	1,224,998	1,708,634	326,732	386,068	6½	539,213	456,621	1,263,723	7½

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		Name of Security	Price, June 21, 1939	Change since June 14, 1939	Yield, June 21, 1939	Last two Dividends			Price, June 21, 1939	Change since June 14, 1939	Yield, June 21, 1939
High	Low	High	Low					(a)	(b)	(c)			
								%	%	%			
British Funds													
79 1/4	64	71 1/4	64 7/8	Consols 2 1/2%.....	68	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
111 1/4	98	107 1/4	101	Do. 4% (alt. 1957).....	106	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
100 1/4	90	96 1/4	90 3/4	Conv. 2 1/2% 1944-49.....	95 1/2	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
103 1/4	92	99 1/4	91	Do. 3 1/2% 1948-53.....	98	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
104 1/4	90 1/2	101 1/4	91	Do. 3 1/2% after 1961.....	95 1/2	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
105 1/4	100	104 1/4	102	Do. 4 1/2% 1944-49.....	102 1/2	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
105 1/4	100	104 1/4	102	Do. 5 1/4% 1944-49.....	109	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
91 1/4	81	87 1/4	81 1/4	Fund. 2 1/2% 1956-61.....	86	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
97 1/4	88 1/2	93 3/4	87 3/4	Fund. 2 1/2% 1952-57.....	92	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
99 1/4	89	95 1/4	89	Fund. 3 1/2% 1958-69.....	91 1/2	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
114 1/4	98	109 1/4	102 1/2	Fund. 4 1/2% 1960-69.....	107 1/2	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
101 1/4	90	96 1/4	91 1/2	Nat. D. 2 1/2% 1944-48.....	98 1/4	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
101 1/4	90	96 1/4	91 1/2	Do. 3 1/2% 1954-53.....	95 1/4	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
101 1/4	90	96 1/4	91 1/2	Victory Bonds 4 1/2%.....	107 1/2	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
103 1/4	90 1/2	98 3/4	90 3/4	War L. 3 1/2% af. 1952.....	94 1/4	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
103 1/4	90 1/2	98 3/4	90 3/4	Local Loans 3%.....	81	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
103 1/4	90 1/2	98 3/4	90 3/4	Austria 3% 1933-53.....	69	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
103 1/4	90 1/2	98 3/4	90 3/4	India 2 1/2%.....	72	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
103 1/4	90 1/2	98 3/4	90 3/4	Do. 3 1/2%.....	85	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
103 1/4	90 1/2	98 3/4	90 3/4	Do. 4 1/2% 1958-68.....	107	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
Dom. & Col. Govts.													
108 1/4	97	106 1/4	99	Austr. 5% 1945-75.....	102 1/2	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
115 1/4	109 1/2	112 1/2	108 1/2	Canada 4 1/2% 1940-60.....	102 1/2	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
108 1/4	95 1/2	103 1/2	95 1/2	Nigeria 5% 1930-60.....	108 1/2	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
107 1/4	95	102 1/4	98	Belgium 5% 1930-60.....	101 1/2	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
107 1/4	95	102 1/4	98	Quebec 5% 1940-60.....	101 1/2	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
107 1/4	95	102 1/4	98	S. Africa 5% 1945-75.....	106 1/2	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
Foreign Governments													
96 1/2	78	85	78 3/4	Arg. 4 1/2% Stg. Bds.....	81	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
102 1/4	89	95 1/4	89	Austria 1930-55.....	33 1/2	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
102 1/4	89	95 1/4	89	Do. 4 1/2% 1934-59.....	86	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
102 1/4	89	95 1/4	89	Bulgaria 4 1/2% 1930-55.....	22	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
102 1/4	89	95 1/4	89	Do. 5% 1934-59.....	22	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
102 1/4	89	95 1/4	89	Brazil 5% 1934-59.....	22	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
102 1/4	89	95 1/4	89	Chile 5% (1929).....	102 1/2	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
102 1/4	89	95 1/4	89	China 5% (1912).....	24 1/2	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
102 1/4	89	95 1/4	89	Do. 5% (1913).....	37 1/2	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
102 1/4	89	95 1/4	89	Czechoslovakia 8%.....	97 1/2	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
104 1/4	84 1/2	86 1/4	84 1/2	Denmark 5% 1930-60.....	73 1/2	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
104 1/4	84 1/2	86 1/4	84 1/2	Egypt 4% (British).....	11 1/2	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
104 1/4	84 1/2	86 1/4	84 1/2	Ger. Dawes L. 5%.....	36	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
104 1/4	84 1/2	86 1/4	84 1/2	Do. Young L. 4 1/2%.....	24 1/2	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
104 1/4	84 1/2	86 1/4	84 1/2	Greek 6% Stab. L. 24.....	27	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
104 1/4	84 1/2	86 1/4	84 1/2	Hungary 7 1/2%.....	25 1/2	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
104 1/4	84 1/2	86 1/4	84 1/2	Japan 5 1/2% 1932-60.....	41	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
104 1/4	84 1/2	86 1/4	84 1/2	Do. 6 1/2% 1932-60.....	41	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
104 1/4	84 1/2	86 1/4	84 1/2	Peru 7 1/2% 1935-60.....	45	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
104 1/4	84 1/2	86 1/4	84 1/2	Poland 7%.....	50	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
104 1/4	84 1/2	86 1/4	84 1/2	Roum. 4% Con. 1922.....	9 1/2	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
104 1/4	84 1/2	86 1/4	84 1/2	U.K. & Arg. C. 3%.....	78	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
Corporation Stocks													
115 1/4	101	111 1/4	106	Brit. Ham 5% 1946-56.....	108	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
117 1/4	104 1/2	114 1/2	108	Brit. S. 1949-59.....	79	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
117 1/4	104 1/2	114 1/2	108	L.C.C. 3%.....	79	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
117 1/4	104 1/2	114 1/2	108	Liverpool 3% 1954-64.....	91	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6
117 1/4	104 1/2	114 1/2	108	Mid. 3 1/2% 1957-62.....	100	+ 1 1/2	3 1/2	12 1/2	6	Nil	6	Nil	6

Prices, Year 1939		Last two Dividends		Name of Security	Price, June 21, 1939	Change since June 14, 1939	Yield June 21, 1939	Last two Dividends			Price, June 21, 1939	Change since June 14, 1939	Yield June 21, 1939
Jan. 1 to June 21, inclusive	Low-est	(a) %	(b) %					(c) %					
High-est	Low-est	(a) %	(b) %	(c) %									
Public Boards													
112	106	2 1/2	2 1/2	C. Elec. 5% 1950-70	110	...	£ s. d.	72/9	61/6	12 1/2	5 1/2	12 1/2	5 1/2
115	103 1/2	2 1/4	2 1/4	Lon. Pass. Transport	105 1/2	- 3	4 4 6	132 1/2	109/6	12 1/2	5 1/2	12 1/2	5 1/2
123	111 1/2	2 1/2	2 1/2	4 1/2% "A" 1985-2023	114 1/2	- 2	4 4 6	132 1/2	109/6	12 1/2	5 1/2	12 1/2	5 1/2
117 1/2	105 1/2	2 1/2	2 1/2	5% "A" 1985-2023	114 1/2	- 2	4 4 6	132 1/2	109/6	12 1/2	5 1/2	12 1/2	5 1/2
84	64 1/2	2 1/2	2 1/2	5% "B" 1965-2023	108 1/2	- 4	4 5 8	73 1/2	56/6	6 1/2	4 1/2	6 1/2	4 1/2
85 1/2	77 1/2	1 1/2	1 1/2	"C" 1950 or after.....	79 1/2	...	5 0 8	96/3	86/1	15 1/2	7 1/2	15 1/2	7 1/2
114	106 1/2	2 1/2	2 1/2	Met. W.B. "B" 3%	77 1/2	- 5 1/2	3 17 5	113 1/2	99/6	17 1/2	12 1/2	17 1/2	12 1/2
				P. of Lon. 5% 50-70	110 1/2	...	3 16 3	90/6	69/6	20 1/2	6 1/2	20 1/2	6 1/2
British Railways													
38	21 1/2	4	4	G.W. Ord.	33	- 1 1/2	1 10 3	28/9	26/9	15 1/2	4 1/2	15 1/2	4 1/2
33 3/4	21 1/2	4	4	L. & N.E. Ord.	28	- 1 1/2	Nil	44/4	42/4	15 1/2	4 1/2	15 1/2	4 1/2
55 1/2	38 1/2	5	5	Do. 5% Pref. 1935	50 1/2	- 2	Nil	44/4	42/4	15 1/2	4 1/2	15 1/2	4 1/2
15	7 1/2	1 1/2	1 1/2	Do. 4% 2nd Pf.	12 1/2	- 1 1/2	Nil	12 1/2	12 1/2	15 1/2	4 1/2	15 1/2	4 1/2
38	19 1/2	4	4	Do. 4% 1st Pf.	32 1/2	+ 1	Nil	32 1/2	32 1/2	15 1/2	4 1/2	15 1/2	4 1/2
17 1/2	10 1/2	1 1/2	1 1/2	L.M.S. Ord.	14 1/2	- 1 1/2	Nil	45/6	36/9	4 1/2	5 1/2	4 1/2	5 1/2
65 1/2	37 1/2	2 1/2	2 1/2	Do. 4% Pf. 1923	39 1/2	+ 1 1/2	6 16 9	39 1/2	39 1/2	15 1/2	4 1/2	15 1/2	4 1/2
19 1/2	10 1/2	1 1/2	1 1/2	Do. 5% Pf. Ord.	16 1/2	+ 1 1/2	6 16 9	39 1/2	39 1/2	15 1/2	4 1/2	15 1/2	4 1/2
78	48 1/4	1 1/2	1 1/2	Southern Def.	73 1/2	+ 2	6 16 9	39 1/2	39 1/2	15 1/2	4 1/2	15 1/2	4 1/2
100	80	2 1/2	2 1/2	Do. 5% Pf.	94 1/2	- 3	5 6 0	94 1/2	94 1/2	15 1/2	4 1/2	15 1/2	4 1/2
Dom. & Foreign Ry.													
9 1/2	4 1/2	Nil	Nil	Antagasta Ord.	6 1/2	...	Nil	85/10 1/2	7/3	10 1/2	7 1/2	10 1/2	7 1/2
13 1/2	7 1/2	Nil	Nil	B.A. & Pac. Ord.	8 1/2	- 1 1/2	Nil	31/9	21/9	10 1/2	8 1/2	10 1/2	8 1/2
10 1/2	5 1/2	Nil	Nil	B.A. & Pac. Ord.	8 1/2	- 1 1/2	Nil	31/9	21/9	10 1/2	8 1/2	10 1/2	8 1/2
111 1/2	63 1/2	Nil	Nil	B.A. West. Ord.	71 1/2	- 1 1/2	Nil	76 1/2	62/6	11 1/2	8 1/2	11 1/2	8 1/2
64 1/2	34 1/2	Nil	Nil	C. Arg. Ord.	42 1/2	- 1 1/2	Nil	25 1/2	21 1/2	12 1/2	5 1/2	12 1/2	5 1/2
24 1/2	20 1/2	2 c	2 c	Can. Pac. Com. \$25.	23 1/2	...	8 10 0	28/9	20/9	17 1/2	15 1/2	17 1/2	15 1/2
35 1/2	30 1/2	1 1/2	1 1/2	Costa Rica Ord.	32 1/2	...	7 14 0	34 1/2	29/3	10 1/2	8 1/2	10 1/2	8 1/2
34 1/2	20 1/2	1 1/2	1 1/2	Nitrate Ry. £10 ...	26	- 1 1/2	7 14 0	13 1/2	9/10 1/2	10 1/2	8 1/2	10 1/2	8 1/2
				San Paulo Ord.	26	- 1 1/2	7 14 0	13 1/2	9/10 1/2	10 1/2	8 1/2	10 1/2	8 1/2
Banks and Discount													
60/6	52 1/2	7 1/2	10 1/2	Alexander £2, £1 pd.	60/-	...	5 16 9	44/6	33/9	17 1/2	15 1/2	17 1/2	15 1/2
30/-	25/-	5 1/2	5 1/2	Bk. of N. Zealand £1	28/9	- 1/3	5 16 9	37/6	29/-	3 1/2	4 1/2	3 1/2	4 1/2
30	30 1/2	1 1/2	1 1/2	Bk. of England	317	- 1	3 14 9	167 1/2	24/10 1/2	13 1/2	10 1/2	13 1/2	10 1/2
75/6	65/-	7 1/2	7 1/2	Barclay B. £1	71/-	- 6d	3 18 9	44 1/2	34 1/2	7 1/2	8 1/2	7 1/2	8 1/2
43/9	39 1/2	3 1/2	3 1/2	Barcl. (D.Co.) A £1	42/9	...	3 0 0	44 1/2	36/3	14 1/2	12 1/2	14 1/2	12 1/2
77 1/2	65 1/2	3 1/2	4 1/2	Bk. of Aust. £5	67 1/2	...	5 16 10	46 7/2	40 5/4	12 1/2	10 1/2	12 1/2	10 1/2
£46	£42 1/2	6 c	8 c	Bk. of Mont. \$100 ...	£44 1/2	- 1 1/2	3 16 7	36/3	26/3	4 1/2	5 1/2	4 1/2	5 1/2
23	21 1/2	6 c	6 c	Bk. of N.S.W. £20 ..	22 1/2	...	4 5 0	31 1/2	27 1/2	15 c	5 c	15 c	5 c
Breweries, &c.													
				Ansell's Brewery £1	69/-	- 2/-	5 0	61/6	51/6	12 1/2	10 1/2	12 1/2	10 1/2
				Barclay Perkins £1	21/9	- 2/-	4 6	26/9	21/-	12 1/2	10 1/2	12 1/2	10 1/2
				Bass Ratcliff Ord. £1	128/-	- 2/-	15 1/2	128/-	128/-	15 1/2	12 1/2	15 1/2	12 1/2
				Charrington & Co. £1	66/6	- 9d	14 1/2	66/6	66/6	14 1/2	12 1/2	14 1/2	12 1/2
				Courage Ord. £1 ...	64/6	- 6d	14 1/2	64/6	64/6	14 1/2	12 1/2	14 1/2	12 1/2
				Distillers Ord. £1 ...	94/6	...	15 1/2	94/6	94/6	15 1/2	12 1/2	15 1/2	12 1/2
				Guinness Ord. £1 ...	107/6	- 3/6	15 1/2	107/6	107/6	15 1/2	12 1/2	15 1/2	12 1/2
				Ind. Coope & All. £1	87/6	- 6d	15 1/2	87/6	87/6	15 1/2	12 1/2	15 1/2	12 1/2
				Messrs Ord. £1 ...	30/3	- 3d	15 1/2	30/3	30/3	15 1/2	12 1/2	15 1/2	12 1/2
				Michells & Builders £1	77/6	- 6d	15 1/2	77/6	77/6	15 1/2	12 1/2	15 1/2	12 1/2
				Simonds (H.&G.) £1	65/6	- 6d	15 1/2	65/6	65/6	15 1/2	12 1/2	15 1/2	12 1/2
				Taylor Walker Ord. £1	30/-	- 6d	15 1/2	30/-	30/-	15 1/2	12 1/2	15 1/2	12 1/2
				Watney Conso Def. £1	62/3	- 2/3	15 1/2	62/3	62/3	15 1/2	12 1/2	15 1/2	12 1/2
Iron, Coal and Steel													
				Allied Ironfound. £1.	18 1/2	- 7 1/2d	10 1/2	18 1/2	18 1/2	10 1/2	8 1/2	10 1/2	8 1/2
				Asbeck Wilcoxon £1 ...	44 1/2	- 1 1/2	10 1/2	44 1/2	44 1/2	10 1/2	8 1/2	10 1/2	8 1/2
				Baldwins 4/- Ord.	5/6	- 6d	10 1/2	5/6	5/6	10 1/2	8 1/2	10 1/2	8 1/2
				Bolton 4/- Ord.	43 1/2	- 1 1/2	10 1/2	43 1/2	43 1/2	10 1/2	8 1/2	10 1/2	8 1/2
				Brown (J.) Ord.	29 1/2	- 1 1/2	10 1/2	29 1/2	29 1/2	10 1/2	8 1/2	10 1/2	8 1/2
				Butterley Co. Ord. £1	26 1/2	- 1 1/2	10 1/2	26 1/2	26 1/2	10 1/2	8 1/2	10 1/2	8 1/2
				Cammell Laird 5/-	7/3	- 3d	10 1/2	7/3	7/3	10 1/2	8 1/2	10 1/2	8 1/2
				Colvilles Ord. £1 ...	24/3	- 3d	10 1/2	24/3	24/3	10 1/2	8 1/2	10 1/2	8 1/2
				Consent Iron Ord. 5/8	8/3	- 3d	10 1/2	8/3	8/3	10 1/2	8 1/2	10 1/2	8 1/2
				Cory, William, Ord. £1	82/6	...	10 1/2	82/6	82/6	10 1/2	8 1/2	10 1/2	8 1/2
				Dorman Long Ord. £1	29 1/4	- 7 1/2d	10 1/2	29 1/4	29 1/4	10 1/2	8 1/2	10 1/2	8 1/2
				D. Ord. £1 Ord.	46/3	- 2/6	10 1/2	46/3	46/3	10 1/2	8 1/2	10 1/2	8 1/2
				Firth Brown & Co. £1	23/-	- 6d	10 1/2	23/-	23/-	10 1/2	8 1/2	10 1/2	8 1/2
				Guest, Keen & Co. £1	23/-	- 6d	10 1/2	23/-	23/-	10 1/2	8 1/2	10 1/2	8 1/2
				Hadfields 10/-	27/-	- 3/8	10 1/2	27/-	27/-	10 1/2	8 1/2	10 1/2	8 1/2
				Horden Collieries £1	26 1/2	- 1 1/2	10 1/2	26 1/2	26 1/2	10 1/2	8 1/2	10 1/2	8 1/2
				Lambert Bros. Ord. £1	33/9	...	10 1/2	33/9	33/9	10 1/2	8 1/2	10 1/2	8 1/2
				Lease and Partners 10/-	11/-	- 6d	10 1/2	11/-	11/-	10 1/2	8 1/2	10 1/2	8 1/2
				Powell Duffryn £1 ...	17/3	- 1/7	10 1/2	17/3	17/3	10 1/2	8 1/2	10 1/2	8 1/2
				Sheepbridge & Co. £1	41 1/2	- 10 1/2	10 1/2	41 1/2	41 1/2	10 1/2	8 1/2	10 1/2	8 1/2
				Shipley Coll. £1 ...	33/9	- 7 1/2d	10 1/2	33/9	33/9	10 1/2	8 1/2	10 1/2	8 1/2
				S. Durham 1/2 Ord. £1	33/9	- 7 1/2d	10 1/2	33/9	33/9	10 1/2	8 1/2	10 1/2	8 1/2
				Steel & Iron 1/2 Ord. £1	15 7/2	- 7 1/2d	10 1/2	15 7/2	15 7/2	10 1/2	8 1/2	10 1/2	8 1/2
				Stanton Iron, £1 ...	42 1/2	- 7 1/2d	10 1/2	42 1/2	42 1/2	10 1/2	8 1/2	10 1/2	8 1/2
				Staveley Coal, etc. £1	39 1/4	- 7 1/2d	10 1/2	39 1/4	39 1/4	10 1/2	8 1/2	10 1/2	8 1/2
				Stewarts & Lloyds £1	45 7/2	- 7 1/2d	10 1/2	45 7/2	45 7/2	10 1/2	8 1/2	10 1/2	8 1/2
				Swan, Hunter £1 ...	34 1/2	- 7 1/2d	10 1/2	34 1/2	34 1/2	10 1/2	8 1/2	10 1/2	8 1/2

THE WEEK'S COMPANY RESULTS—continued from page 751.

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation				Corresponding Period Last Year	
					Dividend			Carried to Reserve, Depreciation, etc.	Balance Forward	Net Profit
					Pref. Amount	Ordinary Amount	Rate			
Iron, Coal and Steel (cont.)										
Keith, Blackman, Ltd.	Mar. 31	31,991	30,232	62,223	£	27,187	15	5,636	29,400	60,429
Mirlees, Bickerton, etc.	Mar. 31	5,008	23,672	28,680	2,831	20,271	6	5,578	19,639	20
North's Nav. Collieries	Dec. 31	25,869	48,185	74,054	3,625	31,138	4	39,291	76,661	4
Rickett, Cockerell and Co. ...	Mar. 31	37,428	70,894	108,322	20,250	46,377	10	4,000	37,695	6
Roberts (Charles) & Co. ...	Mar. 31	28,916	157,919	186,835	14,726	39,172	15	106,265	26,672	10
Tredeggar Iron and Coal ...	Mar. 31	35,512	83,380	118,892	...	69,244	4†	10,000	39,648	4†
Motor, Cycle and Aviation										
Crossley Motors	Mar. 31	21,825	103,127	124,952	...	45,000	15	55,000	24,952	10
Oil										
Anglo-Iranian Oil	Dec. 31	517,411	6,109,477	6,626,888	107,1234	4,027,500	20	902,602	625,552	25
Lobitos Oilfields	Dec. 31	219,479	252,232	471,711	...	150,000	15	82,573	239,138	15
Tocuyo Oilfields	Dec. 31	Dr. 281,901	Dr. 2,998	Dr. 284,899	...	...	...	...	Dr. 284,899	3,822
Rubber										
General Ceylon	Dec. 31	2,627	13,748	16,375	...	9,189	3	5,000	2,186	4
Glenshiel	Dec. 31	3,863	5,180	9,043	...	3,500	5	1,500	4,043	10
Madingley (Malay)	Feb. 28	1,233	4,044	5,277	...	2,244	3	1,500	1,533	5
North Hummock (Selangor) ...	Mar. 31	3,576	4,027	7,603	...	...	...	3,731	3,872	3
Sabrang	Dec. 31	4,582	6,238	10,820	...	5,000	2	2,000	3,820	6
Sungei-Timah	Mar. 31	2,850	4,869	7,719	...	3,855	5	1,000	2,864	5
Tremelby (Selangor)	Mar. 31	5,406	8,080	13,486	...	6,900	2‡	1,100	5,486	4
Shipping										
Elder Dempster Holdings ...	June 15	2,345	171,013	173,358	...	169,382	8‡	...	3,976	168,005
Elder Dempster Lines	Dec. 31	164,748	596,680	761,428	...	163,125	9	416,317	181,986	9
Trawlers (White Sea), etc. ...	Mar. 31	81	Dr. 8,342	Dr. 8,261	...	...	...	Dr. 8,000	Dr. 261	Nil
Shops and Stores										
Sanders Bros. (Stores)	Apr. 29	68,058	47,031	115,089	19,031	27,260	10	68,798	40,444	7‡
Tea										
British Indian	Apr. 30	20,042	16,798	36,840	825	10,644	12‡	4,700	20,671	17‡
Chargola	Nov. 30	35,283	11,129	46,412	11,341	...	...	35,071	11,576	Nil
Doors	Dec. 31	19,449	39,365	58,814	5,250	32,760	10	3,600	17,204	15
Empire of India, etc.	Dec. 31	15,110	42,602	57,712	10,950	29,610	7‡	4,550	12,602	10
Itakhooli	Dec. 31	37,504	7,779	45,283	...	7,500	12‡	4,000	33,783	17‡
Jhanzie	Dec. 31	18,739	39,824	58,563	...	29,260	7	10,000	19,303	8
Makum (Assam)	Dec. 31	10,182	20,604	30,786	...	16,650	15	5,000	9,136	15
Nam Dang	Dec. 31	9,339	18,563	27,902	...	14,000	10	4,000	9,902	10
Noyapara	Dec. 31	27,232	6,937	34,169	...	7,500	10	26,669	9,685	12
Pandan	Feb. 28	949	17,888	18,837	10,500	4,500	3	2,084	17,845	Nil
Scottish Assam	Dec. 31	4,594	9,423	14,017	...	6,143	10	3,023	4,851	12
Singlo	Dec. 31	20,021	33,546	53,567	6,825	24,192	12	4,000	18,550	15
Southern India	Feb. 28	488	9,168	9,656	438	5,176	8	3,502	540	10
Tijwangle	Mar. 31	5,182	12,853	18,035	...	12,500	12‡	5,535	14,066	12‡
Upper Assam	Dec. 31	82,271	22,763	105,034	...	23,286	15	...	81,748	15
Textiles										
Bleachers Association	Mar. 31	187,360	86,813	274,173	...	...	...	140,000	134,173	197,197
Trusts										
General Securities, etc.	May 31	1,841	4,312	6,153	...	4,110	5‡	2,043	5,459	6
Globe Telegraph and Trust	May 31	135,454	258,331	393,785	79,243	176,550	7‡	20,000	117,992	264,747
Pentland Investment	May 31	9,934	19,472	29,406	13,500	5,867	4	...	10,039	21,957
Scottish Cities Investmt. ...	May 31	16,007	9,398	25,405	8,156	1,087	1	...	16,162	11,949
U. States Trust of Scotland	May 31	13,065	26,128	39,193	9,844	13,125	9	...	16,224	32,360
Westpool Investment	Apr. 30	3,264	23,908	27,172	...	21,764	7	...	5,408	28,189
Other Companies										
Adlam (Geo.) and Sons	Mar. 31	Dr. 15,383	15,959	576	...	...	...	2,160	Dr. 1,584	9,356
Ambrose Shadlow & Co. ...	Mar. 31	38,863	43,100	81,963	13,125	17,500	10	25,000	26,338	40,148
Austins of East Ham	Mar. 31	21,010	44,661	65,671	12,000	26,250	17‡	...	26,821	64,562
Bassett (Geo.) and Co.	Mar. 31	16,688	51,089	67,777	5,437	36,250	20	10,000	16,090	17‡
British Plaster Board	Mar. 31	20,963	(s) 385,977	406,940	7,616	257,848	45‡	96,671	44,805	(a)
Clark's Bread Company	Apr. 1	6,585	13,159	19,744	7,200	5,967	8	...	6,577	15,113
Colthrop Board, etc.	May 31	16,820	49,322	66,142	7,500	31,191	10	10,341	17,110	52,111
Cork Manufacturing	Apr. 30	2,534	27,745	30,279	2,175	13,195	14	12,115	2,794	22,737
De La Rue (Thomas)	Apr. 1	10,769	188,832	199,601	...	90,220	26	90,477	18,904	156,576
General Electric	Mar. 31	799,934	1,341,299	2,141,233	182,700	608,764	20	542,549	807,220	1,367,894
Greening and Sons	Apr. 30	9,147	19,613	28,760	4,081	7,500	7‡	8,009	9,170	21,453
Hattersley (Ormskirk)	Mar. 31	11,553	56,678	68,231	...	36,250	25	20,000	11,981	55,243
Hazell, Watson and Viney ...	Mar. 31	44,602	47,258	91,860	8,144	31,150	8(c)	7,500	45,066	61,860
Hills (F.) and Sons	Mar. 31	Dr. 4,737	23,953	19,216	...	6,525	6	11,570	1,121	16,548
Hutchinson Printing Trust ...	Dec. 31	19,761	15,192	34,953	11,250	...	...	365	23,338	27,408
Johnson (H. and R.)	Mar. 31	3,958	26,613	30,571	...	7,612	3‡	18,952	4,007	45,655
Marston Valley Brick	Mar. 31	20,738	133,240	153,978	9,961	46,248	10	61,626	36,143	165,430
Metal Box	Mar. 31	46,548	316,368	362,916	49,481	157,325	17‡	116,501	39,609	331,957
Neill (Wm.), St. Helens	Mar. 31	2,998	29,732	32,730	...	9,062	20‡	17,534	6,134	(a)
Neuchatel Asphalte	Dec. 31	52,625	43,108	95,733	10,000	10,497	2‡	22,546	52,690	66,438
Newman and Watson	Mar. 31	641	12,612	13,253	2,610	3,480	6	5,036	2,127	5,655
Pearson (C. Arthur)	Mar. 31	44,563	35,229	79,792	13,750	16,406	6‡	5,500	44,136	27,729
Silentbloc, Ltd.	May 31	4,975	34,409	39,384	...	22,656	50	12,500	4,228	31,746
Twyfords, Ltd.	Mar. 31	47,221	46,789	94,010	...	34,861	10	15,500	43,649	69,873
Wiggins & Co. (Hammer-smith)	Mar. 31	8,874	8,702	17,576	5,437	...	...	2,067	10,072	16,425
Total Profits, 1939, in £000's :										
To June 17	No. of Cos.	1,322	60,157	178,858	239,015	34,583	96,508	...	44,601	63,323
To June 24	1,403	64,053	192,949	257,002	36,849	104,377	...	48,410	67,366	194,552

† Free of income tax. (a) No comparable figure. (b) 2 per cent. paid free of income tax. (c) Also a centenary bonus of 2 per cent. free of income tax from general reserve. (k) Absorbed £166,766. (s) Eleven months. (t) True net profit figure £68,172. This figure includes tax on the dividend £24,750.

Industry and Trade
COMMODITY STATISTICS

Coal

COAL OUTPUT ('000 tons)				
District	Week ended		Jan.-April	
	June 3, 1939	June 10, 1939	1938	1939
Northumberland	237.6	297.4	5,681.1	5,698.5
Durham	508.1	692.4	13,875.1	13,217.5
Yorkshire	457.2	876.2	18,992.8	18,858.1
Lancs, Cheshire and N. Wales	239.4	329.7	7,400.3	7,372.1
Derby, Nottingham and Leicester	365.2	633.7	14,349.7	14,755.1
Staffs, Worcs, Salop and Warwick	225.4	389.5	8,532.2	8,732.5
South Wales & Monmouth	580.7	799.6	15,682.1	14,730.9
Other English districts*	79.1	119.5	2,336.3	2,307.1
Scotland	591.5	537.2	13,035.8	13,271.6
Total	3,284.2	4,675.2	99,885.4	98,943.4

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton

RAW COTTON delivered to Spinners
(‘000 bales)

Variety	Week ended		Total Deliveries	
	June 9, 1939	June 16, 1939	Aug. 1, 1937-1938	Aug. 1, 1938-1939
American	16.1	20.3	1,100	901
Brazilian	8.0	8.5	252	273
Peruvian, etc.	3.7	4.9	103	118
Egyptian	7.5	6.4	313	312
Sudan Sakel	8.7	3.2	128	130
East Indian	13.8	18.2	332	403
Other countries	3.4	10.9	151	176
Total	61.2	72.4	2,379	2,313

Metals

SALES ON LONDON METAL EXCHANGE

	Week ended		From Jan. 1 to June 21, 1939
	June 14, 1939	June 21, 1939	
Copper	5,200	3,625	141,710
Tin	1,195	1,445	33,440
Lead	4,950	4,800	136,400
Spelter	3,450	2,450	88,170

U.K. STOCKS

	June 10, 1939	June 17, 1939
Copper (Br. official w'houses):	Tons 5,486	Tons 5,366
Refined	25,226	24,914
Rough	11,148	11,067
Tin (London and Liverpool):	Tons 11,148	Tons 11,067

	June 14, 1939	June 21, 1939
GRAINS (per bushel):	Cents 73.4	Cents 69.4
Wheat, Chicago, July	61	59.8
Winnipeg, July	49.2	49.8
Maize, Chicago, July	34.4	31.4
Oats, Chicago, July	52.8	45.8
Rye, Chicago, July	36.8	37

	June 14, 1939	June 21, 1939
METALS (per lb.):	Cents 10.00	Cents 10.00
Copper, Connecticut	10.00	10.15
Export C.I.F.	10.10	10.15

METALS—(cont.)
TINPLATE INDUSTRY

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BRITISH WHOLESALE PRICES

CEREALS AND MEAT		June 14, 1939	June 21, 1939
GRAIN, etc.—		s. d.	s. d.
Wheat—			
No. 2, N. Man. 496 lb.	27 6	27 6	
Eng. Oat, av. per cwt.	4 11	4 10	
Liv. July, per cental	3 11	3 11	
Flour, per 280 lb.—			
Straights, d/d London	23 0	22 6	
Manitoba, 1 store	23 0	22 6	
Barley, B.T. Gaz. av. per cwt.	6 8	7 1	
Oats—			
Malpe, La Plata, landed, 480 lb.	25 0	24 9	
Rice, No. 2 Burma, per cwt.	8 1½	8 1½	
MEAT—			
Beef, per 4 lb.—			
English long sides	4 6	4 6	
Argentine salted and	4 5	4 5	
Mutton, per 8 lb.—			
English wether	5 4	5 4	
N.Z. frozen wethers	3 4	3 4	
Lamb, per 3 lb.—			
N.Z. frozen	5 2	5 2	
Pork, English per 3 lb.—			
English	5 6	5 8	
BACON (per cwt.)—			
English	88 0	90 0	
Danish	90 0	90 0	
Dutch	83 0	85 0	
Irish	80 0	82 0	
SALES (per cwt.)—			
Canadian	100 0	102 0	
United States	94 0	96 0	
OTHER FOODS			
BUTTER (per cwt.)—			
Australian	113 0	113 0	
New Zealand	116 0	117 0	
Danish	122 0	124 0	
Swedish	124 0	125 0	
CHEESE (per cwt.)—			
Canadian	71 0	71 0	
New Zealand	61 0	65 0	
English Cheddar	90 0	90 0	
Dutch	47 0	47 0	
COCOA (per cwt.)—			
Accra, T.I.	20 6	20 0	
Trinidad	21 0	20 3	
Greenada	33 0	33 0	
COFFEE (per cwt.)—			
Santos sup. c. & f.	30 6	30 6	
Costa Rica, medium to good	66 0	66 0	
Kenya, medium	72 0	72 0	
EGGS (per 120)—			
English (15-15½ lb.)	11 3	14 9	
Danish (15½ lb.)	9 6	9 9	
FRUIT—			
Oranges, Denia & Valencia (Bernas), ½ cases I	8 6	8 6	
Brazilian (Navels) boxes	12 0	13 6	
S. African (Navels) boxes	8 9	8 9	
Lemons, Naples boxes	18 9	19 3	
Sicilian Verdeli pkgs.	24 6	25 0	
Apples, N.Z. (var.) boxes	9 9	9 3	
Australian	8 0	8 0	
Grapes, S. Africa boxes	5 4	5 4	
Grapefruit, Californian	8 0	8 9	
Florida boxes	10 0	14 6	
LARD (per cwt.)—			
Irish, finest bladders	50 0	50 0	
U.S.	35 0	34 0	
PEPPER (per lb.)—			
Black Lampong (in Bond)	0 2½	0 2½	
White Muntok (in Bond)	0 3½	0 3½	
POTATOES (per cwt.)—			
English, King Edward, Siltland	4 6	4 6	
Walsby	5 0	5 0	
SUGAR (per cwt.)—			
Centrifugal, 96% prpt. shipm.	7 2½	7 6	
Yellow Crystals	23 0	23 0	
Cubes	27 6	27 6	
TEA* (Auction Average) (per lb.)—			
N. India	13 40	13 51	
S. India	14 86	14 57	
Ceylon	15 53	15 19	
Java	13 12	12 60	
Sumatra	11 09	11 49	
Africa	10 97	11 56	
Total	13 97	13 93	
TOBACCO (per lb.)—			
Virginia, stemmed and unstemmed, common to fine	0 8	0 8	
Rhodanian, stemmed and unstemmed	0 9	0 9	
Nyasaland, stemmed and unstemmed	0 7	0 7	
East Indian	1 4	1 4	
Unstemmed	0 3	0 3	
TEXTILES			
COTTON (per lb.)—			
Raw, Mid-American	5 77	5 78	
Sakellaridis, F.G.F.	6 57	6 58	
Giza, F.G.F.	6 67	6 68	
Yarns, 32's Twist	9 3	9 3	
40's Twist (Egyptian)	10 4	10 4	
60's Twist	17	17	
Cloth, 32 in. Printed, 16 yds.	16 11	16 11	
36 in. Shirtings, 75 yds.	23 6	23 6	
38 in. ditto, 38 yds.	9 10½	9 10½	
39 in. ditto, 37½ yds.	8 11½	8 11½	
16 x 15, 8¼ lb.			
FLAX (per ton)—			
Livonian ZK	85 0	85 0	
Pernau HD	84 0	84 0	
Slanetz Medium, 1st sort			
HEMP (per ton)—			
Italian FC	71 0	71 0	
Manilla, June-Aug. "J2"	17 10	17 10	
JUTE (per ton)—			
Native 1st mks. c.i.f. H.A.R.B.	26 7/6	26 0/0	
Daisee 2½ c.i.f. Dundee, June-July	30 0/0	29 7/6	
Sisal (per ton)—			
African, June-Aug.	14 10	14 10	
Canion	10 6	10 6	
Japan	11 9	11 9	
Italian, raw, fr. Milan			
WOOL (per lb.)—			
English, Southdown, greasy	12	12	
Lincoln hog, washed	11½	11½	
Queensland, scd. super combg.	22	22	
N.S.W. greasy, super combg.	13½	13½	
N.Z. greasy, half-bred 50-56	12	12	
Crossbred 40-44	10½	10½	
MINERALS			
COAL (per ton)—			
Welsh, best Admiralty	22 6	22 6	
Durham, best gas, f.o.b. Tyne	19 3	19 3	
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, per box	20 3	20 3	
NON-FERROUS METALS (per ton)—			
Copper—			
Standard cash	41 17/6	42 3/9	
Three months	42 0/0	42 5/0	
Tin—			
Standard cash	42 5/0	42 11/3	
Three months	42 5/0	42 11/3	
Lead, soft-foreign	22 5/0	22 5/0	
Cash	14 11/3	14 15/0	
English, pig	16 15/0	16 15/0	
Spelter, G.O.B.—			
Spot	14 0/0	14 0/0	
Aluminium, ingots and bars	14 1/3	14 1/3	
rolling billets	102 0/0	102 0/0	
Nickel, home and export	180 0/0	180 0/0	
Antimony, Chinese	54 0/0	54 0/0	
Wolfram, Chinese, per unit	48 6	49 0	
Platinum, refined, per oz.	51 0	51 6	
Quicksilver, per 76 lb.	16 10/0	16 10/0	
MISCELLANEOUS			
CEMENT, best Eng. Portland, d/d site, London area			
in paper bags 20 to ton (free non-returnable)			
4-ton loads and upwards per ton	42 0	41 0	
CHEMICALS—			
Acid, citric, per lb., less 5%	1 0	1 0	
Nitric	0 2½	0 2½	
Oxalic, net	0 5½	0 5½	
Tartaric, English, less 5%	1 1	1 1	
Alcohol, Plain Ethyl, per proof gal	1 1	1 1	
Ammonia, carb.	20 0/0	20 0/0	
Sulphate	7 14/0	7 14/0	
Borax, gran.	15 0	15 0	
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.	11 0/0	11 0/0	
Crystals	5 5/0	5 5/0	
Sulphate of copper	18 10/0	18 10/0	
COPRA (per ton)—			
S.D. Straits, c.i.f.	11 7/6	11 15/0	
HIDES (per lb.)—			
Wet salted, Australian	0 45	0 45	
West Indian	0 3	0 3	
Cape	0 45	0 45	
Dry and Drysalted Cape	0 6½	0 6½	
Market Hides, Manchester—			
Best heavy ox and heifer	0 55	0 55	
Best cow	0 47	0 47	
Best calf	0 55	0 55	
INDIGO (per lb.)—			
Bengal, gd. red-vio. to fine	5 0	5 0	
LEATHER (per lb.)—			
Sole Bends, 8/12 lb.	1 1	1 1	
Bark-Tanned Sole	2 3	2 3	
Shoulders from DS Hides	0 8	0 8	
Eng. or WS do.	0 11	0 11	
Bellies from DS do.	0 7	0 7	
Eng. or WS do.	0 7½	0 7½	
Dressing Hides	0 9½	0 9½	
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. bri. Lond.	0 10	0 10	
Fuel oil, in bulk, for contracts, ex. instal. Thames—			
Furnace	0 35½	0 35½	
Diesel	0 42½	0 42½	
ROBIN (per ton)—			
American	15 5/0	15 5/0	
RUBBER (per lb.)—			
St. ribbed smoked sheet	0 8½	0 8½	
Fine hard Para	0 7½	0 7½	
SHELLAC (per cwt.)—			
TN Orange	35 0	34 0	
TALLOW (per cwt.)—			
London town	15 6	15 6	
TIMBER—			
Swedish u/s 3 x 8	21 10/0	21 15/0	
2½ x 7	21 0/0	21 5/0	
Canadian Spruce, Dis.	20 0/0	20 5/0	
Pitchpine	25 10/0	26 0/0	
Rio Deals	13 10/0	13 10/0	
Teak	24 0/0	24 0/0	
Honduras Mahogany logs c. f.	0 10/0	0 10/0	
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 17/6	24 12/6	
Rape, refined	32 5/0	32 5/0	
Cottonseed, crude	17 10/0	17 10/0	
Coconut, crude	12 2/6	12 2/6	
Palm	8 7/6	8 7/6	
Oil Cakes, Linseed, Eng.	11 18/9	11 17/6	
La Plata	12 18/9	12 17/6	
Calcutta	34 3	34 3	
Turpentine	34 3	34 3	

THE ECONOMIST

TRADE SUPPLEMENT

New Series

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No. 28

The Trend of Business

As a result of the deterioration in international relations an increasing proportion of the world's resources—the actual proportion in each country varies directly with its geographical or political distance from the danger zone—is being devoted to military purposes, while ordinary commercial activity is held in check. Broadly, total activity is maintained at a high level or expanding in those countries which, like Germany, Italy, France and England, are largely or entirely dominated by re-armament. In the United States, where the defence sector is still comparatively small, business is marking time, though political factors are by no means the sole reason for the absence of a revival in new investment in that country. In the majority of primary producing countries, business is fairly well sustained by the comparative stability of the prices of most raw materials which are required as much for ordinary commercial as for military purposes.

In Britain, as in many other countries, the trend of industrial activity is being increasingly influenced by defence expenditure, and most of the business indicators for March registered a further slight expansion in trade. For example, *The Economist's* index of Business Activity (which is adjusted for seasonal variations) rose from the corrected figure of 105 (1935 = 100) in February to 105½ in March. This is the third successive rise since December (when the index stood at 101), which has lifted the index to the highest level since March, 1938. Of the constituent series of the index, eight showed an increase between February and March, while one (relating to *postal receipts*) remained unchanged and four showed a decline. The figures reflecting productive activities are all higher on the month, those relating to exports of British manufactures, shipping movements and bank clearings alone showing a decline.

In the absence of information on the course of new commercial investment, it is impossible accurately to assess the part played by defence expenditure in the improvement in business since the beginning of this year. But that the expansion in activity was assisted by the speeding up of defence work is scarcely open to doubt. The industries producing and consuming steel, for example, have benefited considerably from direct Government orders for factories and other buildings, warships, aeroplanes, air-raid shelters, guns and a host of other mechanised equipment. The fall in unemployment in the engineering industry is due almost entirely to defence work. Even in the textile trades the increase in output can be attributed partly to direct Government orders. Moreover, the indirect effect of increased defence expenditure must have been quite appreciable. Again, it is impossible to explain the slight improvement in the demand for consumers' goods without reference to the growth of employment caused by the re-armament programme.

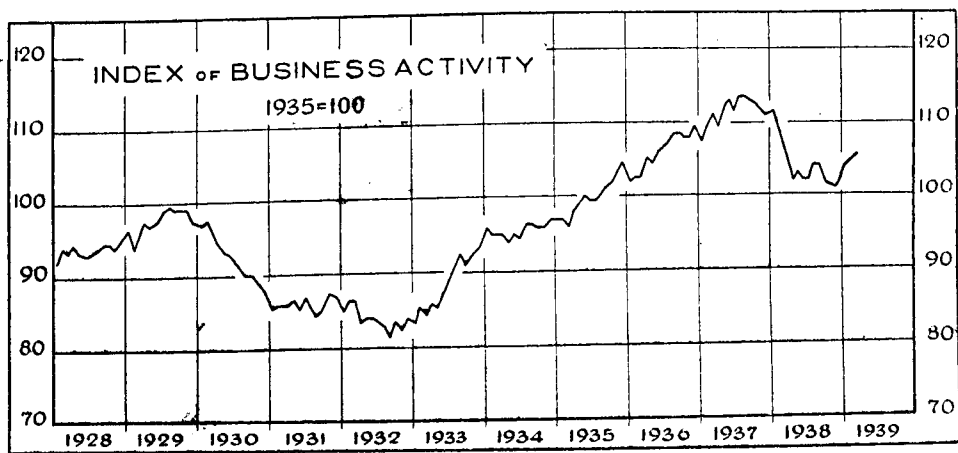
In some industries conditions at the beginning of the year were not unfavourable to an improvement in business. Stocks of semi-finished and finished goods, for example, had been allowed to fall to low levels, and a number of industries, such as iron and steel, had reduced their output below current consumption last year. Again, orders for new merchant ships had been held up pending the announcement of the Government's plans to assist the shipping and shipbuilding industries. Moreover, the rapid expansion of industrial production in the United States between May and December, 1938, had prevented a further fall in the prices of many primary products, thus sustaining the purchasing power of primary producing countries. A comparatively slight stimulus was sufficient, therefore, to set in motion a re-stocking movement in certain industries.

There is evidence that such a re-stocking movement has actually occurred in a number of industries, especially textiles. Thus, the reduction in unemployment between March, 1938, and the past month has been more marked in the textile trades than in any other group of industries. The proportion of insured persons aged 16 to 64 unemployed in all textile trades fell from 20.7 per cent. to 14.9 per cent. during the past twelve months, compared with a decline from

12.7 per cent. to 12.4 per cent. in all industries with the exception of agriculture. There are also indications of re-stocking by large consumers of coal, and part of the increased steel production may have been absorbed into stock. But it is unlikely that, in the absence of the increase in defence work, business would have shown much improvement since the beginning of this year. Even in the export trade the comparatively favourable returns of recent months are due very largely to exports of warships.

The latest evidence of the state of trade suggests that the effect of the renewed political uncertainty has so far not been very marked. Indeed, as an incidental result of the growing importance of defence orders, the margin of activity that is subject to fluctuations in market confidence has been considerably reduced. There has been a lull in the re-stocking movement in the textile industries, but the flow of orders to many others has tended, if anything, to increase. Apart from the swelling stream of defence orders, one of the features has been the placing during the past four weeks of orders for something like 300,000 gross tons of tramp and cargo liner tonnage. During the whole of 1938 the tonnage of merchant vessels commenced in British shipyards was only about 500,000 gross.

Indeed, there are no indications of a general setback in business activity in the near future. And Sir John Simon's Budget for the year ended March, 1940, adds emphasis to the view expressed in the February Trade Supplement that the increase in defence expenditure would be sufficient to offset in the course of this year all but the most catastrophic decline in private expenditure.



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

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

British Industrial Developments

The following reports on British industry cover, in most cases, the period to the middle of April. In the remainder they relate to the month of March.

COAL

The increase in coal production between February and March was more marked than usual. Output rose from 19,174,000 tons in February to 21,829,000 tons in March; a year ago the production increased from 20,099,000 to 22,006,000 tons during this period. The quantity of coal raised last month was thus only slightly smaller than in March, 1938, the post-depression record. The incidence of the improvement, however, was uneven. Thus, production in the Lancashire, Derbyshire and Staffordshire districts last month was actually higher than a year ago. In most other districts output was only slightly lower, but in the case of South Wales the reduction was substantial, from 3,452,800 tons in March, 1938, to 3,174,400 tons in the past month. Exports last month were again slightly lower than a year ago, the figures being 2,911,600 and 2,966,200 tons respectively; shipments of coal for the use of steamers also declined, from 926,100 tons to 860,100 tons. There was a marked reduction in shipments to France, from 631,600 tons in March, 1938, to 315,800 tons in the past month, and shipments to Spain fell from 103,000 tons to less than 1,000 tons. The unsatisfactory position of the Welsh coalfield is due largely to the fall in exports to these two countries. On the other hand, exports to Eire, Sweden, Denmark, Germany, Holland, Belgium, Italy and Argentina showed an increase. Allowing for the seasonal decline in the demand for coal for heating purposes, the improvement has been well maintained in the first half of April.

IRON AND STEEL

Production in the iron and steel industry showed a further expansion last month. The output of pig iron rose from 516,000 tons in February to 603,600 tons in March and the production of crude steel advanced from 971,100 tons to 1,170,900 tons. While the output of pig iron last month was still 15.5 per cent. smaller than a year ago, crude steel production exceeded the figure for the corresponding month last year by 4.9 per cent. Moreover, the output of crude steel was only 7,400 tons below the record established in November, 1937. At the end of last year the steel furnace capacity of the industry was estimated at 14,483,000 tons per annum. On the basis of last month's output the margin of unused capacity was therefore already comparatively small. On the other hand, there is room for a substantial increase in pig iron production, for, while output in March was at the rate of about 7,200,000 tons per annum, the effective capacity of the blast furnaces last September was estimated at 10,024,000 tons per annum. As the heavy supplies of scrap accumulated in 1937 and early in 1938 have now been absorbed, the steel-makers will in future have to rely more on pig iron. Imports of iron ore, scrap and iron and steel materials last month were still appreciably smaller than a year ago. Imports of iron ore and concentrates fell from 621,800 tons in March, 1938, to 400,000 tons in the past month. The intake of iron and steel scrap fell from 104,800 tons to 5,800 tons, while no ships for breaking-up are recorded in the trade returns last month, against 50,500 gross tons a year ago. Imports of iron and steel materials last month were only 102,600 tons, against 276,800 tons a year ago. The decline in exports has been less marked, shipments having fallen from 176,100 tons to 167,900 tons. With the speeding up of defence work and the recovery of the commercial section of the shipbuilding industry the indications are that demand is likely to show a further increase.

GENERAL ENGINEERING

Activity in the engineering industry continued to expand in the past month. The proportion of insured persons unemployed in all branches of engineering fell by 0.5 per cent., to 7.4 per cent. between February 13th and March 13th. In general engineering alone the proportion of insured persons unemployed last month was 7.3 per cent., against 7.8 per cent. in February and 6.7 per cent. in March, 1938. The improvement in general engineering since the beginning of the year has been due almost entirely to the increase in defence orders. Moreover, it is generally expected that the prospect of a further increase in Government work will ensure the maintenance of the upward trend in production. As far as individual sections of the industry are concerned, there has been a slight setback in the textile machinery section, while the seasonal increase in the agricultural machinery branch has been less marked than usual. In most other sections activity has been well maintained and in some, including machine tools, activity is steadily expanding. The trade unions' demand for higher wages and improved working conditions is still under negotiation with the employers. The problem of the capacity of the industry in relation to plant and labour and the question of priorities are now being actively discussed by the industry. Imports of all kinds of machinery declined from 15,106 tons in March, 1938, to 12,946 tons in the past year, but their value actually increased from £2,228,300 to £2,340,100. Exports last month were smaller than a year ago both in quantity and value, the figures being 40,300 tons and £5,700 tons and £5,104,500 and £5,362,700 respectively.

ELECTRICAL ENGINEERING

In the electrical equipment industry activity also remains on the up-grade. Thus, the proportion of insured persons unemployed declined between February and March, from 5.5 per cent. to 5.1 per

cent. in electrical engineering and from 7.6 per cent. to 7.1 per cent. in the electric cable and apparatus section. Exports of electrical machinery declined from 2,555 tons (valued at £4,002,800) in March, 1938, to 2,286 tons (valued at £365,200) last month. During the same period, shipments of electric goods and apparatus fell from £1,196,300 to £1,130,400.

AUTOMOBILES

The new registrations of private cars in February increased by 23.5 per cent., compared with those in February, 1938, and production of private cars and taxis also increased, by 5,243 to 29,724, or by 12.2 per cent. Production of commercial vehicles, however, was lower in February than a year ago, and new registrations also declined by 11.9 per cent.:

PRODUCTION OF AUTOMOBILES IN U.K. (No.)					
	Oct.	Nov.	Dec.	Jan.	Feb.
Private cars and Taxis—					
1937-38	26,977	27,034	31,552	31,409	24,481
1938-39	24,867	28,226	31,108	32,286	29,724
Commercial Vehicles—					
1937-38	9,627	7,773	8,170	10,637	8,802
1938-39	8,328	8,270	7,650	9,691	7,434

In view of the increase in the motor tax, from 15s. to 25s. per h.p., it is doubtful if the same rate of increase will be shown in the remainder of the season, though the output of low-powered cars may be stimulated at the expense of larger models.

BUILDING

Constructional activity as a whole shows no signs of an imminent decline. Between February and March the proportion of insured persons unemployed fell from 20.1 per cent. to 16.0 per cent. in building and from 37.8 per cent. to 35.3 per cent. in public works contracting. Compared with a year ago, the unemployment percentage last month was only 1.8 per cent. higher in building, and it showed a reduction of 2.1 per cent. in public works contracting. Moreover, the value of building plans passed by a representative sample of local authorities showed a further increase in March; the figures for February exceeded for the first time since August, 1938, those of a year ago, and the increase in the value of plans passed between March, 1938 and 1939, was no less than 8.3 per cent. There was a slight decline in permits for dwelling-houses, but plans passed for factories and workshops were twice as high as a year ago, and those for commercial premises and public buildings also showed an appreciable increase. These returns do not include direct Government contracts.

CHEMICALS

A fairly active business has been transacted in the home chemical market during the past month. Trade in heavy chemicals and dyestuffs has shown some improvement, and, with the exception of the acetates of lime, which have been rather dull, demand for wood distillation products has increased and is now quite good. In the business is still scarce. A steady routine business has been transacted in pharmaceutical and other fine chemicals. Overseas trade in chemicals, drugs, dyes and colours showed some improvement in March compared with the same month of 1938, exports being greater in value by £137,457 and imports by £218,435. For the first quarter of 1939, however, exports show a decrease in value of £26,858, as compared with the corresponding quarter of 1938. Imports for the quarter exceeded those in 1938 by more than £400,000.

POTTERY

Employment in most sections of the trade improved in March; the percentage unemployed among insured workpeople declined from 23.4 in February to 19.8. A certain amount of short-time is still being worked in North Staffordshire. Exports of sanitary ware showed a marked improvement in March, when they amounted to 46,680 cwt. compared with 31,183 cwt. in March, 1938; exports of earthenware remain at a lower level than in 1938.

FOOTWEAR

Easter holidays interrupted factory operations in the past month, but the fine weather brought an increase in orders immediately after the holidays in anticipation of an increase in sales. Factories work-suitable for their trade are busy and report that supplies of leather for hides has weakened in the last few days, but leather prices generally are firm, with an upward tendency.

COTTON

There has been some contraction in the amount of fresh business in cotton yarn and piece-goods. Buyers have shown more caution in placing orders, chiefly owing to the further aggravation of the European political situation, and partly owing to the unbut spinning production remains at 60 per cent. of capacity, compared with 65 per cent. a year ago. Unemployed cotton operatives 102,728 at the same time last year. In certain sections of the principal activity being in cloth for Government contracts. A

favourable factor has been the reduction in the duties on cotton goods entering India, and some Manchester shippers have bought more freely in regular styles. Numerous orders have been secured for South America, but the off-take for the Continent has been poor. The Board of Trade returns for last month were encouraging. Exports of cloth at 132,680,000 square yards were larger than in any month since January, 1938, and the shipments of yarn at 13,313,000 lb. were the biggest since August, 1937.

JUTE

The advance in raw jute prices was continued during the past month, and after the Easter holidays full-group Daisee-2/3 was quoted at £28 15s. per ton for April-May shipment; supplies of old crop are now very limited, and reports of the condition of the new crop in India are not very satisfactory. Factories working on sandbags are extremely busy, but trade in other products is dull, except for linoleum hessians, for which a fair volume of orders has been placed.

LINEN

Apart from Government requirements, general trading is restricted. Prices of both yarns and cloth are very firm. Neither spinners nor manufacturers are disposed to enter into commitments of any magnitude under existing circumstances. There is no clarification in the position or outlook of raw material, and the latest developments in the international situation render problems of costs and supplies more difficult than ever. Exports of linen piece-goods to the United States continue to improve, though some of the shipments represent supplies held over from last autumn to obtain the advantage of the reduction in import duties on January 1st.

RAYON

Lack of confidence caused by the international uncertainty is still having a restricting influence, but benefit from the better business mentioned last month is still being felt. Fair seasonal buying is being experienced in the home trade, but overseas demand is cut down to "bare necessity" level. The hosiery trade has improved in recent weeks, and the full-fashioned section is reported to be working to capacity.

WOOL

The raw material markets remain firm, although supplies are now mainly miscellaneous oddments. Both Government and export demand is for crossbred yarns, and capacity is now well booked for some time ahead. Turnover in other yarns and cloths remains small,

however, and the retail trade in dress cloths is developing only slowly. Exports of tops in the first three months of 1939 amounted to 10.3 million lbs., compared with 7.4 million lbs. in the same quarter of 1938 and exports of worsted yarns increased from 5.1 million lbs. to 7.1 million lbs.

AGRICULTURE AND FISHERIES

The spell of fine weather in April has been of great advantage to arable farmers, particularly on heavy soils, and considerable progress has been made with spring cultivations. Reports indicate that the area of spring wheat sown will be up to the average, while contracts have been signed for nearly 350,000 acres of sugar beet, compared with 328,500 acres in 1938. Fat sheep have met with a good demand at livestock markets, and the supplies of early lambs have also sold well at prices equal to those a year ago. In the first quarter of 1939 a total of 4.3 million cwt. of wet fish was landed in Great Britain, approximately the same amount as was landed in the same months of 1938, while the total value of the catch showed a slight fall; the weight of herrings landed fell from 63,600 cwt. in the first quarter of 1938 to 42,800 cwt. in 1939.

SHIPPING

The freight markets were very slack at the beginning of March; The Economist index of tramp shipping freights (base 1913=100) declined from 93.1 in February to 91.0 in March. The fall was largely due to the continued weakness of South American freights, but in the last few days, after a reduction had been made in the minimum rates by the Administrative Committee, there has been a revival of activity in this market. Export of the new season's grain from the Argentine is now developing, although it is still on a smaller scale than usual. The American market is steady, with a considerable volume of chartering for scrap cargoes.

RETAIL TRADE

The latest statistics of retail trade, collected by the Retail Distributors' Association and published in the Board of Trade Journal, show that the value of daily sales, in the stores concerned, during March was 2.3 per cent. higher than in March, 1938. It is possible that, as Easter fell earlier in April this year than last, a higher proportion of Easter shopping came in March, so that the returns for this month may be somewhat exaggerated. The increase was concentrated on clothing and fancy goods, and was general in all districts with the usual exception of Central and West London, where a decline of 3.7 per cent. in the value of daily sales was recorded.

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	1	2	3	2	4	1	42		
1929	98	103	68	127	76	95	69	97	111	98	137	108	91	109	98	...
1930	94	98	68	115	80	96	65	84	82	88	107	89	89	112	93	...
1931	91	92	69	98	83	95	62	73	86	82	80	97	86	96	87	...
1932	90	90	71	86	86	94	57	59	94	84	82	94	86	86	84	...
1933	93	90	78	89	89	96	73	70	101	92	85	96	91	88	89	...
1934	97	97	88	100	95	97	88	93	98	100	92	98	95	100	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	95	114	110	90	112	89	107	98	105	100	95	...	...
1938—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	106	105	103	109	139	120	117	101	107	105	103	108	106
September	107	102	112	106	106	108	108	132	107	123	105	100	106	113	108	107
October	107	104	113	107	107	104	107	127	102	117	107	103	106	114	108	108
November	107	104	117	106	108	107	105	125	100	119	100	106	109	111	108	108
December	107	107	117	113	108	108	103	134	109	108	108	103	107	122	109	109
1937—January	109	97	116	110	109	107	102	124	111	103	104	101	106	105	107	109
February	109	108	116	107	109	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	108	102	102	103	109	110
May	110	115	123	113	111	106	104	130	143	116	117	114	107	98	112	111
June	111	115	124	113	111	107	99	133	111	125	122	106	106	106	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	110	110	108	108	108	100	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	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	104
August	110	98	130	89	114	108	90	90	95	112	90	105	98	93	102	104
September	110	105	132	88	114	111	88	89	87	105	103	104	102	102	104	103
October	110	104	133	88	117	109	88	102	81	106	100	107	101	95	104	...
November	110	97	130	88	117	110	87	99	81	90	99	101	101	93	101	...
December	110	100	139	84	117	113	85	82	82	86	96	102	98	103	101	...
1938—January	110	107	141	94	118	112	82	100	83	94	100	105	104	92	104	...
February	111	105	137	95	118	111	83	117	88	92	105	103	102	85	105	...
March	111	107	141	...	119	111	84	130	94	94	99	101	99	84	105	...

(a) Old quarterly Board of Trade indices linked on to new indices; figures in italics based on old indices. (b) Annual figures relate to year ended September.
(c) Figure for 1936 is average of August–December. (d) Indices shown in last month of quarter to which they relate. (e) Daily average. (f) Monthly figures are averages of quarterly returns. (g) Average of weekly figures. (h) Ordinary and Self-balancing revenue and expenditure. Annual figures are totals for financial year beginning in year shown. Monthly figures are cumulative. (i) Annual figures relate to end of year. (m) Average January to August: figures for September to December are not comparable owing to revised method of counting adopted in September, 1937. (n) Excluding Agriculture. (p) Four weekly figures: annual figures relate to year beginning March in year shown. Public Authorities only. (q) Annual indices, year beginning in July; quarterly indices year ended in quarter shown.

EUROPEAN COUNTRIES
(Bi-Monthly Table)

(a) Adjusted for seasonal variations. (b) Partly adjusted for seasonal variations. (c) Based on import surpluses of raw materials. (d) Monthly figures refer to end of month.
(e) All figures refer to end of year or month (except for a few monthly figures for Italy). (f) Monthly figures refer to 15th of month. (g) Since October, 1938, new territory.
(h) From January, 1938, base is corresponding month of 1937. (i) June and December figures include parcel post for preceding half-year. (j) Government notes of 5, 20 and 50 fcs. excluded.

RAW MATERIALS AND CRUDE FOODSTUFFS
GROUP I.—MONTHLY TABLE

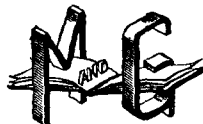
Commodity	Unit of Measurement	Monthly Average						1938												1939																
		1929	1932	1935	1936	1937	1938 (a)	Jan.	Feb.	Mar.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.																		
COAL																																				
1. Production: Belgium	Th. metric tons	2,245	1,785	2,207	2,323	2,473	2,465	2,566	2,463	2,701	2,234	2,387	2,526	2,531	2,568	2,665	...	...	...																	
2. " France	"	4,482	3,856	3,851	3,769	3,693	3,875	3,819	3,885	4,294	2,776	3,944	4,234	4,188	4,430	4,214	...	...	...																	
3. " Germany (a)	"	13,620	8,728	11,518	13,190	15,376	15,315	15,939	15,176	15,679	15,885	15,981	15,638	15,670	15,713	16,289	...	...	...																	
4. " Poland	"	3,853	2,403	2,395	2,479	3,018	3,175	3,379	3,074	3,003	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	21,166	20,421	22,359	17,323	18,814	20,012	20,289	19,481	20,684	...	...	...																	
6. " U.S.A.	"	46,026	27,183	31,576	36,761	37,178	29,282	32,346	27,705	27,905	28,172	32,106	35,443	35,577	36,923	36,731	34,492	...	...																	
7. " All Principal countries	"	103,772	73,529	85,843	94,705	99,942	91,849	98,804	90,299	96,217	89,043	93,873	99,768	100,244	100,804	...	...	...																		
8. Price: Av. Br. expt. price	sh. per ton	16-08	16-25	16-29	16-38	16-55	20-89	20-24	20-76	20-92	20-72	20-76	20-80	20-81	20-38	20-83	20-44	20-18	...																	
CRUDE STEEL																																				
9. Production: Dutch East Indies	Th. metric tons	437	424	507	536	605	...	603	569	634	597	607	637	627	653	...	...	...	...																	
10. " Mexico	"	556	408	501	511	578	...	615	596	591	355	483	520	483	...	...	...	...	...																	
11. " Iran (Ang.-Ir. Oil)	"	462	543	577	628	871	...	869	865	1,124	775	751	760	750	...	...	...	...	...																	
12. " Roumania	"	403	612	698	723	596	...	562	512	573	556	534	550	525	...	...	...	...	...																	
13. " U.S.A.	"	11,509	8,970	11,386	12,550	14,597	13,861	14,533	12,978	14,604	14,555	13,528	13,961	13,513	14,023	...	...	...	...																	
14. " U.S.S.R.	"	1,206	1,791	1,989	2,193	2,307	...	2,421	2,440	2,192	2,470	2,497	2,470	2,414	...	...	...	...	...																	
15. " All Principal countries	"	17,145	15,048	18,838	20,575	23,486	22,580	23,580	21,538	23,698	23,558	22,589	23,281	22,524	...	...	...	...	...																	
16. Stocks: U.S.A. end year	million barrels	422	340	315	288	306	273	306	306	309	288	289	289	273	271	272	272	273	...																	
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	96-0	...																	
CRUDE STEEL																																				
18. Production: Belgium	Th. metric tons	342	232	252	265	322	190	229	181	175	182	187	207	219	219	210	...	...	...																	
19. " France	"	808	470	523	559	660	514	623	562	562	419	467	512	534	576	593	...	...	...																	
20. " Germany (a)	"	1,354	481	1,371	1,601	1,654	1,934	1,848	1,806	1,969	2,018	1,987	2,057	2,032	1,944	2,096	...	...	...																	
21. " Japan, ex. castings	"	191	200	375	415	...	...	...	...	...	...	...	...	...	...	...	...	...	...																	
22. " Luxembourg	"	225	163	153	165	...	...	...	...	...	...	...	...	...	...	...	...	...	...																	
23. " U.K.	"	816	445	833	990	1,098	880	1,099	1,075	1,134	669	767	869	874	688	138	136	...	...																	
24. " U.S.A., ex. castgs.	"	4,599	1,128	2,830	3,963	4,192	2,357	1,761	1,731	2,045	2,588	2,700	3,168	3,629	3,194	3,238	3,002	...	...																	
25. " U.S.S.R.	"	407	490	1,034	1,362	1,485	...	1,490	1,434	1,631	1,462	1,464	1,566	...	...	...	...	...	...																	
26. " All Principal countries	"	9,492	3,890	7,620	9,595	10,453	8,256	7,924	7,398	8,429	8,187	8,432	9,219	9,694	8,942	9,319	...	...	...																	
27. Price: Pig iron Cleveland No. 3	£ per ton	3-53	2-91	3-39	3-70	4-67	5-45	5-45	5-45	5-45	5-45	5-45	5-45	5-45	5-45	4-95	4-95	4-95	...																	
GOLD																																				
28. Production: Union of S. Africa	Thous. fine ozs.	868	963	898	945	978	1,013	988	929	1,014	1,047	1,035	1,041	1,024	1,029	1,034	979	1,076	...																	
29. " U.S.S.R.	"	90	163	375	450	417	417	...	...	...	...	...	...	...	...	...	...	...	...																	
30. " Canada	"	161	254	274	310	341	390	361	341	376	412	410	411	410	434	411	...	...	...																	
31. " U.S.A.	"	171	185	264	313	341	354	...	...	...	...	...	...	...	...	...	...	...	...																	
32. " World	"	1,632	2,025	2,465	2,762	2,838	3,062	...	...	...	...	...	...	...	...	...	...	...	...																	
33. Price: London, per fine ounce	sh.	84-9	118-0	142-1	140-3	140-7	142-54	139-6	139-75	139-89	142-51	144-95	145-66	147-73	148-92	149-25	148-49	148-33	...																	
WHEAT																																				
34. World shipments, yr. ended July	Mins. of bushels	77	67	43	42	50	45	48	46	50	53	45	56	48	44	49	...	...	...																	
35. Stks.: World visible supplies (d)	sh. per cwt.	370-1	408-2	339-5	275-1	229-5	262-4	326-5	308-1	279-4	333-6	423-5	441-8	446-5	490-8	472-6	418-4	...	...																	
36. Average British import price	sh. per cwt.	10-33	6-15	6-02	7-53	9-28	7-73	9-76	9-88	9-40	7-14	6-50	5-89	5-61	5-10	4-92	5-11	5-07	...																	
COTTON																																				
37. Mill consumption: U.K. (e)	Thousands of actual bales	233	182	209	228	240	189	243	179	179	190	190	190	190	190	190	...	...	...																	
38. " Japan (e)	"	231	231	311	304	347	247	344	261	261	212	212	212	212	212	212	...	...	...																	
39. " U.S.A. (e)	"	586	404	443	537	598	514	682	445	445	564	564	564	564	564	564	...	...	...																	
40. " World (e)	"	2,157	1,860	2,035	2,116	2,383	2,213	2,468	2,006	2,006	2,284	2,284	2,284	2,284	2,284	2,284	...	...	...																	
41. Stks.: World Visible Supplies (d)	Thousand bales	2,736	7,682	3,983	4,297	3,875	7,069	8,773	8,665	8,240	6,558	8,501	9,316	9,543	9,350	8,751	8,218	7,551	...																	
42. Price: Mid. American	d. per lb.	10-33	5-25	6-70	6-69	6-37	4-97	4-94	5-08	5-07	4-80	4-80	4-79	5-16	5-13	5-15	5-19	5-13	5-21																	
SUGAR																																				
43. Stks.: World visible supplies (f)	Thous. tons	4,047	7,018	4,166	2,933	2,816	3,601	5,821	6,097	6,889	4,226	3,601	4,129	5,951	6,064	5,819	6,115	...	...																	
44. Av. Brit. import price, unrefined	sh. per cwt.	9-68	7-70	6-38	6-71	8-62	7-92	9-47	9-53	8-04	6-19	7-48	8-79	8-79	8-65	9-24	8-37	8-22	...																	

GROUP II (a).—BI-MONTHLY TABLE

RUBBER																						
1. Exports: Ceylon	Thous. tons	6-69	4-10	4-52	4-14	5-86	4-12	5-22	5-22	3-83	4-36	3-99	4-84	6-42	3-07	7-24	5-32	...	...	...	...	
2. " D. E. Indies	"	21-22	17-58	23-54	25-81	35-97	24-84	26-47	27-33	31-27	22-99	20-17	29-91	19-22	10-63	38-67	25-04	...	...	...	...	
3. " British Malaya	"	38-05	33-80	34-71	29-48	39-16	31-00	31-00	37-17	33-57	33-62	30-49	25-79	29-21	25-35	24-39	29-28	...	...	...	...	
4. " World	"	72-20	59-05	72-68	71-36	94-59	74-11	80-37	81-05	81-26	74-19	70-88	75-09	67-03	57-59	87-11	76-83	...	...	...	...	
5. " Quota of restricting countries	% of est. cap'city	...	...	67-50	62-50	83-75	55-00	70-00	70-00	70-00	45-00	45-00	45-00	45-00	45-00	50-00	50-00	...	...	...	...	
6. Consumption: U.K.	Thous. tons	6-02	6-50	8-29	6-59	9-55	8-91	8-98	8-83	10-04	8-00	8-53	9-17	9-80	9-08	9-00	9-33	...	...	...	...	
7. " U.S.A.	"	38-95	28-08	41-04	47-79	45-53	34-25	29-42	23-89	30-49	38-17	37-82	40-33	46-45	45-32	46-23	42-37	...	...	...	...	
8. " All imp. count.	"	67-12	57-70	78-58	85-07	90-06	75-74	67-97	62-53	77-69	72-98	77-16	85-33	90-94	87-16	88-23	83-44	...	...	...	...	
9. " Reclmd. in U.S.A.	"	18-08	6-46	9-42	10-84	13-25	9-70	7-23	7-44	8-82	10-73	11-28	11-80	12-67	12-27	13-00	12-63	...	...	...	...	
10. Stocks: U.K. end year and mth.	"	73-2	92-7	164-3	78-5	52-29	86-85	62-11	71-52	76-62	99-61	93-14	93-27	90-07	86-85	80-64	75-52	...	...	...	...	
11. " U.S.A.	"	118-6	379-0	300-0	218-8	189-7	245-4	274-6	274-6	334-3	299-2	277-5	266-9	269-9	254-3	245-4	237-8	...	...	...	...	
12. " World	"	328-7	589-2	595-3	433-9	413-1	441-2	500-2	522-4	536-8	520-1	507-7	498-9	469-9	481-2	456-0	443-4	...	...	...	...	
13. Price: London, std. sm. sheet ...	pence per lb.	10-25	2-34	6-00	7-75	9-50	7-22	7-09	7-13	6-60	6-26	7-12	7-91	7-38	8-16	8-06	7-97	7-97	...	...	...	
RAYON																						
(i) Continuous Filament																						
14. Production: France (A)	Mill. lb.	3-1	4-3	4-4	3-5	6-1	6-2	6-1	6-1	6-1	6-3	6-3	6-3	6-3	6-3	6-3	6-3	...	...	...	...	
15. " Germany (A)	"	4-9	4-6	7-7	8-3	11-7	11-7	11-0	11-0	11-0	12-2	12-2	12-2	12-2	12-2	12-2	12-2	...	...	...	...	
16. " Italy	"	5-9	5-9	7-1	7-7	8-7	8-5	10-9	9-2	9-9	9-9	9-9	9-9	9-9	9-9	9-9	9-9	...	...	...	...	
17. " Japan	"	2-1	6-3	18-3	22-9	17-9	17-4	20-0	20-9	21-2	12-4	12-4	12-4	12-4	7-8	8-8	9-3	...	...	...	...	
18. " U.K.	"	4-4	5-7	9-3	9-7	10-0	8-9	10-1	10-0	10-9	10-9	10-9	10-9	10-9	10-9	10-9	10-9	...	...	...	...	
19. " U.S.A.	"	10-1	11-2	21-5	23-2	26-0	21-5	19-6	19-6	19-6	22-8	22-8	22-8	22-8	22-8	22-8	22-8	...	...	...	...	
20. " World (A)	"	36-0	44-0	76-8	83-4	100-8	83-1	83-1	83-1	83-1	83-1	83-1	83-1	83-1	83-1	83-1	83-1	...	...	...	...	
21. Price: Viscose, std. grade, per lb.	pence	...	77-0	55-5	55-5	55-5	54-5	55-0	55-0	55-0	55-0	55-0	55-0	55-0	55-0	52-0	52-0	...	...	...	...	
(ii) Staple Fibre																						
22. Production: France (A)	Mill. lb.	...	0-1	0-7	1-0	0-9	1-1	1-1	1-1	1-1	1-1	1-1	1-1	1-1	1-1	1-1	1-1	...	...	...	...	
23. " Germany (A)	"	0-3	0-6	2-7	7-9	18-3	27-5	25-3	25-3	25-3	28-6	28-6	30-8	30-8	30-8	30-8	30-8	...	...	...	...	
24. " Italy	"	0-1	0-8	5-5	9-2	12-8	14-8	15-5	15-0	16-7	12-1	9-9	14-1	12-5	13-6	13-7	13-7	...	...	...	...	
25. " Japan	"	...	0-1	1-1	3-8	14-3	31-2	19-3	23-3	26-7	25-7	26-3	26-5	26-7	27-5	...	...	...	...	...	...	
26. " U.K.	"	0-2	0-2	0-8	2-4	2-9	2-8	2-4	2-2	2-4	2-2	2-2	2-2	2-2	2-2	2-2	2-2	...	...	...	...	
27. " U.S.A. (A)	"	0-0	0-1	0-5	1-0	1-1	2-5	1-7	1-7	1-7	2-9	2-9	2-9	2-9	2-9	2-9	2-9	...	...	...	...	
28. " World (A)	"	0-7	1-8	11-4	25-4	51-6	81-2	81-2	81-2	81-2	81-2	81-2	81-2	81-2	81-2	81-2	81-2	...	...	...	...	
29. Price: Viscose, std. grade, per lb.	pence	...	...	15-5	11-0	10-9	10-0	10-0	10-0	10-0	10-0	10-0	10-0	10-0	10-0	10-0	10-0	10-0	...	...	...	...
WOOL																						
30. Stocks: Australia, S. Africa, N. Zealand, June 30	Million lbs.	35	147	94	47	29	105	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
31. Price: Weekly Wool Chart 1929 = 100	100	100	48-6	62-1	78-4	104-4	69-0	75-0	69-0	69-0	68-0	67-2	69-0	69-0	68-1	64-6	64-6	61-6	...	...	...	...
PIG IRON																						
32. Production: France	Th. metric tons	864	461	482	520	660	504	643	550	553	421	447	494	521	560	...	...	...	...	...	...	
33. " Germany (B)	"	1,103	328	1,070	1,275	1,330	1,543	1,470	1,381	1,558	1,281	1,411	1,611	1,601	1,506	...	...	...	...	...	...	
34. " U.K.	"	643	303	544	651	719	573	773	704	728	585	437	477	469	453	...	...	...	...	...	...	
35. " U.S.A.	"	3,589	733	1,779	2,593	3,100	1,609	1,452	1,319	1,476	1,188	1,707	2,053	2,469	2,468	...	...	...	...	...	...	
36. " U.S.S.R.	"	3,823	513	1,042	1,193	1,210	...	1,149	1,099	1,285	1,274	1,247	2,065	2,306	2,468	...	...	...	...	...	...	
37. " All principal countries	"	8,013	3,178	5,898	7,340	8,116	6,297	6,421	5,880	6,464	6,067	6,200	6,763	6,977	7,052	...	...	...	...	...	...	
TEA																						
38. Exports: Ceylon	Million lbs.	21-0	21-1	17-7	18-2	17-9	19-6	13-6	16-4	22-1	17-1	18-1	18-5	16-2	17-7	16-4	...	...	...	...	...	
39. " Dutch East Indies	"	13-3	14-5	12-1	12-8	12-2	13-2	13-5	12-1	13-6	12-4	12-0	13-5	12-7	13-5	12-7	...	...	...	...	...	
40. " British India	"	32-0	30-8	27-4	26-2	27-6	28-3	20-9	9-9	7-1	45-6	58-0	43-9	39-5	36-5	18-4	...	...	...	...	...	
41. " World	"	80-6	77-7	70-1	70-3	73-5	...	57-5	45-0	53-3	100-4	107-5	94-1	88-5	85-3	...	...	...	...	...	...	
42. " Quota of Restricting countries (A)	% of std. quantity	...	...	82-5	82-5	87-5	92-5	87-5	87-5	87-5	92-5	92-5	92-5	92-5	92-5	92-5	92-5	...	...	...	...	
43. Consumption: U.K.	Mill. lbs.	35-4	37-9	36-9	36-8	35-1	35-9	35-0	35-5	49-3	33-5	43-6	31-7	34-1	34-5	37-9	...	...	...	...	...	
44. " World	"	76-1	74-2	72-8	71-3	73-4	...	70-7	68-0	85-5	72-6	85-5	74-9	73-6	70-4	...	...	...	...	...	...	
45. Stocks: U.K. and Holland, Dec.	"	281-9	315-8	270-3	242-5	218-2	248-0	233-2	224-1	191-7	187-0	193-1	217-0	235-4	248-0	257-5	239-2	...	...	...	...	
46. Price: Av. London auctions ...	pence per lb.	16-25	9-45	12-90	13-07	15-18	14-38	14-35	14-66	14-34	14-34	14-34	14-34	14-34	14-34	14-34	14-34	...	...	...	...	

Marketability

£4,500,000

received by holders
wishing to realise units*Regular Dividends*

£1,500,000

promptly paid
on due dividend dates

MUNICIPAL AND GENERAL

The Pioneer Group of Unit Trusts

IN GREAT BRITAIN



Municipal and General have been the pioneers of every important development in unit trusts in this country.

- 1931: They launched the first unit trust.
- 1934: They launched the first flexible unit trust.
- 1934: They introduced the "cash" method of operation.
- 1938: They launched the first "cash" fixed unit trust.

All open "M & G" trusts are operated on the "cash" principle by which all money subscribed for new units, with the sole exception of the preliminary charge, must be used to buy investments for the trust. This puts the managers in the unequivocal position of being agents for the unit holders in the purchase of underlying securities and in the creation of units.

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THE ECONOMIST
UNIT TRUST SURVEY

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The Movement's Progress

THE present review of the unit trust movement is the fifth in an annual series published by *The Economist*. Since April, 1935, when the first Survey appeared, investments in unit trusts have increased more than fourfold, from £20½ millions to £83.8 millions. It might be thought that unfavourable market conditions during the past twelve months would have discouraged unit trust activity. But, even if sales have been disappointing for the movement as a whole, enterprise has not been quenched. As many as nineteen new trusts have been formed during the past twelve months, and only two more trusts are needed to bring the total number of British trusts in existence up to treble figures. Advance is still the slogan of the movement, even though it brings but scant reward at the moment.

For the discussions which follow in this Survey we have again selected leading questions of topical interest. The review of the appropriation—cash fund controversy in part recapitulates a similar discussion which appeared in the Survey of April 17, 1937, for *The Economist* was among the first publicly to draw attention to the important differences between these two methods of unit trust operation. In view of the unequivocal claims which have been made for both methods, we have attempted to present the two cases as objectively as possible, and to sift the importance of the advantages of, and objections raised against, each of them.

Writing twelve months ago, we interpreted the Government's attitude towards unit trusts to mean that the question of special legislation to govern unit trusts would not arise, if at all, for a considerable period. To-day that control is already in being. The story of the inclusion of unit trusts within the ambit of the Sharepushing Bill may become a classic example of legislative second thoughts. Yet the survey of the enacted form of control—the third which had been contemplated during the course of the Bill—which appears on a later page, suggests that the unit trust movement has won statutory recognition without having to pay the more exacting price which the Anderson Committee's stern, though perhaps not unfair, recommendations would have involved.

To the movement's credit, it has already introduced many of the improvements which the Anderson Report suggested. Stricter control over yields will in future be maintained by the Board of Trade, but to-day examples of artificial yield inflation (to which detailed consideration

was given in last year's Survey) are rare. Trustees and accountants are evidently playing an important part behind the scenes in this matter. In the past, paradoxical instances have occurred in which the price of a unit has fallen together with the published yield, without any radical change in the earning capacity of the trust. Such examples, fortunately in a small minority among unit trusts, have suggested the conscious or unconscious exploitation of yield inflation as a selling artifice. If a common basis for yield calculations emerges from the Board of Trade regulations it will be highly welcome to investment advisers, and equally salutary for the unit trust movement.

Pressure to obtain sales in a difficult year has been marked by a number of offers of units at a discount on the published price. One of the features properly stressed by unit trusts is the maintenance of firm dealing prices. To offer units at a discount suggests the existence either of excessive management charges or of adventitious profits which can be passed on to subscribers when it happens to suit the manager's book. The nature of these offers has differed. Some have been made, as of right, to existing holders; others, less happily, have been made through third parties. Re-sales of units from revolving funds may assist the managers to make a special reduction in quoted prices—they may, in short, share the turn from marrying re-purchases with re-sales with the investor. Or, in view of their expectation of regular half-yearly charges from new units, they may be prepared, in effect, to hand back part of the preliminary charge and price adjustments, in order to secure future income. But, in principle, objections apply to any special variation in quoted unit prices, and the extension of discount offers to the movement as a whole would be highly unfortunate.

To-day it is becoming increasingly clear that a unit trust is merely a convenient method of diversified investment for the smaller type of investor. It is not a new investment discovery by which a return out of relation with normal investment yields can be obtained; nor, as the past year's experience shows, does it hold out any attraction of guaranteed capital profits to unit holders. Capital profits may arise, and doubtless they are always welcome. But investors now have experience of the unit trust movement and its methods over a complete market cycle. And not the least important lesson which emerges is the impermanence of unduly high yields and the transience of capital profits.

Sales—Growth and Prospects

THE year 1938 was a testing time for the unit trust movement, for equity shares, having fallen substantially more than 20 per cent. in 1937, lost a further 16 per cent., measured by *The Financial News* ordinary share index. But the atrophy which affected the markets last year was not, at least after the first few months, primarily economic in its causation. At the date of our last computation of unit trust sales, March 31, 1938, the market effect of the invasion of Austria earlier that month had scarcely had chance to develop. The unit trust movement, like other investment media, has experienced the full consequences of acute political tension in the twelve months that have since passed.

Past experience, however, has shown that unit trust sales thrive with active investment markets. It is scarcely surprising, therefore, that last year's sales figures, despite the activity in forming new trusts, should show the effect of adverse conditions. Before discussing the figures in detail, however, it is desirable briefly to record the basis on which they are computed. As in previous years, the managers of unit trusts have kindly supplied us with figures showing the total cash value of sales, for combination into a total figure for the whole movement. Following the innovation in last year's survey, similar particulars have been furnished for re-purchases, by the managers, of units tendered for sale by holders. The difference between the two sets of figures gives the net cash invested in the unit trust movement, while the relation of re-purchases to sales provides a measure of the extent to which the movement has been called upon to meet selling by the public. In the case of one group, we have again been compelled to fall back upon an estimate. The information has been supplied in confidence, and no details can be given regarding the position of individual groups. A certain amount of information, however, has been made public. Thus the National group claims to be the largest group, with sales exceeding £23 millions. The Fifteen Moorgate group has stated that sales exceed £10½ millions, while the invested funds of the Trust of Insurance group exceed £11 millions.

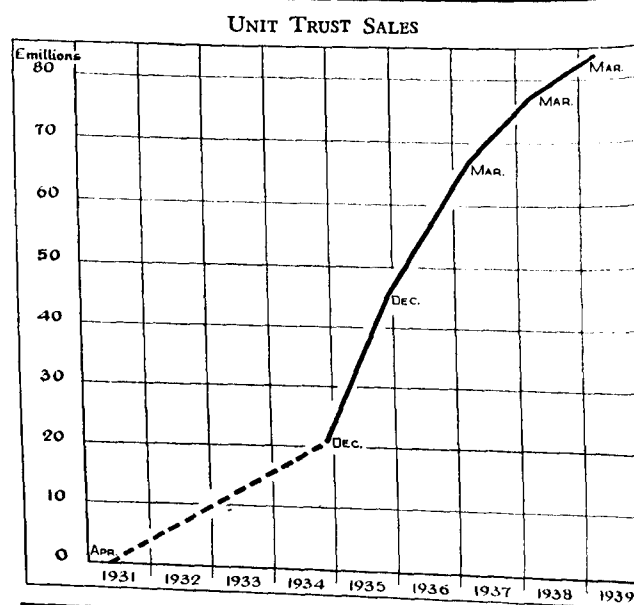
In the first table below, cash sales and re-purchases are set out for the two years to March, 1938 and 1939, together with the totals outstanding at those dates. Certain adjustments have been made to the sales and re-purchases figures for 1937-38, reducing net sales for the year to March 31, 1938, from £11,030,000 to £10,310,000. These changes arise partly from differences in calendar dates, and partly from revisions suggested by the inclusion of re-purchases in the data.

During the year to March 31, 1939, total cash sales amounted to £7,975,000 (compared with the revised figure of £12,930,000 for the previous twelve months) and cash re-purchases to £1,600,000 against the revised figure of £2,620,000 for 1937-38. Thus net cash sales for the latest year showed a fall of 38 per cent. from £10,310,000 to £6,375,000. The increase, in fact, was the lowest since *The Economist* first compiled sales data for the period to

the end of 1934. Details are shown in the following table:—

UNIT TRUSTS' SALES AND RE-PURCHASES				
	Year to March 31, 1938	Total to March 31, 1938 (79 Trusts)	Year to March 31, 1939	Total to March 31, 1939 (96 Trusts)
Cash sales	£12,930,000	£88,000,000	£7,975,000	£95,975,000
Cash re-purchases	2,620,000	10,550,000	1,600,000	12,150,000
Net cash sales	10,310,000	77,450,000	6,375,000	83,825,000
Cash value of conversions	3,130,000	3,130,000	...	3,130,000
Net cash invested in unit trusts	7,180,000	74,320,000	6,375,000	80,695,000

The conversion proposals of 1937-38 received their quietus early in 1938, when offers to holders of Selective "A" and "B" certificates were withdrawn. Hence, the £6,375,000 net sales recorded for 1938-39 constitute a full addition to the net cash resources which remain placed with the unit trust groups for investment. Total cash sales, from the inauguration of the First British Fixed



Trust in April, 1931, to March 31, 1939, amounted to £95,975,000, compared with £88,000,000 to the end of March, 1938. Two trusts formed in March and April (Lombard and Orthodox) are excluded from this computation.

For so difficult a year, a slower rate of growth is not unnatural. It might, indeed, have been expected that the volume of re-sales to the managers would have rivalled that of 1937-38, in view of the general desire among investors for increased liquidity. In fact, the unit holder has been no less faithful to his original choice than in 1937-38. For the year to March, 1938, re-purchases by the managers accounted for 20.3 per cent. of their new sales. Last year the proportion was scarcely changed at 20.1 per cent. The unit trust movement can still claim that, despite two years of intense market depression, the threat of overwhelming re-sales by the public, upon which critics fastened in the earlier days of the movement, has not arisen. Moreover, the volume of actual liquidation of underlying securities on the Stock Exchange during the last two years has been smaller than the re-purchase figures would suggest, for part of these re-purchases have been married against re-sales by the normal operation of "revolving funds," and part held by the managers.

What relation have these figures to the economics of unit trust formation? A very rough bearing may be obtained by comparing the net unit trust sales at the end of successive periods since December, 1934, with the number of trusts formed. The following table shows that, until March, 1938, the average sales per trust formed

Previous surveys of the Unit Trust Movement were published by *The Economist* on April 6, 1935; March 7, 1936; April 17, 1937; and May 28, 1938. Copies of the 1938 Survey are still obtainable, but earlier issues are out of print. Regular features in each supplement include an estimate of sales, a review of unit trust development, and (except in last year's issue) particulars of management company control. In addition, major questions each year, such as the Board of Trade Committee's Report, management costs, flexible trust operation, and analyses of unit holders, have been discussed in the various issues.



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showed continuous growth—at first very rapid, and then at a declining rate:—

GROWTH OF SALES AND TRUSTS

	End 1934	End 1935	March, 1937	March, 1938	March, 1939
Net unit trust sales... £	20,750,000	45,800,000	67,140,000	77,450,000	83,825,000
No. of trusts formed ...	32	53	72	79	96
Average net sales per trust	648,000	864,000	933,000	980,000	873,000
Increase compared previous total	...	25,050,000	21,340,000	10,310,000	6,375,000
No. of trusts formed in period	...	21	19	7	17
Index of growth (total sales per new formation)	...	1,193,000	1,123,000	1,473,000	375,000

Last year sales fell from £980,000 per trust to £873,000 per trust. This result is due partly to reduced business, but partly to the energy of the movement in forming new trusts last year under conditions which, in the event, were considerably less fruitful than their promise. It is impossible to isolate from the sales figures the contribution which new trusts have made to the increase in each successive year. But a comparison of the increase of net sales with the number of trusts formed within specific periods provides a crude guide to the success of new unit trust enterprise. These figures are calculated in the second section of the table above. The sales in each period per new formation (which have been roughly described as an "index of growth") include, of course, all sales, for new and old trusts. The latter may be expected to account for a rising contribution to annual sales as the number of established trusts increases, subject, however, to the important proviso that trusts "date." Again, many of the established trusts are closed. Thus, selling initiative lies with new trusts, which can frame their appeal to the public according to the mood or need of the moment. The figures for end-1935, and for March, 1937 and 1938, must, however, be discounted in order to isolate the contribution made by new trusts, and although the rate is unknown, it is probably not extremely high. But the results for the year to March, 1939, permit of no equivocal interpretation. Total sales, for new and old trusts, were equivalent to no more than £375,000 per new trust formed in the period, and it follows that the total average sales for new trusts were lower, and perhaps appreciably lower, than the average figure.

It is difficult accurately to determine the minimum sales which must be obtained before a unit trust manager "breaks even" on his heavy initial expenditure and begins to earn a net profit in respect of additional turnover. Much depends upon the spread of overhead expenses—an established group can usually handle the management of a further trust without any great addition to costs. But even for such groups, an average sale of less than £375,000 for new formations would provide no appreciable return—indeed, the critical figure which has to be attained before profits are earned is usually put at £500,000.

Sales and the Small Saver

It is invidious to compare a stripling of a mere eight years with the venerable savings institutions which have hitherto catered for the small type of investor. The majority of small savers are unwilling to undertake the risk of fluctuating investment values. Over a wide range, therefore, the unit trust movement is not directly competitive with savings deposit institutions, such as Post Office and Trustee Savings Banks, Building Societies and Savings Certificates. Again, these institutions owe much of their annual growth to the automatic accumulation of interest.

Hence a direct comparison of the rates of growth of these institutions with unit trusts (as set out in the accompanying table) would be somewhat unfair to the unit trust movement. But the figures have a bearing on the untapped market which the unit trusts may still be able to exploit. Hitherto (as a special analysis of unit trust certificate holdings in last year's Survey showed) the major response to unit trusts has been among investors who were in a position

to acquire up to 300 units. Expressed as a proportion of the total funds, however, holdings of up to 300 units represented only between one-third and one-half.

Thus, the large holding, which is also the economical holding owing to the fixed nature of management costs per transaction, is well represented in unit trust funds. But in encouraging smaller holdings there may be a divergence between the objectives of increasing sales and increasing profits. The trusts themselves recognise this point by insisting on minimum purchases for initial orders. But it is somewhat surprising that so little uniformity exists regarding these minima. As the directory tables beginning on page 14 show, the minimum number of units which may be acquired on initial purchase varies widely between five and 250, though the latter figure applies to a unit initially valued at 1s. 11d. The general minimum is about 50 units, though several groups permit a lower number.

From the management point of view, however, it is doubtful whether any order below £50 provides an oppor-

PROGRESS OF POPULAR SAVINGS INSTITUTIONS
(End year, except where stated)

	1934	1935	1936	1937	1938
Net Unit Trust sales	£000's 20,750	£000's 45,800	£000's 67,140*	£000's 77,450*	£000's 83,825*
P.O. and Trustee Savings Bank deposits	573,529	623,593	679,961	732,251	786,454
Building Societies' shares and deposits	528,367	571,057	609,093	655,917	700,000†
Savings Certificates* (excluding interest accrued)	393,036	391,450	390,093	385,871	381,521

* March of succeeding year. † Estimated.

tunity for profit. If it is reckoned that the direct cost per unit holder per distribution is one shilling, and the trust is of 20-year duration with two distributions each year, the minimum total costs for which the managers must make provision out of their initial service charge (disregarding, for the moment, the question of annual charges) would amount to £2. Clearly, this would leave little margin on a £50 order on the assumption that the effective loading charge is 7½ per cent. counting in all adjustments.

There are, however, two mitigating factors. First, larger orders provide a surplus and thus assist the profit margin on smaller business. Secondly, the adoption of annual charge by recent flexible and fixed trusts to some extent indemnifies the managers against future costs. But if, for the sake of argument, it is assumed that the annual charge amounts to ¼ of one per cent., divided between the manager and trustee, the annual income to the former would amount to 1s. 3d. on a £50 holding, which would not cover the direct costs of two distributions.

Hence a dilemma arises between the desire to obtain bulk sales and the necessity to meet the relatively high individual charges on small orders—which, collectively, might provide a substantial source of new business for the movement. This dilemma, it would seem, is one of the limiting factors to the expansion of the unit trust movement. It may, further, be doubted whether the bulk of the small savers who make the fullest use of savings bank, building society and savings certificate facilities should be invited to undertake equity risks, for their demand is largely for safe security for cash at interest.

Perhaps the ingenious methods which have been evolved in the United States, by which unit trust organisation has been grafted on to regular savings instalment plans may at some future date be introduced in this country. Their development in the United States has not been free from official criticism—partly on the ground that a substantial fraction of the early instalments paid to the managers are diverted to meet management costs and are not deposited in the fund. Inevitably, such costs appear heavy in relation to a small fractional payment. But regular incremental saving plans, provided that they can be devised on an economic basis, both for investors and managers, may assist the movement to tap some part of small savers' funds which, at present, do not provide really remunerative business for unit trusts.

The Evolution of Legislative Control

ON April 28th the Prevention of Fraud (Investments) Bill received the Royal Assent. When its full provisions come into force on the appointed day, one of the strangest chapters in the history of unit trusts will have been closed. In order to trace what appears, in retrospect, to be the almost accidental decision to introduce specific legal control over unit trusts in this country it is necessary to go back to 1936, when the findings of the Stock Exchange and Board of Trade investigations into the movement were published. The reports of both committees found that unit trusts satisfied a public need, but both pointed to the dangers of uncontrolled development. The Stock Exchange sub-committee, reporting early in 1936, described its findings as an interim report, and considered that full protection for the public could only be achieved by legislation.

With the onus thus placed fairly and squarely on its shoulders, the Government, in March, 1936, appointed a Board of Trade Departmental Committee, under the chairmanship of Sir Alan Anderson, to inquire into the question of unit trusts in all its aspects. The Committee issued its findings in August, 1936. Its recommendations were sweeping, but they were welcomed by the movement itself, and the way seemed clear for legislative control—as *The Economist* pointed out at the time, there seemed nothing but the exigencies of Parliamentary business to prevent the passing of a Unit Trusts Act during the succeeding session. In fact, however, seventeen months elapsed before the Government's attitude was defined (though during the interval many of the Anderson Committee's recommendations were adopted by the movement), and it was not until December, 1937, that the then Parliamentary Secretary to the Board of Trade announced that the Government had no early intention of introducing legislation to regulate the movement.

Anti-climax though this decision was, the Government had apparently determined that no immediate case existed for control, for when the first version of the "Sharepushing" Bill was issued in the following summer it was found that the Bill not only exempted unit trusts but that it also accorded to their trustees, as trustees, a standing which they apparently did not possess in some of their other capacities. Both trustees and managers were exempted from the licensing provisions of the Bill, provided that the trusts were "authorised unit trust schemes" within the meaning of the Bill and that their trustees were approved by the Board of Trade. In their other capacities the trustees could obtain exemption only by order of the Board of Trade. The first version of the Bill, it may be remembered, was intended to test public opinion, and when it was re-issued last November many amendments and alterations were introduced. The position of unit trusts, however, was unchanged, and it seemed that, after all, there was to be no official regulation of the movement. Certainly there was not the slightest indication of the complete reversal of the Government's attitude that was, in fact, impending.

The first hint of a change in official policy was given during the Committee stage of the Bill in the House of Commons when the President of the Board of Trade announced that the Government was considering how the responsibilities of trustees could be increased, particularly in connection with the control of advertising. In December, 1938, Mr Stanley said that he would later introduce an amendment providing that trust deeds must satisfy conditions to be prescribed by the Board of Trade and which would enable the Government to indicate, both in existing and future trust deeds, the sort of conditions which were laid down by the Anderson Committee. Here was a *volte-face* with a vengeance, and it was not to be expected that either trustees or managers would allow the Government's attempt to assume the very wide powers it proposed to take to go unchallenged. It was not that the managers objected to regulations, or that the trustees were unmindful of their obligations. The managers had, to a substantial extent, followed the recommendations of the Anderson Committee; and many trustees had, in practice, already been

exercising considerable control over such matters as advertising. The truth was (as the Lord Chancellor later admitted) that the Government's amendment was an offence to any lawyer. It gave the Government complete control over the movement and full powers to vary trust deeds so that they should accord with its own prescribed provisions.

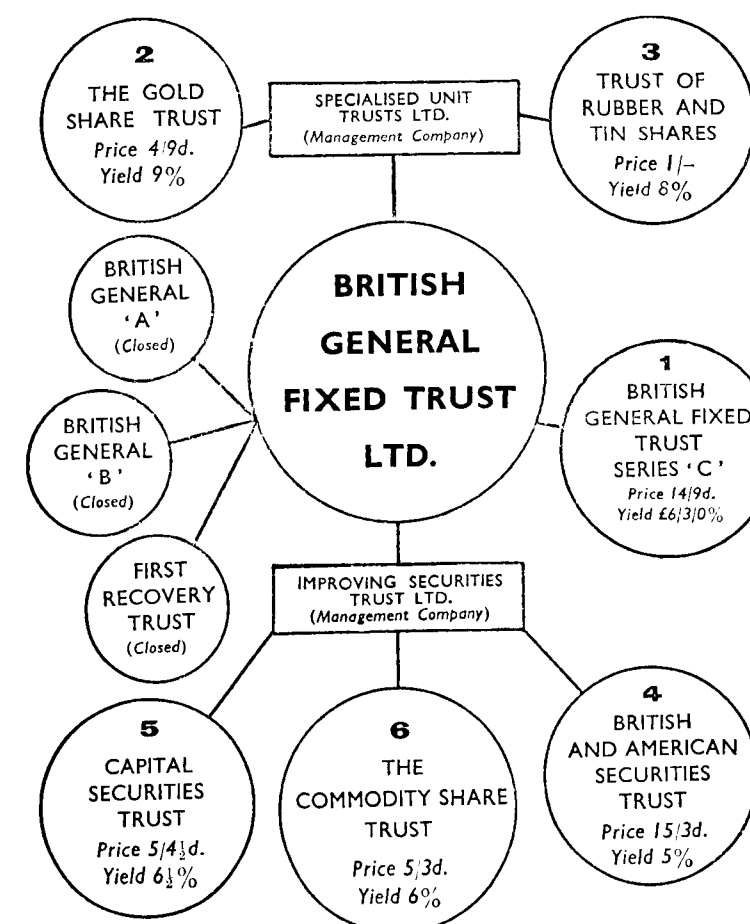
The matter was, however, rectified in the House of Lords. Lord Wardington, chairman of Lloyds Bank, Ltd. (trustees to the first unit trust formed in this country), made a vigorous protest against the blanket provisions, and the sequel was a schedule of six heads under which regulations may be issued by the Board of Trade. These include:—

1. Determining the manner in which the sale price of units and yield are to be calculated.
2. Regulating the mode of execution and the issue of unit certificates. In particular, for securing that no unit certificate shall be executed or issued in respect of any property until steps have been taken, to the satisfaction of the trustee, to secure that the property will be vested in him.
3. Securing that any advertisement, circular or other document containing any statement with respect to the value of units or the yield, or any invitation to buy units, shall not be issued until the trustee has had a reasonable opportunity of considering the terms, and shall not be issued if within a reasonable time he notifies his disapproval in writing to the manager.
4. The establishment of a fund to defray administration expenses and for regulating the application of that fund.
5. The audit and circulation to holders of units of accounts relating to the trust, including accounts of the manager in relation to the trust and statements of his remuneration in connection with the trust.
6. Requiring the manager (subject to any provisions as to appeal contained in the deed) to retire from the trust if the trustee certifies that it is in the interest of the beneficiaries that he should do so.

Short of a separate Bill devoted exclusively to unit trusts, it must be admitted that regulations under these headings should be reasonable and that they should go a long way towards meeting the recommendations of the Anderson Committee. With the exception of items (1) and (5), the regulations can hardly be said to break new ground—they will regularise the position and make compulsory for all what in the past has been the practice of the majority. The setting-up of escrow funds has long been established as common practice, and the trust deed which does not provide for retirement of the managers on the trustee's request is the exception rather than the rule in up-to-date practice. Regulations covering advertising also only extend to the movement, as a whole a practice which many trustees have followed for some time, although it is a definite break with the tradition that the trustee of a unit trust is merely a custodian trustee—officially, at least.

We thus come to regulations (1) and (5), and these embrace the points around which most criticism and controversy have centred since the movement's inception. Discussion in advance of publication of the Board of Trade's exact requirements is to some extent robbed of its usefulness. But it may be presumed that the Board of Trade will be guided, in part at least, by the Anderson Committee's recommendations. On this assumption, the possible form of the trust accounts to be published by the managers is discussed at some length below. The manner of determining prices of units and yields is not so complicated, although existing practice may well be upset in some cases. It may be presumed that the practice of using Official List quotations instead of actual dealing prices in the calculation of unit prices will be abolished. Few trusts, however, employ Official List prices, and there is general agreement

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that the practice should be terminated. The second controversial point in pricing is the "rounding-up" charge. It is obvious that the "weight" of this charge must be related to the price of the sub-units or units—a 3d. "rounding-up" charge on a £1 sub-unit has a very different incidence from a 1d. "rounding-up" on a 2s. sub-unit. In the same way, the incidence of the dealing margin between bid and offered prices of high and low-priced sub-units may also vary greatly. But there seems to be an argument for meeting these points by introducing a sliding scale on the basis of which the charges could be adjusted according to the price of the sub-units.

Yield calculations are probably even more controversial than sales prices and dealing margins. There are obvious limitations in any yield calculation, but a number of primary principles can at least be followed. The inclusion of receipts of a capital nature—proceeds of sales of "rights" and of bonus shares—obviously distorts the true income return on a portfolio, while the calculation of yield on the total amount of dividends received in an accounting period, including all accrued income in the price of securities purchased full of dividend, has also been employed to show an artificially high yield. Such matters as allowance for reductions in interim dividend on the underlying securities, the problem of income from wasting assets, and the question whether manager's and trustee's remuneration is paid from income or capital are other points on which practice has varied widely in the past and on which there should be an official ruling. These problems should not be impossible of solution—some groups have already solved them—but the overriding consideration should, in any case, be that of conservatism. Unit trust certificates have sold very largely on yield in the past, and in view of the movement's preponderating interest in equities there is everything in favour of understating, rather than overstating, the return which the investor may expect.

What Form of Accounts?

Under paragraph 5 of the Schedule, unit trust managers are charged with responsibility for audit and circulation to unit holders of accounts of the trust, and of the manager in relation to the trust, including statements of his remuneration in connection therewith.

What form should these accounts take? No particular difficulty seems to arise concerning the trust accounts. These are in all cases provided with each distribution, and are printed as part of the dividend warrants sent to the unit holder. A typical form of account would set out the gross amount of dividends received and receivable per unit, the amount of British income tax deducted therefrom, and the net amount received or to be received. To this sum would be added any amounts received free of tax, other receipts (such, for example, as the cash value of rights sold) and the deduction from income (if any) in respect of the manager's and trustee's fees. The net amount distributable per unit (distinguished between capital and income) is then set out for each of the "groups" of units formed within the distribution period, to take account of net distributions and equalisation payments. For a flexible trust, the percentage constitution of the unit close to the date of the distribution is given. There follows a statement of the amount (if any) which has been released from escrow funds for trustees' and manager's remuneration, a certificate by the trustee that adequate provision has been made for future management expenses, and an auditor's report covering the income and the amount to be distributed.

This basis for trust accounts derives from the recommendations of the Anderson Committee, and presumably will provide a working model from which the Board of Trade will formulate their requirements. The adjustment of those deeds which do not fully cover the points mentioned should occasion no special difficulty.

The wording of the second part of the paragraph—"Accounts of the Manager in relation to the trust, and statements of his remuneration in connection therewith"—is more difficult to interpret. First, however, it is to be presumed that the Board of Trade will not require the disclosure of the actual size of the individual trust; an analysis of the accounts on the basis of some convenient

multiple, such as one thousand units, would seem to be sufficient, and it conforms with the existing practice regarding trust accounts. There are no direct precedents for the manager's account, but possibly the unit dealing account set out as Form C of the Anderson Report, may provide some guidance. This includes, as to values and the number of units represented thereby, the following items: Units in hand at the beginning and the end of the period; purchases and sales of underlying securities; sales and re-purchases of sub-units; agents' commission on sales and re-purchases; share of commission and brokerage received by the managers; and the amount included in the sales of units in respect of service charge and "rounding up."

Presumably, some modifications of detail would be required to this form. For example, it makes no provision for remuneration to trustees arising on the sale of new units. The opening and closing stock, again, would presumably have to include opening and closing stocks of securities (if any) purchased but not appropriated for the constitution of new units, in addition to the units in hand. A further point, however, may arise in connection with half-yearly charges. The real balance of gross profit cannot be finally decided until the end of the trust period, for the managers have an expectation of regular income from the half-yearly charge, while, on the other side, they must provide for trustees' fees and meet the cost of management and distributions. It is possible, therefore, that consideration may be given to the practicability of crediting the anticipated receipts from semi-annual charges over the full life of the trust (it would not seem necessary to discount these expected sums for the purpose, incidentally) and of charging against this sum an allowance for future management. It is understood that the normal half-yearly allowance for Inland Revenue purposes for future management is based on the minimum fee, if any, payable to the trustee, plus one shilling per unit holder's account. This sum, multiplied by the number of half-years unexpired in the trust period, and expressed per thousand units, should show how far the future management charge payable by the unit holder will leave the managers in profit. It is, however, an estimate rather than a strict account, whose usefulness would depend upon the light it throws upon the current gross profitability of the manager's operations.

It is desirable, in order to clear the air of controversy, that particulars of profit and cost should be given in the fullest possible detail. Whatever the precise form of the account may be, therefore, it would be highly advantageous if it supplied information regarding the manager's gross profits as they originate from four sources.

First, profits arise on the creation and sale of units. Hence the accounts should show the difference between the gross cost to the managers of permitted investments bought to be vested in the trustee and the proceeds of sale of units so created. Secondly, income arising from the management of trust property includes the management fee and any share which may be received by the managers of commissions payable to brokers on the purchase or sale of trust property. Thirdly, profits from dealing in units already in issue—that is, from the revolving fund—may be of importance. Finally, the liquidation of units provides a profit in respect of the difference between the bid price of units and the actual proceeds of the liquidation, which should approximate to the average amount of the downward price adjustment made in calculating the bid price.

Whatever form of account is finally adopted, these points deserve consideration. Although the Act only requires circulation of accounts to unit holders, they will, it will be hoped, be made available to the Press. The present trust accounts are not regularly released for publication to the Press, although managers are usually prepared to supply them on request. The resulting figures should then be comparable with the declared charges shown by the managers in their booklets. It will be evident, of course, that a considerable difference will remain between the management profits disclosed in the accounts and the actual net profit or loss made by the management group concerned. Operating expenses payable from the gross profit margin are heavy, and a substantial volume of business is required before reasonable net earnings are realised.

Management Charges

THE passage of the "Sharepushing" Act, which will require the future circularisation of accounts relating to the managers, has brought into the forefront of discussion the income which managers may draw from the four different functions which they commonly perform—creating and selling units, managing the trust property, providing a market for units already in existence, and liquidating the trust. It is not yet known what form of disclosure of the results of these operations will be required when the Act comes into force. It is already possible, however, to study some of the charges, since they are explained in trust deeds and booklets, and certain facts are also known regarding income arising at other points: the gross charge for making a market in units, for instance, is published in the margin between the bid and offered prices quoted by the managers, though this may vary at different times and for different trusts. Excluding brokers' commission, where it is included in the price, the margin between the bid and offered prices quoted for 77 trusts at March 31, 1939, averaged 5.03 per cent. of the offered price of units, the figures for individual trusts ranging from 2.60 per cent. to 14.71 per cent.

In our third Unit Trust Survey, published on April 17, 1937, a table was published showing the comparative charges on flexible trusts, calculated as a percentage of the initial price of the unit concerned. They were based on the annuity value of the preliminary charge, together with the average price adjustment, allowing for interest at 4 per cent. To this percentage the annual management charge was added in order to show the total effective charges (as stated, and arising from adjustments) per annum of the trust period. The figures published on that occasion included in management charges the brokerage payable on sales of units. In bringing the table up to date the oppor-

tunity has been taken to remedy this defect by slightly altering the basis of the calculations. In the tables given below the effective amount accruing to the manager and the trustee from the preliminary charge and (in those cases where it does not become part of the trust property) from the price adjustment has been reduced to an equivalent annual figure over the life of the trust, taking interest at 4 per cent., and expressed as a percentage of the net initial price of units, after deduction, where necessary, of brokers' commission. To this figure has then been added the amount of any stated annual charge, expressed in the same way as a percentage of the net initial price of units.* In some cases the annual charge may be taken from capital or from revenue at the discretion of the managers. The table shows what has been assumed from a reading of the trust deed. As the footnotes to the tables indicate, there are several different ways of computing the preliminary charge, ranging from a deduction of, say, 5 per cent. from the total selling price of units to an addition of 5 per cent. to the actual cost of underlying securities. The difference between these methods is not negligible for the effective charge on the second method is, in fact, less than 4½ per cent. of the selling price. Hence, to make a true comparison between one trust and another it is clearly necessary to take such differences into account. The inclusion, in most trusts, of the price adjustment in the computation of managers' charges is more important still; an average price adjustment of 1½d., for example, represents 2½ per cent. on a unit priced at 5s., and may provide more than a fifth of the manager's and trustee's total ascertainable revenue from a trust with a life of 20 years, and

* Credit for devising this method is due to Dr Charles H. Walker, from whose unpublished dissertation on Unit Trusts the accompanying tables are reproduced by permission of the author

ASCERTAINABLE CHARGES OF FLEXIBLE TRUSTS

Trust	1 Maximum Life	2 Initial Price	3 Stated Preliminary Charge	4 Average permitted price adjustment	5 Total Preliminary Charges as percent. of net price (col. 2, less brokerage)	6 Annual Equivalent of total Charges (col. 5)	7 Stated Annual Charge	8 Total Charges as percent. per annum of net price
	(Years)	s. d.	%	d.	%	%	%	%
Scottish Bank Insurance and Investment Trust Units	25	18 6	4e	1.5	3.224	0.206	0.1f	0.303
Investment Trust Units	20	17 6	4d	1.5	3.234	0.238	0.1f	0.335
Universal Second Unit Trust	16	17 9	4b	1.5	3.070	0.263	0.125f	0.384
British and Dominion Insurance-Bank Trust	20	16 6	5b	1.5	4.044	0.298	0.1f	0.394c
Trust of Bank and Insurance Shares	21	19 3	5e	1.5	4.214	0.303	0.1f	0.399
Trust of Bank Shares	21	19 0	5e	1.5	4.221	0.304	0.1f	0.400
Trust of Insurance Shares	20	19 9	5e	1.5	4.196	0.309	0.1f	0.405
British Empire First Unit Trust	25	21 6	2.75b	*	2.661	0.170	0.25r	0.413c
Brewery Unit Trust	20	17 6	5d	1.5	4.242	0.312	0.125f	0.432
Electrical Industries Trust	20	19 0	5.5d	1.5	6.644	0.345	0.125r	0.464
British Bank Shares Trust	20	21 3	7.5d	1.5	6.644	0.489	...	0.489
Four-Square Trust	20	21 3	7.5d	1.5	6.726	0.489	...	0.489
Bank Insurance and Financial Shares Trust	20	17 9	7.5d	1.5	6.752	0.495	...	0.495
British Insurance Shares Trust	20	17 9	7.5d	1.5	5.769	0.519	...	0.501
National Investment Group Certificates	15	17 11½	6.5d	1.5	2.100	0.189	0.375r	0.551
Savings Unit Trust	15	9 3	3b	0.75	6.190	0.557	...	0.557
Keystone Flexible Trust	15	Per 5 S/Us	7.5b	1.5	3.751	0.267	0.3125f	0.568c
American Industries Trust	21	18 9	4.5e	1.5	4.738	0.349	0.25f	0.587
Metals and Minerals Trust	20	18 9	5b	1.5	3.965	0.292	0.333f	0.612c
Trust of British Transport	21	18 6	5b	1.5	5.791	0.521	0.375r	0.634
Investors' Income and Reserve Trust	20	21 3	5b	1.5	4.233	0.302	0.125f	0.639
Investors' Flexible Trust	21	21 3	5b	1.5	4.209	0.303	0.375f	0.661
Cumulative Investment Trust	15	17 9	5d	1.5	2.538	0.183	0.5r	0.670c
Foreign Government Bond Trust	21	20 0	6e	*	3.776	0.269	0.5f	0.746c
Limited Investment Fund	21	20 0	6e	*	5.406	0.464	1½d. per Unit f	0.761
Scottish and North Country Investment Fund	21	20 0	4e	*	4.790	0.352	1½d. per Unit f	0.785
Midland and Southern Investment Fund	21	20 0	4e	*	5.983	0.440	0.375f	0.793c
British and American Securities	21	16 0	4.5d	1.5	4.857	0.599	0.25f	0.837
Bank Insurance and Financial Shares (2nd Series)	18	14 3	6d	1.5	5.850	0.417	0.5f	0.888c
Domestic Priority Income Trust	20	9 9	5d	1.5	5.964	0.439	0.5f	0.909c
Orthodox Unit Trust	20	14 0	6.5e	1.5	4.759	0.587	1½d. per Unit f	1.010
First Recovery Trust	10	9 3	5d	1.5	6.291	0.463	1½d. per Unit f	1.067
Commodity Share Trust	21	5 3	5d	1.5	4.010	0.901	0.25f	1.141c
Gold Share Trust	20	5 0	5d	1.5	5.650	1.269	0.25f	1.505c
Producers Investment Trust	20	5 0	5d	1.5				
Domestic Investment Trust	10	10 0	5d	1.5				
Domestic Investment Trust, 2nd Series	20	7 0	6d	1.5				
Capital Securities Trust	5	8 6	4.75d	0.75				
Trust of Rubber and Tin Shares	5	1 11	5d	0.5				

Preliminary Charge: (b) Calculated on gross cost of securities plus accumulations.
(d) Calculated on selling price less price adjustment.
(e) Calculated on selling price.

Annual Charge: (f) Taken from capital of fund. In some cases the annual charge may be taken from capital or from revenue at the discretion of the managers; the table shows what has been assumed from a reading of the trust deed.
(g) Taken from revenue of fund.
Price Adjustment: * Becomes part of fund.

(c) Cash Trust.

correspondingly more from a trust with a shorter life. The charges for flexible trusts, shown below, cover a very wide range, from 0.303 per cent. per annum over 25 years on Scottish Bank Insurance and Investment Trust Units to 1.505 per cent. per annum over five years for the Trust of Rubber and Tin Shares. Among trusts with a life of 20 years or more the highest charge is 1.067 per cent. for Domestic (Second Series). Trusts with a short life naturally show higher annual charges since the preliminary costs are spread over fewer years, but comparison among groups of trusts with different lives is impossible on account of the small number (10 out of 38) of trusts with lives of less than 20 years.

Among the 28 trusts designed to run for 20 years or more, however, interesting comparisons are possible. The average annual figure for this whole group is 0.587 per cent., and the trusts are fairly evenly distributed about the average. Among individual managements, Trust of Insurance Shares show the lowest charges in the table, with an average for the five trusts in the group of 0.368 per cent. per annum. The Cornhill Trust is not included, since the whole of the management costs are borne by the Deferred Units.

Sixteen of the twenty-eight trusts are of the "Appropriation" type, and these show an average charge of 0.528 per cent., whilst the remaining twelve, "Cash" trusts, have an average of 0.666 per cent. It will be important to see, when management profits are published under the "Sharepushing" Act, whether the contention of proponents of the "Cash" principle—that lower disclosed charges of "Appropriation" trusts are balanced by undisclosed amounts which inure to the managers from the purchase of permitted investments and the sale of trust units—is justified.

Arrangement of the trusts in the order of their formation discloses a striking increase in charges in the past year. Details are given in the following table:—

FLEXIBLE TRUSTS WITH LIFE OF 20 YEARS OR MORE

Period of Formation	Total Ascertainable Charges per Annum		
	"Appropriation" Trusts	"Cash" Trusts	All Trusts
1934-1937	0.424 (9)	0.616 (6)	0.501 (15)
1938-1939	0.661 (7)	0.716 (6)	0.686 (13)
1934-1939	0.528 (16)	0.666 (12)	0.587 (28)

(Figures in brackets denote number of trusts included.)

It would be unprofitable to carry the chronological division of the trusts further, for the smallness of the samples would make the averages meaningless. It is, therefore, impossible to say, as yet, whether the trend towards higher charges has reached its peak. But the extent of the increases revealed by this analysis—the rise is more than 50 per cent. in the case of "appropriation" trusts—confirms the opinion expressed in our survey two years ago that for some managements the unit trust movement had not proved the happy gold mine which might have been imagined from its rapid growth in 1935 and 1936. The only available standard by which the charges may be

judged is the management costs of investment trusts, the annual expenses of which are generally taken to amount to rather less than 0.5 per cent. on the capital employed. Since the managers of a unit trust run the risk first of the failure of the trust to reach an economic size and then of its rapid liquidation through the surrender of units, overall charges for management of 0.6 to 0.7 per cent. per annum cannot be called excessive.

We have treated flexible trusts first because information on their charges is more readily available. The method of computing the price of sub-units was often omitted from the deeds of early fixed trusts, but to provide a comparison with the charges on flexible trusts we give a tabulation of a selection of fixed trusts. The first group contains trusts in which the remuneration of managers and trustees came only from a preliminary charge and a price adjustment:—

ASCERTAINABLE CHARGES OF FIXED TRUSTS
(No annual charge)

Trust	1 Maximum Life	2 Initial price	3 Stated pre- liminary charge	4 Av. per- mitted price adjust- ment	5 Total charges, less brokerage, as percent. of net price (col. 2 less brokerage)	6 Total charges as percent. p.a. of net price
	Years	s. d.	%	d.	%	%
Century	15	19 0	5b	+ 1½	3.95	0.355
British Empire Comp.	20	20 6	7b	+ 1½	5.70	0.419
Security First	20	20 9	7b	+ 1½	5.69	0.419
British Empire Cum.	20	18 6	7b	+ 1½	5.76	0.424
Provident Inv.	20	18 3	7b	+ 1½	5.77	0.425
Selective A & B	15	20 0	6b	+ 1½	4.82	0.434
2nd Protected	20	20 0	7½b	+ 1½	6.15	0.453
1st Protected	20	19 0	7½b	+ 1½	6.18	0.455
2nd Investors' Gen.	15	18 1½	6½b	+ 1½	5.33	0.479
3rd Protected	15	15 6	7b	+ 1½	5.88	0.529
Hundred Securities	15	20 6	7d	+ 1½	6.16	0.554
Investors' Gold	10	20 6	6b	+ 1½	4.81	0.593
Keystone	10	18 7½	8b	+ 1½	6.63	0.817
Keystone 2nd	10	17 3	8b	+ 1½	6.68	0.824

(b) Calculated on gross cost of securities plus accumulations. (d) Calculated on selling price less price adjustment.

Six of these trusts with lives of twenty years or more show an average charge of 0.433 per cent. per annum, or slightly more than the pre-1938 "appropriation" flexible trusts. Finally, in the past year several fixed trusts have appeared with annual charges, and these are listed as a second group below.

On the annual basis which we have adopted the charges for these trusts are somewhat higher than the charges on the earlier fixed trusts, and generally somewhat lower than those on flexible trusts of the same life.

In view of the complicated basis of charges, it would seem highly desirable that some basis of comparative charges should be officially devised for use in measuring the relative merits of two similarly constituted trusts. The annual charges shown in the preceding discussion are not the end of management income—adventitious profits on underlying securities, revolving fund profits, and profits on realisation of units are included among the additional sources of revenue. The regular publication of accounts relating to the managers may give an indication of the extent to which they supplement the annual charges described in this article.

ASCERTAINABLE CHARGES OF FIXED TRUSTS
(With annual charge)

Trust	1 Maximum Life	2 Initial Price	3 Stated Preliminary Charge	4 Average permitted price adjustment	5 Total Preliminary Charges as percent. of net price (col. 2, less brokerage)	6 Annual Equivalent of total Charges (col. 5)	7 Stated Annual Charge	8 Total Charges as percent. per annum of net price
	Years	s. d.	%	d.	%	%	%	%
Lombard Industrial Trust	20	9 3	5.5e	†	4.061	0.299	0.25r	0.539c
New British Fixed Trust	21	9 4½	2.5e*	†	2.500	0.178	0.375r	0.544c
Trans-Atlantic Unit Trust: Canadian Series	15	18 6	6b	1.5	4.869	0.438	0.125r	0.557
United States Series	15	18 3	6b	1.5	4.880	0.439	0.125r	0.558
National Gold Shares Certificates	10	16 4½	4.5b	0.75	3.219	0.397	0.5r	0.881
Keystone Consolidated Fixed Trust	10	17 0	4b	1.5	3.070	0.379	0.625r	0.985
Keystone Gold Certificates	10	13 0	5b	1.5	4.241	0.523	0.625r	1.121

Preliminary Charge: (b) Calculated on gross cost of securities plus accumulations. (e) Calculated on selling price.
Annual Charge: (†) Taken from revenue.
Price Adjustment: † Becomes part of fund.

* Excluding brokerage. (c) = Cash Trust.

Directory of Unit Trusts

established at May 13, 1939

GROUP and Trusts managed	Date formed	Trustee	Type of Trust and character of portfolio	Cumulative or Distributive	Securities in panel or permitted list	Treatment of Eliminations or alternative investments	Life of Trust (years)	Arrangements for termination, other than normal provisions for distribution of Trust property at end of life
MUNICIPAL AND GENERAL								
First British	April, 1931	Lloyds Bank	Fixed; general industrial, utilities, oils.	Bonus Shares retained	24	Distributed	20	...
Second British	December, 1932	Lloyds Bank	Fixed; general industrial, utilities, oils.	Rights sold and distributed	26	Distributed	20	...
Third British	December, 1933	Lloyds Bank	Fixed; general industrial, utilities, mines, oil.	...	28	Distributed	20	...
Fourth British	February, 1934	Lloyds Bank	Fixed; general industrial, utilities, oil, mining finance.	...	24	Distributed	20	...
Foreign Government Bond.	April, 1934	Lloyds Bank	Flexible; free to invest in any Government bonds included in panel. (a)	...	107	Managers may change investments within permitted list. Proceeds of sales and redemptions are not distributed.	21	Managers may terminate if less than 200,000 Bond units outstanding.
Limited Investment Fund	December, 1935	Lloyds Bank	Flexible; free to invest in any fully paid securities of 157 companies in permitted list. (b)	Fully Cumulative	Stocks or shares of 157 companies and British Government stocks.	do.	21	Managers may terminate after 15 years or after one year if number of units is less than 400,000.
Midland and Southern Investment Fund.	March, 1936	Lloyds Bank	Flexible; free to invest in 229 Midland or South Country cos., or British Govt. stocks.	Fully Cumulative	Stocks or shares of 229 Mid. or S. Co. cos., and Brit. Govt. stocks.	do.	21	do.
Scottish and North Country Investment Fund.	March, 1936	Lloyds Bank	Flexible; free to invest in 185 Scottish or North Country cos. or Brit. Govt. stocks.	Fully Cumulative	Stocks or shares of 185 Scot. or North Country cos. and Brit. Govt. stocks.	do.	21	do.
New British Fixed Trust	December, 1938	Lloyds Bank	Fixed; general industrial, rubber, tea, oil, non-ferrous metals.	Fully Cumulative	Unit of investment comprises 33 secs.	Reinvested in further units of investment, as modified by such elimination.	21	Managers may terminate after 15 years.
BANK—INSURANCE								
Trust of Insurance Shares	June, 1934	Williams Deacon's Bank.	Flexible; free to invest in Insurance stock or shares in panel and Brit. Govt. and Trustee securities. (a)	Cumulative	31 Ins. Cos. (e) and Brit. Govt. and other Trustee securities.	Reinvested	20	Distribution of shares or cash or option continue Trust.
Trust of Bank & Insurance Shares.	September, 1935	Midland Bank Exec. and Trustee.	Flexible; free to invest in Bank, Discount and Insurance securities in panel and Brit. Govt. and Trustee securities. (c)	Cumulative	52 Insurance, Banks and Discount, Brit. Govt. and Trustee securities. (a)	Reinvested	21(d)	do.
Trust of Bank Shares ...	December, 1935	Equity and Law Life Ass. Soc.	Flexible; free to invest in Bank and Discount securities in panel and Brit. Govt. and Trustee securities. (f)	Cumulative	40 Banks and Discount issues and Trustee securities. (e)	Reinvested	21(d)	do.
Investment-Trust-Units	March, 1937	Lloyds Bank	Flexible; investment trust shares, Trustee securities (g).	Cumulative	63 Inv. Trust Cos. Additional Trust Cos. of status defined by Trust Deed; and Trustee secs.	Reinvested	21(d)	do.
Scottish Bank, Insurance & Investment Trust Units.	January, 1937	Royal Bank of Scotland.	Flexible; Scottish bank, insurance and investment trust shares; English banks, insurance & investment trusts (i) Trustee securities.	Cumulative	59 Ins. Cos., Banks and Inv. Ad. ditional shares of status defined by Trust Deed; and Trustee secs.	Reinvested	25(h)	do.
Cornhill Trust 4 per cent. £1 red. guar. Deb. units (1952). Cornhill Deferred.	October, 1937	Midland Bank Exec. and Trustee.	Flexible; Brit. bank and insurance shs., Brit. Govt. secs. (For further details of operation, see page 18 Economist Unit Trust Survey, May 28, 1938.)	Cumulative	33 Insurance, Brit. Govt. secs. (j)	Reinvested	Deb. 15 Def. 21	Offer to exchange into debts of Trust Co. may be after October, 1947. If not converted to Inv. Trust Co. distribution of shares or cash, or option to continue Trust.
DOMESTIC Producers (formerly Aviation and Universal)	March, 1936	General Accident, Fire and Life.	Flexible; Industrial, oil, plantation and mining cos.	Cumulative	99 in present portfolio.	Permitted list of Investments includes any securities quoted on the London Stock Exchange.	10	Meeting of unit-holders may authorise formation of Inv. Trust Co. any time after 7 years from formation of Trust.

(Continued)

Maximum size of Trust (Units)	Open or Closed	No. of Sub-Units to Unit	Minimum Purchase of Sub-units	Certificates, Bearer or Registered	Loading or Service Charge (%)	Management or "Escrow" Provision	Distribution Dates	Other Particulars	Trust
600	Closed	2,000	10	After 20 in 5's	Bearer	No loading charge; all trusts closed. Bid price based on realisable value of underlying securities, less expenses. Sub-units offered, when available, at turn over bid price.	15 June, Dec.	Business in all trusts in this group executed only through Stockbroker.	MUNICIPAL AND GENERAL
550	Closed	4,000	10	5	Bearer	Part of service charge in escrow distributed half-yearly between trustees and managers.	15 Mar., Sept.	...	First British.
500	Closed	4,000	10	5	Bearer	...	15 Feb., Aug.	...	Second British.
500	Closed	4,000	10	5	Bearer	...	15 May, Nov.	...	Third British.
5,000,000	Open	...	10	5	Bearer	5%, plus 1% of 1% p.a. of average value of deposited property. Brokers charge commission on S.E. scale.	1 Apr., Oct.	(a) Investment in any one bond not to exceed 5% of Trust Fund, except British Govt. securities. Operated as Cash Fund.	Fourth British.
2,000,000	Open	...	10	5	Bearer	Preliminary charge 2½%. Brokers charge commission on S.E. scale. Annual charge from income 1% of fund, paid half-yearly, for Managers and Trustees.	15 Jan., July	(b) Investment in any one company not to exceed 5%, except British Govt. securities. Operated as Cash Fund.	Foreign Govt. Bond.
2,000,000	Open	...	10	5	Bearer	do.	1 May, Nov.	do.	Limited Investment Fund.
2,000,000	Open	...	10	5	Bearer	do.	1 Mar., Sept.	do.	Midland and Southern Investment Fund.
4,000,000	Open	1st Unit 10,000	10	5	Registered or Bearer	Preliminary charge 2½% (brokerage not included) semi-annual charge 1% of 1% on average value of deposited property for managers and trustees.	15 June, Dec.	Trust is operated as cash fund.	Scottish and North Country Investment Fund.
Limited by proportions shown under "Other Particulars."	Open	...	10	1	Registered or Bearer	Initial, 5% plus 1% of 1% per annum on mean market value of funds.	31 Jan., July	(a) Not more than 10% of funds to be in any one company and not more than 5% of any company's issued share capital may be held.	New British Fixed Trust.
"	Open	...	10	1	Registered or Bearer	do.	30 Apr., Oct.	(c) Not more than 7½% in any Co. and not more than 5% of issued capital of any Co. to be held. At least 35% of funds must be in Ins. Cos.	Trust of Insurance Shares
"	Open	...	20	1 (5 if bearer)	Registered or Bearer	do.	15 Mar., Sept.	(d) May be ended after 18 years.	Trust of Bank & Insurance Shares.
"	Open	...	20	1	Registered or Bearer	Initial 4% plus 1% of 1% per annum on mean market value of funds.	31 May, 30 Nov.	(e) Uncalled and reserve liability covered by Trustee secs., insurance or otherwise, or maintaining fund at over 2½ times liability.	Trust of Bank Shares.
"	Open	...	20	1	Registered or Bearer	do.	15 Feb., 18 Aug.	(f) Not more than 7½% in any Co. and not more than 5% of issued capital of any Co. to be held.	Investment-Trust-Units.
"	Open	...	10	1	Registered or Bearer	6d. on each deb. unit. Deferred: Service charge 5% on price. 1% of Fund at each distr. date for expenses, including Trustees, redemption premium on deb. units, etc.	Deb. units: 5 Apr., Oct. Def. units: 20 Apr., Oct.	(g) Not more than 7½% of funds of Trust in any one Co.; not more than 7½% of capital or debentures of any company to be held by Trust.	Scottish Bank, Insurance & Investment Trust Units.
No. may be limited by Managers in consultation with Trustees.	Open	...	50	10	Registered	Initial service charge of 5% of price. Annual charge of 1d. per unit.	15 May, 15 Nov.	(h) May be ended after 21 years.	Cornhill Trust.
						Provision made for future management.		(i) Not more than 7½% in any company. Not more than 7½% of any one class of issued capital to be held. Not less than 15% in insurance or bank shares respectively. Not less than 25% in investment trust shares.	DOMESTIC Producers (formerly Aviation and Universal)

(Continued.)

GROUP and Trusts managed	Date formed	Trustee	Type of Trust and character of portfolio	Cumulative or Distributive	Securities in panel or permitted list	Treatment of Eliminations or alternative investments	Life of Trust (years)	Arrangements for termination, other than normal provisions for distribution of Trust property at end of life
DOMESTIC—cont.								
Domesticcont.	July, 1936	Midland Bank Exec. and Trustee.	Flexible; companies producing domestic requirements, and Trustee securities.	Cumulative	129 in present portfolio.	Securities of a similar nature may be added, or eliminations made subject to veto of Trustees.	10	Meeting of unit-holders may authorise formation of Inv. Trust Co. any time after 7 years from formation of Trust.
Domestic Priority Income	May, 1938	Midland Bank Exec. and Trustee.	Flexible: pref. and debts. of industrial cos.	...	105 in present portfolio.	Additional list includes 240 cos.	10	do.
Domestic 2nd Series ...	September, 1938	Midland Bank Exec. and Trustee.	Flexible; consumers' goods industrials.	Cumulative	134 in present portfolio.	Supplementary list of 295 companies.	20	After 17 years holders may authorise extension or earlier termination or conversion into investment trust co.
NATIONAL								
National "A"	June, 1932	Midland Bank Exec. and Trustee.	Fixed; general industrial, utilities, oil, etc.	Distributive	27	Distributed	20(a)	Distribution or conversion into other units.
National "B"	July, 1933	Midland Bank Exec. and Trustee.	Fixed; general industrial, transport, mines, oil.	Distributive	20	Distributed	20(a)	do.
National "C"	March, 1934	Midland Bank Exec. and Trustee.	Fixed; general industrial, preference only.	Distributive	20	Distributed	20(a)	do.
National "D"	July, 1934	Midland Bank Exec. and Trustee.	Fixed; general industrial, breweries, mines.	Distributive	22	Distributed	20	do.
Commercial	November, 1933	National Provincial Bank.	Fixed; general industrial.	Distributive	20	Distributed except redemptions which may be reinvested in certain cases.	20(a)	do.
Gilt-Edged	February, 1934	National Provincial Bank.	Fixed; British and Colonial Government, Public boards and Railways fixed interest stocks.	Distributive	19		15	do.
Amalgamated	April, 1934	Williams Deacon's Bank.	Fixed; Government stocks, industrial preference and ordinary and mining.	Distributive	30	Distributed	20(a)	do.
Universal	July, 1934	National Provincial Bank.	Fixed; Government stocks, industrial, utilities, oil, mines.	Distributive	73	Distributed, except redemptions which may be reinvested.	20	do.
Scottish	May, 1935	Clydesdale Bank	Fixed; general industrial, iron and steel, utilities, mines.	Distributive	20	Distributed	20	do.
Century	October, 1935	Midland Bank Exec. and Trustee.	Fixed; general industrial.	Distributive	100	Distributed	15	do.
National Investment Group Certificates.	July, 1936	Midland Bank Exec. and Trustee.	Flexible; banks, insurance cos., public utilities, industrial, mines.	Cumulative	Initial portfolio 40; 300 alternative investments, & trustee stocks.	Investment may be varied within permitted list (c) subject to trustee's veto.	15	do.
Universal Second	November, 1938	National Provincial Bank	Flexible; Govt. stocks, industrials, utilities, oils, mines.	Cumulative	Initial portfolio 73, identical with Universal Fixed	Supp. list 261 cos. and trustee secs. Flexible subject to limits in deed, and trustee's veto.	15½(b)	Holders of 25% of sub-units, or agreed percentage, may obtain renewal of trust for further 16 years.
National Gold	March, 1939	Lloyds Bank	Fixed; gold shares	Cumulative	18, and alternative panel of 12	Securities variable at discretion of managers.	10	Distribution or conversion into other units.
First Protected	November, 1935	Midland Bank Exec. and Trustee.	Fixed; building, iron and steel, transport, oil, rails, mines, industries.	Fully Cumulative	29	Either applied to sinking fund, re-invested in panel or distributed.	20	Distributed
Second Protected	February, 1936	Midland Bank Exec. and Trustee.	do.	100% Cumulative	29	Reinvested in panel, capital red. policies or Trustee secs.	20	Distributed
Third Protected	June, 1936	Midland Bank Exec. and Trustee.	Fixed; industrial, mines, oil, building, foodstuffs, foreign bonds.	Cumulative	50	Underlying secs. may be changed by managers, subject to veto of Trustee, within range of 14 further cos.	15	Distributed or alternative offer.
15 MOORGATE								
Investors General	February, 1934	Royal Exchange Assurance.	Fixed; general industrial, utilities, breweries, mines.	Capital bonuses over 10% accumulated; smaller bonuses accumulated if practicable at Manager's discretion. New issue rights sold and distributed.	24	Distributed or re-invested in Trustee securities, or securities already in panel. (a)	20	Distribution or option of conversion into similar investment.
Investors Second General	August, 1935	Royal Exchange Assurance.	Fixed with flexible provisions (b); general industrial, utilities, breweries, mines.		27	do. (a) and in any similar security. (c)	15	Distribution or after 10 years' option to convert into Inv. Trust Co., without prejudice to dissent.
Investors Gas & Electric	May, 1934	Royal Exchange Assurance.	Fixed with certain flexible provisions (b); gas and electricity equities.		15	Distributed or re-invested in Trustee securities, in securities already in panel, or in similar securities. (d)	20	Distribution or option of conversion into new units of similar character.
Investors Gold	March, 1935	Royal Exchange Assurance.	Fixed with flexible provision (b); gold mining shares.		16	do. (e)	10	Distribution or offer to convert into similar investment.
Provident Investors	September, 1935	Martins Bank	Fixed with flexible provisions (b); general industrial, utilities, stores, consumers' goods shares.		30	do.	20	Distribution or after 15 years' option to convert into Inv. Trust Co. without prejudice to dissent.
Security First	July, 1935	Lloyds Bank	Fixed with flexible provisions (b); general industrial, iron and steel, breweries, mines, rails.		23	do. but only in securities included in panel. (f)	20	do.

(Continued)

Maximum size of Trust (Units)	Open or Closed	No. of Sub-Units to Unit	Minimum Purchase of Sub-units	Certificates, Bearer or Registered	Loading or Service Charge (%)	Management or "Escrow" Provision	Distribution Dates	Other Particulars	Trust
			Initial Subsequent						
Not stated	Closed	...	50	10	Registered or bearer.	Initial service charge of 5% of price; annual charge of ¼d. per unit.	Provision made for future management.	1 Feb., 1 Aug.	DOMESTIC—cont. Domestic.
Not stated	Open	...	50	10	Registered or bearer.	Initial service charge, 5% of price; annual charge ¼d. per unit.	do.	1 Apr., 1 Oct.	Domestic Priority Income.
Not stated	Open	...	50	10	Registered or Bearer	Initial charge 6% of price; annual charge ¼d. per unit from capital.	do.	15 June, 15 Dec.	Domestic 2nd series.
Not stated	Closed	4,000	10	1	Registered	5	Managers have in each case set aside funds with Trustees to provide for Trustees' fees and future management expenses.	15 May, Nov.	NATIONAL National "A."
Not stated	Closed	4,800	20	10	Registered	5	do.	15 Feb., Aug.	National "B."
Not stated	Open	4,800	20	10	Registered	5	do.	15 Mar., Sept.	National "C."
Not stated	Open	4,800	20	10	Registered	5	do.	1 Jan., July	National "D."
Not stated	Closed	4,800	20	10	Registered	5	do.	15 June, Dec.	Commercial.
Not stated	Open	4,800	20	10	Registered	2½	do.	15 Jan., July	Gilt-edged.
Not stated	Open	4,800	20	10	Registered	5	do.	15 Apr., Oct.	Amalgamated.
Not stated	Open	12,000	20	10	Registered	5	do.	1 Apr., Oct.	Universal.
Not stated	Open	4,800	20	10	Registered	5	do.	1 June, Dec.	Scottish.
Not stated	Open	10,000	20	10	Registered	5	do.	1 May, Nov.	Century.
Not stated	Open	...	50	10	Registered or Bearer	6½	do.	1 Mar., Sept.	National Investment Group Certificates.
Not stated	Open	...	20	10	Registered	Initial charge 4%; semi-annual charge ¼ of 1% of av. value of fund. Half semi-annual charge accumulated in Trust Renewal Fund.	do.	15 Apr., Oct.	Universal Second.
Not stated	Open	4,800	20	10	Registered	Initial charge 4½%; semi-annual charge of ¼ of 1% based on value of fund, of which one-fourth to trustees, who also receive ¼ of 1% commission on sales.	do.	1 March, Sept.	National Gold.
Not stated	Closed	6,000	20	5	Registered	7½	do.	31 Mar., Sept.	First Protected.
Not stated	Closed	6,000	20	5	Registered	7½	do.	30 June, 31 Dec.	Second Protected.
800	Closed	4,000	20	5	Registered	7	do.	31 May, 30 Nov.	Third Protected.
400	Closed	4,000	20	5	Registered	5 (approx.)	One-third of loading charge set aside to cover Trustees' and Managers' expenses. Managers' proportion placed "in escrow" and released half-yearly.	1 June, Dec.	15 MOORGATE Investors General.
500	Open	4,800	20	5	Bearer	6½		1 Mar., Sept.	Investors Second General.
500	Closed	4,000	20	5	Registered	5 (approx.)		1 May, Nov.	Investors Gas and Electric.
400	Re-opened	4,000	20	5	Registered	6		1 Oct., Apr.	Investors Gold.
600	Open	6,000	20	5	Bearer	7		15 Apr., Oct.	Provident Investors.
800	Closed	4,000	20	5	Bearer	7		1 Feb., Aug.	Security First.

(Continued)

GROUP and Trusts managed	Date formed	Trustee	Type and Trust and character of portfolio	Cumulative or Distributive	Securities in panel or permitted list	Treatment of Eliminations or alternative investments	Life of Trust (years)	Arrangements for termination, other than normal provisions for distribution of Trust property at end of life
15 MOORGATE (cont.) Hundred Securities	October, 1935	Lloyds Bank	Fixed, with flexible provisions (b); Government securities, iron and steel, transport, utilities, stores, breweries, mines and miscellaneous industrial.	(See above)	100	(See above) and in similar securities. (g)	15	(See above)
Investors Flexible	August, 1936	Midland Bank Exec. and Trustee.	Flexible; banks, mines, industrial & commercial and trustee securities.	Cumulative	Over 260	Investment may be varied within permitted list.	15	After 12 years managers can obtain authorisation of transfer of holdings to Investment Trust.
Savings Unit Trust	July, 1938	Lloyds Bank	Fixed; general industrial, oil and gold mining.	At manager's discretion.	28	Managers may sell or reduce any security and also nominate up to 3 new investments in any year and up to 20 in all. Managers may sell or reduce any security and also nominate up to 10 new investments yearly (total not to exceed 175).	15	After 10 years, holders may agree to extension of trust for up to 21 years, or conversion into investment trust co. (h).
Investors' Income and Reserve.	November, 1938	Midland Bank Exec. and Trustee	Fixed; bank, utilities, railway industrial, oil, gold; preference and ord. shares.	Cumulative for capital bonuses; rights sold and distributed	175		21	Distribution or conversion into investment trust co. by 75% vote; managers may terminate if less than 150,000 units outstanding.
ALLIED INVESTORS								
British Industries 1st Portfolio.	March, 1934	Midland Bank Exec. and Trustee.	Fixed, with flexible provisions (a); general industrial, mines, rail.	Share bonuses up to 10% distributed; fully accumulated over 10% do.	25 and alternative panel of 10.	Reinvested in alternative panel.	20	Distribution or new trust
British Industries 2nd Portfolio.	November, 1934	Midland Bank Exec. and Trustee.	Do.; general industrial, mines, oil, breweries.	do.	25 and alternative panel of 10.	do.	20	do.
British Industries 3rd Portfolio.	November, 1935	Midland Bank Exec. and Trustee.	Do.; general industrial, insurance, mines, utilities.	do.	25 and alternative panel of 10.	do.	20	do.
British Industries 4th Portfolio.	November, 1935	Midland Bank Exec. and Trustee.	Do.; general industrial, oils, mines.	do.	25 and alternative panel of 10.	do.	20	do.
Electrical Industries ...	March, 1936	General Accident, Fire and Life Assurance	Flexible; investment permitted in cos. on panel; electric supply cos. and equipment manufacturing cos.; trustee securities.	Cumulative (Recurring cap. bonuses distributed at discretion of Managers).	41	Investment may be varied within list of permitted securities.	20	do.
Metals and Minerals ...	December, 1936	Midland Bank Exec. and Trustee.	Flexible; gold, diamonds, iron & coal, oil, other metals.	Capital bonuses under 10% distributed at discretion of Managers. Cumulative	40 cos. in initial portfolio, 47 as alternative investments	Reinvestment in alternative cos.	20	Managers can terminate Trust after 15 years if in interest of holders, or after 1 year if fund under 100,000 units.
American Industries ...	July, 1938	Lloyds Bank	Flexible; U.S. industrial, oil, non-ferrous metals, mining finance.	Cumulative	50	Investment may be varied within permitted list, subject to 74% maximum in one company, and in gilt-edged.	21	Managers have discretion to terminate after 15 years.
Cumulative Investment Trust.	November, 1938	Midland Bank Exec. and Trustee	Flexible; British industrial, oil, non-ferrous metals, mining finance.	Cumulative	50 initial list	Investment may be varied within initial list (not more than 5% of fund in one co.) and within alternative panel of 28 cos.	20½ app.	do. or after 1939 if less than 200,000 units outstanding. After 1939 trustees, managers, or holders of one-fifth outstanding units may summon meeting to consider conversion into investment trust co.
KEYSTONE								
Gold Producers 1	April, 1933	Midland Bank Exec. and Trustee.	Fixed; gold shares	Distributive	15	Reinvested	10	Distributed
Gold Producers 2	May, 1934	Midland Bank Exec. and Trustee.	Fixed; gold shares	Distributive	10	Reinvested	10	Distributed
Gold Producers 3	January, 1935	Midland Bank Exec. and Trustee.	Fixed; gold shares	Distributive	20	Reinvested	10	Distributed
Rand	February, 1934	Midland Bank Exec. and Trustee.	Fixed; gold shares, 20 per cent. in development stage.	Distributive	20	Reinvested	10	Distributed
Group Units:— Brewery and Distillery	March, 1934	Midland Bank Exec. and Trustee.	Fixed; brewery shares	Distributive	14	Reinvested	10	Distributed
Textile	March, 1934	Midland Bank Exec. and Trustee.	Fixed; textile shares	Distributive	13	Reinvested	10	Distributed
Iron, Coal and Steel...	March, 1934	Midland Bank Exec. and Trustee.	Fixed; heavy industrial shares.	Distributive	16	Reinvested	10	Distributed
Oil	March, 1934	Midland Bank Exec. and Trustee.	Fixed; oil shares ...	Distributive	13	Reinvested	10	Distributed
Home Rails	March, 1934	Midland Bank Exec. and Trustee.	Fixed; rail stocks ...	Distributive	18	Reinvested	10	Distributed
Stores and Products...	March, 1934	Midland Bank Exec. and Trustee.	Fixed; industrial shares.	Distributive	17	Reinvested	10	Distributed
Keystone Certificates ...	September, 1935	Midland Bank Exec. and Trustee.	Fixed profit-sharing; general industrial, mines, iron and steel, stores, etc.	Distributive	53	Distributed	10	Distributed
Keystone Second Certificates.	December, 1935	Midland Bank Exec. and Trustee.	do.	Distributive	49	Distributed	10	Distributed
Keystone Flexible	April, 1936	Midland Bank Exec. and Trustee.	Flexible; ordinary and deferred shares of industrial cos.	Cumulative	20 in initial portfolio; over 150 for addition and list may be extended subject to approval of Trustee.	Investments may be changed within permitted list, subject to veto of Trustee.	15	Distributed
Keystone Consolidated	November, 1937	Midland Bank Exec. and Trustee.	Fixed; industrials, rails, oils and mines.	Distributive	50	Distributed	10	Distributed

(Continued)

Maximum size of Trust (Units)	Open or Closed	No. of Sub-Units to Unit	Minimum Purchase of Sub-units	Certificates, Bearer or Registered	Loading or Service Charge (%)	Management or "Escrow" Provision	Distribution Dates	Other Particulars	Trust
600	Open	15,000	20	5	Bearer	7 (approx.)	(See above)	15 June, Dec.	(g) But not more than 5 in one year and 50 during trust period. Restrictions on disproportionate investment.
Not stated	Open	...	50	5	Registered or bearer	Initial service charge, 6½%. Annual charge, 1% of value of Trust Fund.	Provision made.	22 Mar., Sept.	Not over 5% in any one company. Not over 2½% of amount of any one issue.
Not stated	Open	45,000	200	5	Registered	Initial charge 3%; semi-annual charge of ½ per cent. of value of fund, from income or capital.	do.	15 Jan., July.	(h) Dissenters have right to demand re-purchase of sub-units; non-dissenters bound by majority.
Not stated	Open	15,000	50	10	Registered	Initial charge 5%; semi-annual charge of ½ per cent. of value of fund from income (applicable, if necessary, against depreciation of Reserve Fund).	do.	10 Mar., Sept.	Reserve sub-units identical with income sub-units for capital, but ½ income put to reserve. Such reserves accumulated at interest; investments to be redeemable within 5 years.
At Trustees' discretion	Open	5,000	50	5	Registered or bearer	6	Provision made by deposit of Trustee securities with Trustees	31 Mar., Sept.	In all four portfolios managers may eliminate any security and replace it from alternative panel of 10 securities in each case.
"	Open	5,000	50	5	do.	6	do.	30 June, Dec.	
"	Open	5,000	50	5	do.	6	do.	10 May, Nov.	
"	Open	5,000	50	5	do.	6	do.	10 Aug., Feb.	
Limited by proportions shown under "Other Particulars."	Open	...	50	5	do.	Initial service charge of 5½%, plus annual charge of ½% of market value of Trust Fund.	do.	31 Jan., 31 July	Not over 5% in any one security, not over 5% of capital of any one company to be held.
At Trustees' discretion	Open	...	50	5	Registered	Initial service charge of 5½%, plus annual charge 1½% of market value of Trust Fund.	do.	1 June, 1 Dec.	Not over 5% in any one company, not more than 5% of issue of any one security. Reserve Fund out of income.
"	Open	...	50	5	Registered or bearer	Initial charge 4½% of price; semi-annual charge ½% of average monthly value of fund (both divided between managers and trustee).	do.	15 May, Nov.	Cash fund operation.
"	Open	...	50	5	Registered	Initial charge 5% of price; semi-annual charge ½% of current value of fund.	do.	10 June, Dec.	Appropriation trust. Distributions limited to ½ of income each half-year. Balance reserved as capital accretion of fund.
At discretion of Trustees and Managers	Closed	1,500	10	5	Registered	10% added to cost	Managers have in each case set aside funds with Trustees to provide for Trustees' fees and future management expenses.	Feb., Aug.	Amortisation provision left to holders' judgment.
"	Closed	2,000	10	5	Registered	do.	do.	Feb., Aug.	do.
"	Open	4,000	10	5	Registered	do.	do.	Feb., Aug.	do.
"	Closed	2,000	10	5	Registered	do.	do.	Feb., Aug.	do.
"	Closed	2,000	10	5	Registered	5% added to cost	do.	May, Nov.	...
"	Closed	2,000	10	5	Registered	do.	do.	May, Nov.	...
"	Closed	2,000	10	5	Registered	do.	do.	May, Nov.	...
"	Closed	2,000	10	5	Registered	do.	do.	May, Nov.	...
"	Closed	2,000	10	5	Registered	do.	do.	May, Nov.	...
"	Closed	2,000	10	5	Registered	do.	do.	May, Nov.	...
"	Closed	7,500	20	5	Registered	8% added to cost	do.	Apr., Oct.	Sub-unit holders participate in profits, after payment of manager's expenses.
"	Closed	10,000	20	5	Registered	do.	do.	Jan., July	...
3,000,000 sub-units	Open	...	25	5	Registered	Initial service charge of 7½%.	do.	May, Nov.	Not over 7½% investment in any one Co.
At discretion of trustees.	Open	6,000	5	5	Registered	4% added to cost, and half-yearly fee of ½ per cent. of value of investments.	Included in service charge	June, Dec.	...

(Continued)

GROUP and Trusts managed	Date formed	Trustee	Type of Trust and character of portfolio	Cumulative or Distributive	Securities in panel or permitted list	Treatment of Eliminations or alternative investments	Life of Trust (years)	Arrangements for termination, other than normal provisions for distribution of Trust property at end of life
KEYSTONE—(cont.) Keystone Gold	October, 1938	Midland Bank Exec. and Trustee	Fixed; gold mining	Distributed	16; alternative panel 7	Portfolio only changed with approval of trustee.	10(a)	
BRITISH EMPIRE—SELECTIVE British Empire "A" ...	November, 1933	Midland Bank Exec. and Trustee.	Fixed; general industrial, breweries, shipping, utilities, oil.	Capital bonuses up to 10% dis.; over 10% cum.	25	Distributed	20	
British Empire "B" ...	February, 1934	Midland Bank Exec. and Trustee.	Fixed; general industrial, breweries, oil, mines.	Cumulative	25	do.	20	
British Empire Cumulative.	July, 1935	Lloyds Bank	Fixed; general industrial, breweries, utilities, oil.	Cumulative	25	Distributed or re-invested in Trustee securities already in panel. (a) (b)	20	Distribution or conversion into limited Inv. Trust Co. by 3/4ths agreement, and without prejudice to dissenters. do.
British Empire Comprehensive.	October, 1935	Lloyds Bank	Fixed; general industrial, breweries, utilities, mines, rails, oil.	Cum. With discretion re fractions. New issue rights sold and dis.	150	do.	20	
British Empire First Unit	September, 1936	Lloyds Bank	Flexible; free to invest in large number of securities on permitted list; and trustee securities.	Cumulative	50 in initial portfolio; over 420 in permitted list.	Investments may be changed within permitted list.	25	Meeting of certificate holders can terminate Trust, or transform into Limited Inv. Co.
Selective "A"	May, 1935	Royal Exchange Assurance.	Fixed; indust., transport, stores, mines.	Bonuses dist. up to 10% may be retained or dist. over 10% do.	26	Distributed or re-invested in panel or Trustee securities.	15	Distributed, or alternative offer.
Selective "B"	May, 1935	Royal Exchange Assurance.	do. and breweries	do.	26	do.	15	do.
Trust of British Transport.	March, 1936	Royal Exchange Assurance.	Flexible; air, road, rail, water, transport and mfg. cos., and trustee securities.	Cumulative	Over 160	Investment may be varied within permitted list.	20	Meeting called by one-tenth of certificate holders, by managers, or trustee, can terminate Trust at any time.
BRITISH GENERAL British General Series "A"	June, 1934	General Accident, Fire and Life.	Fixed; indust., iron and steel, oil, mines.	Cumulative	23 and alternative panel of 10. (a)	Reinvested in alt. panel.	20	Distribution
British General Series "C"	October, 1935	General Accident, Fire and Life.	Fixed; do.	Cumulative	27 and alternative panel of 10 and 10	do.	20	do.
First Recovery	February, 1936	Martins Bank	Flexible; investment permitted in any security of cos. included in portfolio.	Cumulative	Securities of 64 companies (b)	Investment may be varied within permitted list.	10	Distribution or option to exchange into Investment Trust Co. shares.
Capital Securities	April, 1936	Martins Bank	Flexible; British industrial, North and South American stocks, rubber, Trustee securities.	Cumulative (Managers have power to distribute)	Secs. of 160 cos. and Trustee secs.	do.	5	Trustee or 10% of unit holders can call meeting to consider termination of Trust.
Rubber and Tin	June, 1937	Martins Bank	Flexible; rubber and tin shares.	Cumulative (Managers have power to distribute)	85 rubber 20 tin (a).	do.	5	Sold as opportunity offers and distributed.
British and American Securities.	July, 1938	Martins Bank	Flexible; British and U.S. industrial (and trustee investments).	Cumulative	26 British 26 U.S.	Investment variable within permitted list (b) or cash, with 50% minimum British secs. and cash.	21	Managers have discretion to terminate after 15 years.
Gold Share Trust	September, 1938	Martins Bank	Flexible; S. and W. African, Australian, Indian and Rhodesian gold mining cos., plus insurance shares for reserve fund.	Cumulative	Group A 37 dividend-paying Group B 10 developing cos. (c)	Investment variable within permitted lists, with maximum 20% in group B. 74% maximum in any co.; 5% maximum of total issue of any share.	21	Trust deed provides for earlier termination if desirable.
Commodity Share Trust	December, 1938	Martins Bank.	Flexible; base metal, coal and iron, rubber, tea, oil and other commodity shares.	Cumulative	61 permitted securities (d)	Investment variable within permitted list; max. 74% in one co. or 74% of total issue of any share.	21	do.
BREWERY Brewery Unit Trust.....	June, 1937	Midland Bank Exec. and Trustee.	Flexible; breweries, distilleries and allied trades (and trustee secs.).	Cumulative	85 permitted secs. and any similar securities approved by trustee (a)	Reinvested	20	Managers may terminate after 17 years, if it appears in interest of holders.
PROVED SECURITIES Bank, Insurance and Financial Shares.	July, 1936	Martins Bank	Flexible; banks, insurance, investmt. trusts.	Cumulative	123 permitted securities.	Investment may be varied within permitted list.	15-20	Life of Trust variable within defined limits.
British Bank Shares ...	January, 1938	Williams Deacon's Bank.	Flexible; home and overseas banks and discount cos.' shares.	Cumulative	14 home banks, 23 overseas, 3 discount. (a)	do.	15-20	do.
British Insurance Shares	January, 1933	Midland Bank Exec. and Trustee.	Flexible; insurance shares.	Cumulative	40 insurance cos.'s and trustee secs. (b)	do.	15-20	do.

(Continued)

Maximum size of Trust (Units)	Open or Closed	No. of Sub-Units to Unit	Minimum Purchase of Sub-units	Certificates, Bearer or Registered	Loading or Service Charge (%)	Management or "Escrow" Provision	Distribution Dates	Other Particulars	Trust
Not stated	Open	4,000	25	5	Registered	Initial charge 5%; semi-annual charge of 1/2% (includes payment to trustee) on current value of fund.	Feb., Aug.	(a) From creation of units.	KEYSTONE—(cont.) Keystone Gold.
500	Closed	5,000	15	1	Registered	5	1 June, Dec.	...	BRITISH EMPIRE—SELECTIVE British Empire "A."
500	Closed	10,000	30	1	Registered	5	1 Mar., Sept.	...	British Empire "B."
500	Closed	5,000	20	5	Registered	7	1 May, Nov.	(a) But such investment must not increase one security by more than 25%.	British Empire Cumulative.
500	Closed	8,000	25	5	Bearer	7	15 Mar., June, Sept., Dec.	(b) No security to be increased by more than 50% by such investment. Power ceases when any 25 securities have been wholly or partially eliminated.	British Empire Comprehensive.
Not stated	Closed	...	50	5	Registered	Initial charge 2 1/2%	1 Apr., Oct	(c) 1/3 of initial service charge. 1% p.a. for Managers and Trustees.	British Empire First Unit.
Limited by Trustee	Closed	4,000	20	5	Registered	6	15 May, Nov.	One-third of service charge set aside and placed with Trustee.	Selective "A."
do.	Closed	4,000	20	5	Registered	6	15 Feb., Aug.	...	Selective "B."
Not stated	Closed	...	30	5	Registered	Initial charge, 5%	15 Mar., 15 Sept.	Annual charge, 1/2% of capital value of Trust Fund. One-fifth of initial charge placed with Trustee.	Trust of British Transport.
500	Closed	4,000	10	5	Registered	6 1/2	15 Jan., July	(a) Manager may increase portfolio with consent of 75% of sub-unit holders.	BRITISH GENERAL British General Series "A."
500	Open	4,000	10	5	Registered	6 1/2	15 Apr., Oct.	(b) Not more than 74% to be invested in any Co., and not more than 74% of capital of one company. Note.—Series "B" closed. Series "C" has similar panel.	British General Series "C."
Not stated	Closed	...	100	5	Bearer	5% and 1/2 of 1% of mean market value of Trust.	15 June, Dec.	(c) Not more than 5% in any one security, not over 24% of capital of any Co. Cash Fund Operation.	First Recovery.
2,000,000	Open	...	50	5	Bearer	Initial service charge, 4 1/2%	31 Mar., 30 Sept.	(d) Not more than 5% of fund in one co.; not more than 80% in rubber or 40% in tin, cash and trustee secs. excepted. Cash Fund. Cash Fund operation.	Capital Securities.
25,000,000	Open	...	250	50	Registered or bearer.	Initial charge 5% plus half-yearly charge of 1/2 per cent. on value of fund.	15 May, Nov.	(e) Addition of 3 cos. permitted each half-year, maximum 26. Power to reserve half excess earnings over 4 1/2% p.a.	Rubber and Tin.
2,000,000 (Inc. at Trustee's discretion)	Open	...	20	5	Registered or bearer	Initial charge 4 1/2% on price; semi-annual charge 1/2% on average value of fund (both divided between manager and trustee).	15 Mar., Sept.	(f) Six cos. may be added in any year.	British American Securities.
5,000,000 do.	Open	...	50	5	Registered or bearer	Initial charge 5% on price; semi-annual charge 1/2% on current value of fund.	28 Feb., 31 Aug.	(g) To which 3 may be added in half-year, to maximum of 26.	Gold Share Trust.
5,000,000 do.	Open	...	50	25	Registered or bearer	do.	31 Jan., July		Commodity Share Trust.
None fixed	Open	...	20	5	Registered	5% calculated on price; half-yearly charge of 1/2 per cent. of mean value of fund at x.d. date.	15 Jan., July	(h) Not less than 50% of fund in brewery shares; not more than 5% of fund in any one security	BREWERY Brewery Unit Trust.
2,000,000	Closed	...	50	5	Registered or bearer	7 1/2% calculated on price of unit. No annual charge.	15 Feb., Aug.	(i) Not over 5% of Fund in any one company. Not over 5% of amount of any one issue.	PROVED SECURITIES Bank, Insurance and Financial Shares.
5,000,000	Open	...	50	5	Registered	do.	15 Jan., July	(j) Also trustee secs. Liability for calls met by insurance or from trust fund. Not over 74% of Fund in one Co., or over 5% of any issue.	British Bank Shares.
5,000,000	Open	...	50	5	Registered	do.	15 Apr., Oct.	(k) 10% of Fund at least in Trustee secs. Not over 74% of Fund in one Co., or over 5% of any issue.	British Insurance Shares.

(Continued)

GROUP and Trusts managed	Date formed	Trustee	Type of Trust and character of portfolio	Cumulative or Distributive	Securities in panel or permitted list	Treatment of Eliminations or alternative investments	Life of Trust (years)	Arrangements for termination, other than normal provisions for distribution of Trust property at end of life
PROVED SECURITIES—(cont.) Four-Square	July, 1938	Martins Bank	Flexible; trustee secs., fixed interest secs., ord. shares.	Cumulative	Initial portfolio 5 trustee secs., 19 fixed int., 46 ord. shrs.	Permitted list includes any trustee sec.; 50 fixed int.; equities of 100 cos. (b).	15-20	Life of Trust variable within defined limit.
Bank, Insurance and Financial Shares (2nd Series)	December, 1938	Martins Bank	Flexible; banks, insurance, investment trusts.	Cumulative	Initial portfolio 9 banks, 12 insurance, 36 invest. trusts	Permitted list 12 banks, 15 insurance, 114 investment trusts (c).	12-18	do.
PROVINCIAL First Provincial "A"	March, 1934	Midland Bank Exec. and Trustee.	Fixed; Indust. Preference only.	Distributive	25	Distributive (a)	20	Realisation and distribution within three months.
First Provincial "B"	November, 1934	Midland Bank Exec. and Trustee.	Fixed; Govt. secs., utilities, transport, mines, genl. indust.	Distributive	31	...	20	...
First Provincial "Reserves."	January, 1938	Midland Bank Exec. and Trustee.	Fixed; genl. indust., iron and steel, oil, mines, utilities.	Cumulative if practicable.	51	Distribution or re-invested in panel (b)	20(c)	Distributed, or continue Trust, or Inv. Trust Co.
UNIT INVESTMENTS British and Dominion Insurance-Bank.	July, 1938	Martins Bank	Flexible; bank, insurance and discount cos.	Cumulative	Initial portfolio 28 insurance, 37 banks, 4 discount, trustee secs.	Permitted list 39 insurance, 47 banks and discount cos. (a), trustee investments. Max. 7½% in any co.; 5% of any share.	20	Managers may terminate after one year if less than 200,000 units outstanding.
Trans-Atlantic { Canadian United States	November, 1938	Martins Bank	Fixed; Canadian industrials.	Bonus shares accumulated rights sold. do.	10	Alternative list of 3 Canadian secs.	15	do.
	November, 1938	Martins Bank	Fixed; U.S. industrials.	do.	10	Alternative list of 3 U.S. secs.	15	do.
LOMBARD Lombard Industrial ...	March, 1939	Atlas Assurance Company	Limited flexibility British industrials.	Cumulative	Unit of investment 32 secs.	Limited power to add new secs., with approval 3 investment consultants. Max. 7½% in any co.; 5% of any share.	20	Managers may terminate after one year, if less than 250,000 units outstanding.
ORTHODOX Orthodox	April, 1939	Midland Bank Exec. and Trustee.	Fixed; gilt-edged (20%) debts., pref. shrs. (15%), bank and insurance (10%), industrials (45%), gold mining (10%).	Cumulative	100 gilt-edged, etc.; 42 deb. and pref.; 28 bank and ins.; 110 industrials; 20 gold.	Proportions in each class fixed; trust is variable within each class. Note industrials divided into 9 classes each of 5% of fund (a).	20	Managers may terminate after one year if less than 250,000 units outstanding. If terminated before Apr. 6, 1944, managers to repay equitable part of initial charge.

The Year's Trust Formations

At the end of May last year the total number of unit trusts established in this country was 79, a figure which excludes British General "B" which, in October, 1935, was replaced by Series "C" with a similar portfolio. Between the creation of the first unit trust in April, 1931, and May, 1938, the output of new trusts had averaged rather over eleven per annum. This performance has been comfortably exceeded during the past twelve months, for no fewer than nineteen new unit trusts have been created within that time, excluding *Supervised Shares Inc.* and *First British Mutual Fund*. The former is an American trust company, and the latter, after meeting considerable criticism (see *The Economist*, October 15, 1938), ceased to trade last November and returned subscriptions in full.

Of the nineteen trusts, ten are flexible, while nine are either of the fixed type or have powers of strictly limited flexibility. The introduction of cash fund principle to the operation of fixed trusts is the latest development. Two trusts of this type have appeared, namely *New British* and *Lombard Industrial*. The *New British Fixed Trust* (Municipal and General group) introduced the new conception of a "unit of investment," which comprises, in its case, specified holdings in 33 industrial companies. As cash is received by managers it is invested in successive units of investment and the offered price of new sub-units is computed by taking the replacement value of deposited

property divided by the number of sub-units in issue and adding the preliminary charge and price adjustment. It must be realised that in trusts of this type (unlike the original fixed trusts) the managers are not required—indeed, the deposit of cash expressly rules out the possibility—to create complete new units of investment before selling new sub-units to the public. The price of the new sub-units is computed by the method employed for the flexible trusts, and units of investment are consequently built up according to the amount of cash received and to the policy of the directors in acquiring the required underlying securities. Within the limit of one complete unit of investment, therefore, the managers may pursue what is tantamount to a flexible investment trust policy, at least in the order of acquiring the specified number of shares for each investment in the portfolio. The *Lombard Industrial Trust*, which was formed in March this year by a new management company, *Lombard Unit Investments*, is of somewhat similar type. This trust is also operated on cash fund lines, and its unit of investment comprises specified holdings in 32 industrial concerns. The original unit, as vested in the trustees, was divided into 15,000 sub-units for the purpose of calculating price. Consequently, the price has been based on the replacement value of the deposited property, divided by the number of sub-units in issue, together with the preliminary charge and price adjustment. As in

Maximum size of Trust (Units)	Open or Closed	No. of Sub-Units to Unit	Minimum Purchase of Sub-units		Certificates, Bearer or Registered	Loading or Service Charge (%)	Management or "Escrow" Provision	Distribution Dates	Other Particulars	Trust
			Initial	Subsequent						
5,000,000	Open	...	50	5	Registered	Initial charge 7½% calculated on the price. No annual charge.	Deposited with trustee, who approves amount.	15 May, Nov.	(b) Trustee secs., 15-80% of fund; fixed interest, 10-35%; equities, 10-40%; prospect "shares, max. 35%. Power to reserve earnings over 3% in any half-year, and to amortise wasting assets. (c) To which max. of 5 may be added in any year. Power to reserve earnings over 2½% in any half-year.	PROVED SECURITIES —(cont.) Four-Square.
5,000,000	Open	...	50	5	Registered	Initial charge 6%; annual charge ½d. per unit.	do.	15 June, Dec.		Bank, Insurance and Financial Shares (2nd series).
Not stated	Open	5,000	25	1	Registered	5	Proportion of service charge vested in Trustees.	20 Feb., Aug.	(a) If Managers think fit	PROVINCIAL First Provincial "A."
Not stated	Open	5,000	25	1	Registered	5	do.	16 Dec., June	...	First Provincial "B."
Not stated	Open	8,000	25	1	Registered	7	do.	15 Mar., Sept.	(b) Total holding of any one security not to exceed 2½% of the total issued. (c) Prior termination if number of sub-units falls below 100,000.	First Provincial "Reserves."
...	Open	...	50	5	Registered	Initial charge 5%; semi-annual charge ½%.	1st of initial charge.	1 Apr., Oct.	(a) To which max. of 2 may be added in any year. Minima of 33½% in insurance and bank shares. Power to meet calls from trust fund (which must exceed 2½ times liability) or from insurance.	UNIT INVESTMENTS British and Dominion Insurance-Bank.
...	Open	2,500	50	5	Registered	Initial charge 6%; semi-annual charge, ½%.	Provision made.	1 June, Dec.	...	Canadian } Trans-Atlantic. United States }
...	Open	2,500	50	5	Registered	do.	do.	1 June, Dec.	...	
...	Open	...	100	10	Registered	Initial charge 5½%; semi-annual charge ½% between managers and trustee.	Provision made	1 Apr., Oct.	Cash Fund Operation. Annual general meeting of sub-unit holders.	LOMBARD Lombard Industrial.
...	Open	...	50	10	Registered	Initial charge 6½% on price; semi-annual charge ½% for trustee, expenses of trust, and surplus to managers.	Provision made	15 Apr., Oct.	Cash Fund Operation. (a) Holding in any sec. limited to 2½% of trust and 5% of issue.	ORTHODOX Orthodox.

the case of the *New British*, the managers are required under the trust deed to acquire successive units of investment so that the acquisition of each unit is completed before any part of a further unit is acquired. There is, however, a proviso that if funds forming part of the deposited property permit of the simultaneous constitution of more than one unit of investment the requisite number of units may be acquired concurrently.

Fixity, however, has not been limited to portfolios. The latest unit trust, the *Orthodox Unit Trust*, maintains fixed proportions between various sections of its portfolio. Thus 20 per cent. of the fund must be in gilt-edged, 15 per cent. in debenture and preference shares, 10 per cent. in bank and insurance shares, 45 per cent. in industrial equities (split into nine sub-sections of 5 per cent. each) and, finally, 10 per cent. in gold shares. Within each section and sub-section, the managers are free to vary their investments within the range of the permitted list and of the permitted proportions. The *Orthodox* is the first trust in which diversification has been given such specific form.

The review of the series of conversion offers to unit holders to exchange into shares of managed trust companies included in last year's Survey on page 22 showed that, after an initial success, the attraction of such offers was short-lived. It was suggested in the course of last year's discussion that the result of an offer to vary a fixed trust into a flexible form would be of interest. This suggestion was followed in November by the offer from the National group to holders of *Universal Fixed Trust* certificates to exchange their holdings for *Universal Second* units, a new flexible trust with a wider range of permitted investments. The

"flexing" of this trust was performed quite simply (apart from the legal technicalities involved) by the execution of a supplemental trust deed. Out of a total issue exceeding £4,500,000 in the *Universal Trust* at the time of the offer, holders of units valued at some £1,200,000 elected to exchange into the flexible trust. A source of possible market inconvenience and danger to a fixed trust of this size is illustrated by the fact that the managers, by the date of the offer, had come to control 10 per cent. of the total issue of one of the shares included in the portfolio. From the date of the offer (November 22, 1938) until the closing date for acceptance (December 17, 1938) the two portfolios were maintained on an identical basis.

One of last year's innovations was the provision of savings facilities through the medium of unit trusts. Some trusts already formed a year ago had optional powers to reserve part of the trust income arising in any distribution period. This feature, however, has been carried a considerable step further in two new trusts in the *Proved Securities* group, *Four-Square* and *Bank, Insurance and Financial Shares (Second Series)*. The trust deed of the former gives the managers power to place any excess of earnings over 3 per cent. in any half-year to reserve, i.e. to increase the capital value of the trust fund by ploughing back earnings to that extent. The *Bank, Insurance and Finance (Second Series)* deed gives the managers power to reserve excess of earnings over 2½ per cent. The *Cumulative Investment Trust* (Allied group) specifically limits half-yearly distributions to five-sixths of the income received by trust.

The technique of reserve provisions has been applied in

a more developed form to the *Investors Income and Reserve Trust* (Fifteen Moorgate group). Unit holders in this trust have the option of retaining their holdings in the income section of the trust or in the reserve section of the trust. The former is, in general organisation, a fixed trust of the now familiar type. The reserve sub-units, which are based on the same fund of underlying securities, receive only three-fifths of the income attributable to them from the earnings of the fund in any half-year, and the balance is held in reserve. Amounts accumulating in the reserve fund are naturally kept aside from the trust itself and may be invested, at the discretion of the managers, in British Government and Corporation stocks with not more than five years to redemption at a price, including expenses, not exceeding par. If, in the event of a fall in market values, the aggregate value of investments (and cash) included in the fund should fall below the total sums due to reserve sub-unit holders, the managers undertake to apply the half-yearly charge of $\frac{3}{8}$ per cent. of the trust fund to offset any depreciation in priority to general management purposes. The savings appeal was also stressed in the formation of the *Savings Unit Trust* (Fifteen Moorgate group). Although this trust has not adopted any reserve provisions, the managers introduced the 2s. basis for the sub-units in order to enable investors to purchase additional sub-units from amounts received at half-yearly distributions.

A new group, Unit Investments, has been responsible for the issue of three trusts during the past year. The *British and Dominion Insurance-Bank Trust* represented a further addition to a field which, on the face of it, seemed already well ploughed. In December this group formed what may perhaps best be described as a duplex trust, the *Trans-Atlantic Unit Trust*, *Canadian Series*, and *United States Series*. In effect, these are two separate trusts, but (like the six Group Units in the Keystone group) they were constituted under one trust deed. Each of the trusts had a fixed portfolio limited to ten securities with short alternative lists of three securities for each series.

Expectations of market recovery in dollar securities, in fact, played a considerable part in determining the course of unit trust formations last year. In addition to the two trusts in the Trans-Atlantic series just described, the Allied Investors group formed *American Industries Trust* in July, 1938, while the British General group formed a mixed trust called *British and American Securities*. The American Industries booklet stresses the powers of the managers to "cash in" on capital appreciation by converting holdings of dollar securities into British Government securities or by realising the trust funds and distributing them to unit

holders as a return of capital. The British and American Securities Trust has an authorised list of investments in 26 British and 26 American companies, within which it is free, subject to certain limitations, to invest. The fund, however, must not hold more than 50 per cent. (by value) of its resources in shares of American companies at any time.

These various formations, holding interests in American securities, were assisted by the temporary removal, on February 1, 1938, of the Treasury's request that American securities should not be acquired for re-sale in this country. Each formation, however, appears to have been requested by the Treasury to limit its purchases of American securities to £500,000 sterling value—although total cash sales of units, after allowing for charges, etc., and for the inclusion of non-dollar securities, might of course exceed that figure. It is understood that, so far, the Treasury has not modified this request, despite the re-imposition of the foreign issues embargo on December 20th and the Chancellor's recent expression of hope that British investors would realise the undesirability of acquiring holdings of foreign securities for private investment. Hence, the trusts are still free to constitute new units. Their selling activities, however, have been limited by the official request that no Press advertising shall be carried out, although the merits of respective trusts may still be advocated by their sales representatives.

The National group struck out on a new line in introducing last December the shares of Supervised Shares, Incorporated—an American-managed investment company of the Boston type, which is not included in our directory table for this reason. To undertake the business of marketing these shares the National group formed a management subsidiary, London and Boston Securities, to purchase holdings in Supervised Shares, Incorporated, and to re-sell them in this country. The offer for sale of Supervised Shares, Incorporated, was fully summarised in *The Economist* of December 10, 1938. It was issued subject to an undertaking given by London and Boston Securities to the Treasury to discontinue the sale of Supervised Shares upon request from the Commissioners. It is understood that this request has recently been exercised.

Other trust formations last year include *Keystone Gold Certificates*, the *Gold Share Trust* (British General group) and *National Gold Share Certificates*. The Keystone group has, of course, specialised upon gold trusts, but in the case of the National and British General groups they represent a new departure. The list is completed by the inclusion of the *Commodity Share Trust* (British General) and *Domestic (Second Series)*.

Appropriation—Cash Fund Controversy

IN March, 1936, when the Government appointed the Anderson Committee "to inquire into fixed trusts in all their aspects" the day of the flexible trust was just dawning. Of the 56 trusts created at that date, only six had a flexible investment power. By July, 1936, when the Committee reported, the number of flexible trusts had increased by ten, and the fixed trusts by only one. During the Committee's deliberations, in short, a vital change was occurring in unit trust practice. It implies no disrespect to the Committee's work to record that their report gave only slight attention to flexible trust problems. Certainly, it laid down general criticisms regarding the dual rôle of certain management companies in acting at the same time as agents for unit purchasers and also as principals who stood to gain from transactions in the underlying securities of the trust. These references have real bearing on the appropriation-cash fund controversy, but of explicit direction there is none. The fierce light of publicity was to be shed on managers' profits, and that should suffice.

A general summary of the distinctions between the two methods was provided in the Unit Trust Survey of April 17, 1937. In view, however, of the growing discussion of the points which were then raised and of the forthright claims from each side, it is perhaps desirable, first, to recapitulate the nature and method of operation of the

two types, secondly to discuss their claims and objections, and thirdly to attempt to reach some broad conclusions.

EVIDENCE-IN-CHIEF

I. Appropriation Trusts

"Appropriation" is the name applied to the method by which a trust fund is built up by the deposit of securities with the trustee. To take the simplest case—that of the original type of fixed trusts—the fund grows by the appropriation of securities in quantities defined by the trust deed. As each block of securities is deposited, the corresponding number of sub-units may be issued. A state of mechanical equality is maintained between new and existing sub-units. When the method is applied to a flexible fund, however, differences arise. The fund is first constituted by the deposit of securities, and the managers hold the units issued against the underlying securities in readiness for sale. In other words, the managers will normally be long of units. On the exhaustion of the supply by sales to the public, the managers must proceed to augment the fund by appropriating further securities. In the case of a fixed trust, as we have seen, this is easily carried out by the deposit of a further block of specified securities. But for a flexible fund, it is difficult, if not impossible, to augment

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each of the underlying securities by a given proportion for each holding.

The problem, accordingly, is to augment the fund, not by introducing specified proportions of the existing securities in it, but by depositing new securities bearing the same relationship to the existing value of the fund as the proportion which the number of units which it is desired to create bears to the total in issue. To put the matter simply, if the fund is valued at £1,000,000 and one million units are already in issue, the creation of a further 100,000 units involves the appropriation of securities valued at £100,000 to the fund.

When we turn to the precise technique by which appropriation is carried out, however, complications immediately arise. The appropriation method, it will be seen, works in specie, and authorised securities must be added to the fund upon an identical basis of valuation with that used for valuing the existing securities in the fund. But the process of appropriation is not identical with the process of costing the price of the unit at which managers are prepared to deal. For costing the price of units it is essential to value the fund, as it exists, by the replacement cost of securities contained in it and, after adding the necessary sums for accumulations and charges, to divide by the number of units already in issue. The resulting figure is then rounded off to, say, the next threepenny multiple, and the offering price of the units is thus produced. Correct pricing clearly involves the use of the closest prices at which purchases of the underlying securities can be made in the market.

Now, assuming that pricing is carried out accurately and conscientiously, how is the unit holder in an appropriation trust affected firstly, by the process of appropriation, and secondly, by transactions in the underlying securities? From the preceding summary, it will be clear that the process of pricing and the process of appropriation are quite separate. Pricing involves the costing of units already in existence, of which some are held by the public, and the balance held by the managers as their stock-in-trade. It is when that balance falls to a low level that appropriation is necessary to augment the fund. And the essential element in proper appropriation is not so much the absolute level of prices at which the existing fund and the new securities are valued, as the establishment of proper proportionate relationships between those prices. In theory, a completely arbitrary set of prices, at quite different levels from those used for pricing, could be used for appropriation, always provided that the proportionate relationship between new securities and new units is strictly maintained. In practice, the price basis used may differ. For example, the Trust of Insurance group, which may be considered the leading exponents of the appropriation method, employ market dealing prices for the daily costing of sub-units and middle Official List prices for appropriation. Can any disadvantage or advantage accrue to the unit holder from this difference in basis? The answer is that under certain conditions, differences may arise, though they are likely to be small. Further, they have no bearing on adventitious profits accruing to the managers. If the mean Official List prices are slightly higher than the dealing prices which have been employed in the costing sheets, and the securities to be appropriated form a relatively high proportion of the existing amounts of the same shares already in the fund, the fund tends to be increased to a somewhat smaller extent than would be strictly required to maintain proportionate accuracy. Conversely, if there is a consistent negative difference between the Official List mean price and market dealing prices, the fund may gain slightly more than the increment to which it is properly entitled—subject to the same proviso. But as the fund grows, and presuming that the actual shares appropriated outweigh neither in type nor amount those already in the fund, such differences become smaller. It should be noted, first, that they affect only those unit holders who are already participating in the fund; secondly, that the "watering" or "boosting" of the fund by this difference in price basis will be extremely small, in the majority of cases; and thirdly, that the employment of the market dealing prices (provided that they can be conveniently used) would avoid this complication. These differences on appropriation, so far as they develop, are, however, of a totally different order from

differences which may accrue to the managers on account of margins between the price paid for new securities and the prices at which they are included in the daily costing sheets. If, in an appropriation trust, the unit is over-priced, compared with the current market price of the underlying securities, the excess will accrue directly to the managers. If it is underpriced, the reverse will apply—the managers will bear the loss. Hence, the question whether managers of appropriation trusts are in a position to derive profits as principals from dealing in the underlying securities depends upon the existence of a consistent bias which raises the market dealing prices which are (or should be) used for the daily costs sheets above the actual prices at which the managers can obtain the underlying securities.

II. Cash Funds

At this point, it is convenient to leave the discussion of the appropriation method uncompleted, in order to examine the general basis, and rival claims, of the cash fund method. The essence of the cash fund is that the managers immediately make over to the trustee for deposit in the fund the actual cash sum realised from the sale of units, less the managers' initial service charge. In the case of the Municipal and General group, the price adjustment also accrues to the fund, but in several other instances cash fund managers retain the price adjustment in addition to their preliminary charge. Having made over the net cash proceeds of sales, therefore, the interest of the managers, as principals, ceases and the fate of the investors' cash is a fate shared in common with the rest of the fund. If the managers have made an error in costing the unit, that error will be reflected in the value of the fund, but it will not accrue to the advantage or detriment of the managers, as in an appropriation trust. Once the sales proceeds have been merged in the fund they may be invested, within the authorised limits permitted by the trust deed, either immediately or after an interval dictated by the managers' judgment and the investment opportunities which may be open. If, in the meantime, the market dealing prices of the underlying securities have fallen the cash sum originally deposited will purchase a greater number of shares. If they have risen, the unit holder will acquire a less than proportionate share in the underlying securities, compared with the position of the fund as it existed when he purchased his interest. Throughout, the fund is credited with cash from net sales and accumulations, and the costs of acquiring further securities fall exclusively upon the fund. Hence the managers have neither advantage nor disadvantage in purchases of the underlying securities for the fund. Nor are they interested in errors of prices, except in so far as they may incidentally affect the size of the preliminary charge.

The method of operation, it will be seen, has the merit of simplicity, uncomplicated by the dual process of pricing and appropriation. The daily value of a cash fund is easily computed, whether it is fully invested or not, though complications arise in the treatment of accumulated dividends. In the majority of cash trusts, both capital and income items are merged into the fund, and at each distribution date it becomes essential to segregate the two parts. In pricing the unit, capital and income rank equally—they are both part of the fund. Hence no adjustment in the price is required for accumulations. But at the end of the distribution period income must be segregated from capital.

The actual methods by which these adjustments are made by the Municipal and General group were examined in detail in our 1937 Survey, page 12. They involve the apportionment of dividends received during the distribution period over the number of units in issue at the different account days during the period. Adjustment is also made to cover cases where full dividends have been received on securities held for only part of the period, or, conversely, to allow for dividends which are estimated to be due for distribution, although they have not actually been received by the fund.

This complication, however, is incidental to the main differences of principle involved in appropriation and cash fund trusts. The respective claims for the two systems may now be summarised. For the appropriation trusts, it is

argued that the purchaser of a unit "obtains what he bought"—an interest in existing units or, in the case of newly-created units, an interest in securities strictly equivalent to existing units. Proportionate identities are maintained when new securities are appropriated. Further, appropriation managers claim that merely because they are put on risk in the underlying securities, they must exercise the greater diligence in pricing their units, and that if they benefit from adventitious profits on dealings in underlying securities, they are also exposed to the risk of loss, if the market moves against them.

For the cash trusts, it is argued that the immediate deposit of the net proceeds of sales (with or without price adjustments) removes any possibility that the managers will be in a position to obtain adventitious profits, and that this method thus satisfies the apprehensions of the Anderson Committee on the score of the dual capacity of the managers. Once the price has been determined, whether it is a fair and accurate price or not, the benefit or disadvantage applies to the trust fund and not to the managers. As for investment opportunities, cash fund advocates claim that the holding of cash enables the managers to take advantage of the market trend in order to invest the fund's resources most advantageously, although normally the amount of uninvested cash retained by the fund is likely to be small, since competition requires the maintenance of a comparable degree of earning power with other trusts, and careful buying to conserve or improve the capital position of the trust.

CROSS EXAMINATION

Now we may turn to counter-objections. In favour of the appropriation trust method, it has been objected that the unit purchaser in a cash fund may not "obtain what he has bought." His original subscription is based on the state of the fund (securities plus cash) at one given time. When it is invested the fund may differ from its original state. This difference is bound to arise unless the cash fund is kept fully invested from hour to hour, and that is unlikely in practice. Secondly, it is argued that merely because the managers have no interest, as principals, in what happens to the fund after new subscriptions have been made to it, their investment policy may be less perspicacious than that of appropriation fund managers. It has been expressed that the cash fund method is apt to put a premium on inefficient buying, and stress has been laid upon the risk that, where the managers have to operate in a narrow market, the manager of a cash fund who has money to invest may find the market putting up prices against him, whereas the appropriation trust manager is in a position to accumulate securities in advance of the public demand, at economical prices, which he can then constitute into new units for retention against future demand. It is argued, further, that cash fund managers who resort (as managers of both types of trusts frequently do) to reciprocal buying arrangements, may have to pass orders for underlying securities without the closest regard to prices paid, since these are at the charge of the fund. And in cases where the orders are passed to a small provincial market, and can only be satisfied by shunting back part or all of the business to London, one commission and a half may be paid. For an appropriation trust, the extra cost falls upon the managers; for the cash fund it falls upon the trust.

Further, to the charge of acting as principal in securities, advocates of the appropriation method reply that the managers of cash funds are not entirely able to rid themselves of this disability in respect of units already created which happen to form part of the revolving fund operated by the managers. In this respect, both systems are on an equal footing, for no cash fund has yet, apparently, succeeded in solving the technical difficulty of operating a revolving fund as a component part of the trust. Even where the prices of these units are calculated in strictest accordance with the trust deed, the profits on the revolving fund accrue to the managers. Again, looking at the problem from the point of view of the unit purchaser who has been excessively charged, incorrect pricing under either system involves a loss. In the case of appropriation trusts, the whole difference will go to the manager. In a cash trust of large size, the bulk of the difference will

accrue to the trust. But, in each case, the purchaser will lose.

Finally, the objections of the cash fund proponents to the appropriation method may be briefly summarised. They centre on the view that, if the unit is over-priced, or if the fund is valued on unduly high prices for valuation purposes, the managers stand to benefit from the price difference, though it is conceded that if under-pricing occurs they also stand to lose. It is also suggested that the opportunity available under the appropriation method to obtain additional profits from security dealings may be a factor in determining the choice of securities bought for the fund.

SUMMING UP

We have been at pains to set out the general claims and objections which have been applied to appropriation and cash funds. It now remains to attempt a summing up, based on the evidence, as objective as it can be made, which is given above. First and foremost, the importance of proper pricing in both systems is evident. If the best interests of the unit holder are to be served, it is imperative that proper pricing should be equally employed in each case. Secondly, both managers are on common ground, as principals, as soon as they set up revolving funds in order to re-sell units tendered back by original purchasers, and are not in process of adding to the size of the fund. Profits made from the operation of revolving funds are profits made as principals, though in units and not in underlying securities. The difference here is that appropriation fund managers may be "bulls" of newly-constituted units, whereas cash funds managers are not, and the exact consequences of this difference depend upon the relation between the turnover of newly-formed units and the turnover of revolving funds.

Hence, the true distinction between the two types distils, in the end, to the original method of pricing units. We have seen that, so far as the managers of appropriation trusts make adventitious profits on underlying securities, they arise in the pricing process, and not in the appropriation process. Hence, the important factor in appropriation trust management is to ensure that the prices used for costing are kept in strict relation to those at which the managers are in a position to buy further holdings of underlying securities. In shares with a free market, the margin between dealing prices quoted on the Stock Exchange and those at which business can actually be transacted is not likely to be wide. But what happens when the shares in question do not enjoy a free market? In such cases the claims of the appropriation method, which permits the prior accumulation of securities in the fund and enables the managers to obtain advantageous offers of stock, have been frequently stressed. In illustration of the point, we may quote extracts from the account of the operation of the Trust of Insurance Shares group by the managing director, Mr George Faber, in the Banking, Insurance and Financial Review published by *The Financial News* on April 3, 1939. After stressing the limited marketability of bank and insurance shares (and presumably investment trust shares would also be covered by his remarks) Mr Faber proceeded:—

"The maintenance of a free market in these various units (issued by the group of trusts with which the writer is associated) at close dealing prices even when Stock Exchange prices of some of the constituent shares have been quite nominal, accounts largely for their success. The technique adopted is entirely new.

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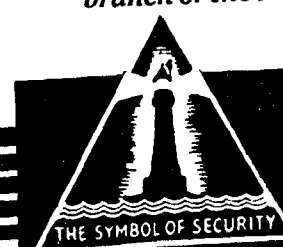
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be declared, no stiffer test of marketability is likely to be encountered than that of last September. Free dealings in banking and insurance units took place throughout the crisis, even in the absence of prices for some of the underlying shares. Prices were obtained for as many shares as possible; the average percentage fall from the previous day was worked out for each group of shares and any shares not quoted were presumed to have fallen by the same proportion and the price of the units calculated accordingly.

This statement throws important light upon the mechanics of pricing in the case of appropriation trusts where free dealings in the underlying securities are difficult. The Trust of Insurance group, it would appear, has developed into an ancillary market for the shares which rank among the permitted investments of its several trusts. The managers . . . "usually get the first refusal of any large blocks of shares. . . . The managers then buy the shares for the trust fund at an agreed price and, if it suits them, in large quantities." It may be assumed that this method enables the managers to buy at much more advantageous prices than if they were compelled to take the buying initiative and approach the market with orders in their hand. But since dealings in these types of securities is frequently so narrow, it is necessary to reconcile the special buying opportunities available to the managers with the dealing prices which are called in the market for the same shares. Where the shares concerned are "put through the market," it is to be presumed that dealing prices are adjusted to the new basis promptly and adequately. Provided that dealing prices are so adjusted by the normal market mechanism, the unit purchaser derives benefit from the exercise of the managers' specialised buying function. In any other circumstance, scope for adventitious differences between cost of securities and prices employed for the daily valuation of units might arise.

How may these differences be limited? Are they extensive in practice? In the first place, they emphasise the necessity for the most scrupulous costing, and no better method of costing has yet been devised than the use of dealing prices certified by a member of the Stock Exchange on each daily price sheet, and established with diligent inquiry. Secondly, it is reasonable to suppose that the trustee, even though he may hold himself out as a mere custodian, would raise questions if a continuing and substantial bias in favour of the managers were to appear between actual purchase prices of underlying securities and the price which they employ in the daily costing sheets. Thirdly, the importance of regular appropriation cannot be over-stressed. So long as anticipatory purchases of securities are kept in reasonable relation with subsequent

sales, and are appropriated to the trust fund at regular intervals—it may be inconvenient to appropriate daily, but the best practice would certainly not allow appropriation to occur at greater intervals than a Stock Exchange account—the differences accruing to the managers in respect of underlying securities are likely to be minimised. There is a further safeguard, which has been adopted by the Trust of Insurance group. Purchases of securities for the trust are bought in the name of the trustees, and fall to be appropriated, at the longest interval, within one account. After appropriation the managers are bulls, not of underlying securities, but of units, as any manager of a revolving fund must be. Their profits, positive or negative, on the securities vested in the trust arise through differences in the original cost of acquiring the underlying securities and the prices at which the resulting units are subsequently sold.

Finally, the opportunity for realising profits from dealing in underlying securities depends, to some extent, upon the degree to which the managers pursue flexibility. A flexible trust which grows with the steady diversification akin to a fixed trust (though its range of diversification, of course, may be larger) can be distinguished from the flexible trust in which changes are few. This point has been well put by Mr W. Piercy: * "There is a flexibility which, in substance and underlying intention, amounts to nothing more than a certain plasticity in the Trust Fund, intended to enable a specialised Trust to be built up without undue difficulty in markets which may sometimes be narrow—no doubt also with an eye upon current variations in the valuation of securities during the period of building up the Trust. . . . It all depends on the emphasis which is laid upon the factor of 'Management,' so-called."

In the last resort, the answer to the appropriation and cash fund controversy depends upon the honesty and competence of the management concerned, encouraged by the watchful eye of the trustee. Each method has certain advantages; neither is perfect from every point of view. It is unlikely that the Board of Trade in devising conditions under the Schedule of the "Sharepushing" Act under which unit trusts are to trade, will seek to draw any vital distinctions between the two systems at the outset. But, as the Board's experience of unit trusts increases, it may happen that, at some future date, it will feel prepared to provide authoritative guidance to the investor on this important matter. The importance of devising informative accounts relating to the manager assumes great significance in this connection.

* In the preface to "Unit Trusts and How They Work" by Messrs Rosenheim and Merriman. (Pitman.)

Unit Prices and Falling Markets

AN earlier section of this Survey has related how, for the second year in succession, the unit trust movement expanded its net sales despite adverse Stock Exchange conditions, and, on balance, provided a welcome increase in the volume of business coming to the market. How have unit prices themselves fared? To examine individual price movements for one hundred trusts is a Herculean task, and one which would hardly permit general conclusions regarding the success of the movement, as a whole, in "beating the market averages." On the other hand, to assemble a miscellaneous collection of unit trust prices within a single index number would unfairly ignore the specialised character of many trusts. Again, if extensive changes occur in flexible trust portfolios, these may change the balance of the weighting in comparing price movements of trusts with a representative investment index.

Certainly, it is necessary to distinguish at least three categories—fixed trusts, open and closed, and flexible trusts. For each of these groups price index numbers have been calculated, in the first two cases on the basis December, 1935 = 100, and in the third case June, 1936 = 100. Actuarial perfection is scarcely possible in devising index numbers of this kind. In the case of closed trusts, an

adjustment is required to reduce all prices before closure to a "bid" basis; otherwise the index would be artificially depressed when closure occurred, by the shedding of the loading charge and the price turn on the underlying securities—a difference of the order of 2s. 6d. per £1 unit. Again, adjustments are required when, for any reason, the managers temporarily quote bid prices only. Moreover, the dealing margin may vary for open trusts, according to the condition of the market and the manager's position in units. Finally, the number of trusts in each category varies from time to time, and calls for the employment of the chain index method.

All these factors must be taken into account in preparing the raw material for the index numbers, and in the process a certain—though limited—arbitrary element is introduced, which is avoided in the *Financial News* and Actuaries' ordinary share indices. The results (which are compared with the latter indices) are set out in the tables at the foot of page 34.

Comparison between the closed and open fixed trusts is distinctly interesting. During the second half of 1937 the closed trusts began to display their superiority in resisting falling prices, and this superiority has again been

Particulars of Management Companies

Managing Company	Trusts Managed	(a) Date of Co.'s Registration (b) Date of Bush House Return	Total Paid-up Capital	Names and Descriptions of Directors	Secretary or Manager	Principal Shareholders and Interests
Allied Investors Fixed Trusts, Ltd.	British Industries 1st Do. 2nd Do. 3rd Do. 4th Electrical Industries Metals and Minerals American Industries Cum. Investment	(a) Mar. 22, 1934 (b) July 4, 1938	7,500 ord. 500 def. 40,000 4% Registered Notes (£20,000 cap. redem. res. fund.)	Hartley Withers, writer; Charles Harold Vernon, man. dir. of C. Vernon & Sons; Edgar Marzetti; Henry Douglas Woolger, C.A.; E. S. Baring-Gould, dir. Reserve Securities.	Bernard Hennell (Sec.), S. C. Parker (Man.)	Evelyn Trust, Ltd., £1,200 ord.; Metropolitan Bonded Warehouses (£1,000 ord.); E. G. Underwood and C. S. L. Frisk, £500 ord., £100 def.; C. H. Vernon and E. S. Baring-Gould, £425 ord., £80 def.; Hartley Withers, £100 def.; K. A. Underwood and J. O. T. Underwood, £200 def.
Brewery Trust Managers, Ltd.	Brewery Unit Trust (formerly managed by London Management Securities, Ltd.)	(a) Dec. 8, 1938 (b) Dec. 8, 1938	500 pref. 4,000 ord. 500 def.	Sir Herbert Edward Morgan, K.B.E., dir. Smith's Potato Crisps (1929); Randle Fynes Wilson Holme, solicitor; Hon. Charles Richard Strutt, dir., London & Caledonian Investment Trust; Rt. Hon. Lord Annaly, dir. Road Transport & Gen. Ins. Co.; Rt. Hon. Lord Eilsley, dir. Edmundson's Electricity Corporation.	H. Armstrong	Barclays Nominees (Angel Court), £200 pref., £200 def.; Percy John Paley, £100 pref.; University & Caledonian Trust, £200 pref., £3,998 ord., £300 def.
British General Fixed Trust, Ltd. <i>associated with</i> Improving Securities Trust, Ltd.	British General "A" Do. "B" Do. "C" First Recovery Capital Securities British & American Secs. Com. Share Trust Trust of Rubber and Tin Gold Share Trust	(a) June 20, 1934 (b) Jan. 10, 1939 (a) Apr. 8, 1936 (b) Dec. 7, 1938 (a) June 8, 1937 (b) Jan. 12, 1939	10,000 pref. 75 ord. 25 "A" ord. 7,500 20,000	Sir Henry Newman Barwell, dir. Improving Secs. Trust; Sir George Cochran Godfrey, dir. Bengal-Nagpur Railway; Thomas Askew Newham, dir. Specialised Unit Trusts; Edward Joliffe Strutt, dir. Express Dairy Co. As above, and Sir Seymour Williams, K.B.E., solicitor; Reginald Hugh Roberts, dir. Fisher and Ludlow. E. D. Money, chair, dir. Bukit Selangor Rubber; Sir H. N. Barwell, dir. Br. Gen. Fixed Trust; H. M. Graham, dir. Battu Tiga (Selangor) Rubber; T. A. Newham, dir. Br. Gen. Fixed Trust.	Thomas Askew Newham Do. Do.	Branch Nominees, £3,100 pref., £8½ "A" ord.; Control Nominees, £1,800 pref.; John T. Newham, £2,550 pref., £19½ ord., £3 "A" ord.; Ed. J. Strutt, £2,550 pref., £19½ ord., £5½ "A" ord. Branch Nominees, £4,100; North of Scotland Bk., £500; West Nominees, £500. West Nominees, £12,700; Lombard St. Nominees, £2,900; G. J. Geiger, £2,000; Ed. D. Money, £1,000; St. Helen's Nominees, £1,000.
British Industrial Corporation, Ltd. <i>controls following cos.:-</i>		(a) Apr. 5, 1919 (b) June 21, 1938	200,000 pref. ord. 87,900 ord.	Sir H. Cassie Holden, Bt., dir. Midland Bank; Frederick George Philpott, dir. Br. Keystone Secs.; Ronald Hudson; Horace Fitzpatrick.	W. Perriman	Bishopsgate Nominees, £6,667 pref., £444 ord.; William Gibbs, £3,333 pref., £333 ord.; Hambros Bk. (Nominees) £3,095 pref., £155 ord.; Prudential Assurance, £47,619 pref., £2,381 ord.; Second Cons. Trust, £3,367 pref., £83 ord.; West Nominees, £59,839 pref., £76,282 ord. Br. Industrial Corporation, £9,997.
Gold Producers Fixed Trust, Ltd.	Gold Producers 1st Do. 2nd Do. 3rd Keystone Gold Certificates	(a) Apr. 6, 1933 (b) June 22, 1938	10,000	As above	Do.	
Rand Fixed Trust, Ltd. Group Units Investment Trust, Ltd.	Rand Certificates Group Units (Six issues*)	(a) Feb. 2, 1934 (b) June 22, 1938 (a) Mar. 7, 1934 (b) June 22, 1938	10,000 10,000	As above As above	Do. Do.	Br. Industrial Corporation, £9,997. British Industrial Corporation, £9,998.
British Keystone Securities Trust, Ltd.	Keystone Flexible Keystone Certs.	(a) Sept., 1935 (b) Apr. 14, 1938	9,999 ord. 1 "A" ord.	As above	Do.	British Industrial Corporation, £9,998. "A" share ranking for half profits held by Midland Bk. Exec. and Trustee Co. under profit sharing scheme. As above
Second Keystone Fixed Trust, Ltd.	Keystone 2nd Certs.	(a) Dec., 1935 (b) June 22, 1938	9,999 ord. 1 "A" ord.	As above	Do.	
Domestic Trust Managers, Ltd. (formerly F.T.M., Ltd.)	Producers (formerly Aviation and Universal) Domestic 1st Do. 2nd Do. Priority Income	(a) Aug., 1935 (b) June 27, 1938	26,667 pref. 20,000 ord. 1,000 def.	Lord Sempill, dir. Electro Chemical Processes, Ltd.; Sir Alfred Beit, Bt., dir. Rhodesian Ry.; Sir H. E. Morgan, dir. Smith's Potato Crisps (1929); Denys C.F. Lowson, trust co. manager; Marquess of Huntly, dir. Fortrose Investment Corp.; Hon. C. R. Strutt, dir. Fortrose Investment Corp.	J. Grammer (Sec.), G. B. Grenfell (Man.)	Fortrose Invest. Corp., £16,667 pref., £13,333 ord., £363 def.; General Life Assurance, £9,000 pref.; Arundel Trust, £274 def.; Brazanza Syndicate, £1,482 ord., £94 def.; Central Scott. & English Invest., £1,000 ord., £136 def.
Fifteen Moorgate Unit Trusts, Ltd. (formerly Investors Specialised F. Trusts) <i>controls:-</i>	Investors General Investors Gas and Electric Investors Gold Investors 2nd General Provident Investors Investors Flexible Hundred Securities Security First Savings Unit Trust Investors Income and Reserve	(a) Feb. 16, 1934 (b) Jan. 3, 1939 (a) July 22, 1935 (b) Jan. 3, 1939	100,000 20,000	Maj.-Gen. G. P. Dawnay, dir. Dawnay, Day & Co.; J. C. Day, dir. Dawnay, Day & Co.; Sir Cuthbert Headlam, Bt., dir. N.E. Electric; Col. C. E. Ponsonby, dir. Sisal Estates; Lord Stanley of Alderley. As above	F. E. Gwinnell Do.	Dawnay Day & Co., £99,998. Fifteen Moorgate Unit Trusts, £15,998; Midland Bank (Branch Nominees) £3,000.
First Provincial Fixed Trust, Ltd.	First Provincial "A" Do. "B" Do. Reserves	(a) Feb. 22, 1934 (b) May 14, 1938	20,000	Frederic Platt; Joseph Hood, cotton spinner; Keith Needham; Wm. Taylor Hague, cotton spinner; Frank Bamford, dir. Northern Territories Trust.	Wm. Arthur Elder	F. Platt, £1,350; J. Hood, £1,100; K. Needham, £2,100; W. T. Hague, £1,100; F. Bamford, £1,100; J. C. Hood, £2,000.
Investment Managers and Secretaries, Ltd. (formerly Fixed Trust Investments, Ltd.)†	British Empire "A" Do. "B" Do. Comprehensive Do. Cumulative Do. First Unit Trust Selective "A" Do. "B" Trust of British Transport	(a) Nov. 8, 1933 (b) Mar. 2, 1938	20,000	Maurice Hely-Hutchinson, dir. First Conversion Investment Trust; A. L. Aymer; Colin Hugh Smith.	A. G. C. Potts	Trucidor Nominees, £19,798.
Lombard Unit Investments, Ltd.	Lombard Unit Trust	(a) July 21, 1938 (b) May 3, 1939	12,000 pref. 167 ord.	Lt.-Col. R. Tristram Harper, dir. B. Aires Gt. Southern Ry.; Patrick Nicholson; A. H. Martens, dir. Close Bros., Ltd.; Sir George R. Clerk; Sir Walter M. Craddock.	C. J. Hatty	P. L. Mondot, £1,500 pref., £19 ord.; E. D. Sassoon Banking Co., Ltd., £2,000 pref., £25 ord.; R. Tobias, £1,160 pref., £14½ ord. Other shareholders: Lord Kemsley; Sir W. Craddock; J. W. A. Burness.
Municipal and General Securities, Ltd.	1st British 2nd Do. 3rd Do. 4th Do. Foreign Govt. Bond Limited Investment Fund Midland and Southern Investment Fund Scottish and North Country Investment Fund New British F. Tr.	(a) Nov. 12, 1906 (as Mun. and Gen. Properties Syndicate) Present name adopted June 6, 1910 (b) Mar. 3, 1939	24,000	G. M. Booth, merchant; S. I. Fairbairn; R. Gore; R. N. Whitcomb, dirs. White, Drummond & Co.	H. W. Stacey	White Drummond & Co., £23,908.

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(Continued on page 34)

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The Hon. Charles R. Strutt

Managing Company	Trusts Managed	(a) Date of Co.'s Registration (b) Date of Bush House Return	Total Paid-up Capital	Names and Descriptions of Directors	Secretary or Manager	Principal Shareholders and Interests
National Group of Fixed Trusts, Ltd.		(a) Mar. 7, 1935 (b) July 5, 1938	£17,200 10% pref., £83,983 7½% pref., £36,100 "A" ord., £59,476 "B" ord., 20,810	Rt. Hon. Sir Arthur Griffith-Boscawen, dir. Johannesburg Consolidated Investment Co.; G. C. Cassels; P. Garratt; Sir G. C. Hamilton, dir. Expanded Metal Co.; T. M. Macquaker, solicitor; Lt.-Col. F. J. Popham; F. A. L. Wood.	E. H. Marten-Smith, A.C.A. (Sec.)	Roy Nominees, £5,450 pref., £4,650 ord.; Lady F. Valentine, £9,082 pref., £7,750 ord.; A. C. K. Kennard, £7,266 pref., £6,200 ord.; G. C. Cassels, £13,739 pref., £13,844 ord.; Lloyds Bank (Nom.), £12,248 ord.; T. M. Macquaker, £5,839 pref., £5,798 ord.; Sir Geo. Hamilton, £520 pref., £5,876 ord.
Controls following Cos.						National Group of Fixed Trusts, £20,808.
National Fixed Investment Trust, Ltd.	National "A" Do. "B" Do. "C" Do. "D" Scottish Century National Investment Group Certs. National Gold Shares Certs.	(a) Mar. 31, 1932 (b) Mar. 29, 1938		As above	Do.	
Commercial Fixed Trust, Ltd.	Commercial Universal Do. 2nd Unit Gilt-Edged Amalgamated	(a) Nov. 20, 1933 (b) Mar. 29, 1938	21,795	As above	Do.	National Group of Fixed Trusts, £21,798.
Amalgamated Fixed Trust, Ltd.	First Protected	(a) Mar. 15, 1934 (b) Mar. 29, 1938	20,700	As above	Do.	National Group of Fixed Trusts, £20,698.
Protected Fixed Trusts, Ltd.	Second Protected	(a) July 31, 1935 (b) Oct. 4, 1938	25,000	As above	Do.	National Group of Fixed Trusts, £22,798.
London and Boston Securities, Ltd.	Third Protected Supervised Shares	(b) Jan. 14, 1939	5,000	As above	Do.	National Group of Fixed Trusts, £4,998.
Orthodox Unit Trusts, Ltd.	Orthodox	(a) Feb. 8, 1939	13,000	Hon. J. M. Balfour, dir. Lon. Border & Gen. Trust; Sir John N. Barran, dir. Barry & Staines Linoleum; Earl of Dalhousie, dir. of Bank of Scotland (extraordinary); Ivon Phipps.	Ivon Phipps (Man. Dir.)	Parfield Trust, £12,500.
Proved Securities, Ltd.	Bank Insurance and Financial Shares Do. 2nd Series Brit. Bank Shares Brit. Insurance Shs. Four Square	(a) Dec. 1938 (b) May 25, 1938	19,500 pref., 500 ord.	Denys Lowson (Chairman); Sir K. I. Crossley, dir. Williams Deacons Bank; Brig.-Gen. the Hon. A. V. Russell, dir. Sun Life Assurance; E. G. Underwood, barrister; Lord Delamere, dir. Everett, Jones & Delamere.	N. A. P. Johnstone (Gen. Man.) S. A. G. Burden (Sec.)	C. S. L. Trask and E. G. Underwood, £3,478 pref., £100 ord.; Earl of Enniskillen and Miles Beever, £5,000 pref.; Sir K. I. Crossley, £2,000 pref., £100 ord.; Childs Nominees, £200; Sir K. I. Crossley and others, £5,000 pref.
Trust of Insurance Shares, Ltd.	Trust of Insurance Shares Trust of Bank and Ins. Shares Trust of Bank Shares Investment Trust Units Cornhill Trust Scottish Bank Insurance and Investment Trust Units	(a) May 28, 1934 (b) Dec. 28, 1938	200,000	Rt. Hon. C. A. McCurdy, dir. Equity and Law Life Assurance; A. E. Messer, dir. Equity & Law Life Assurance; R. W. Sharples, dir. Guardian Assurance; J. H. Batty, dir. Atlas Assurance; Sir B. E. Halsey Bircham, dir. Equity and Law Life Assurance; G. Faber, dir. of Scottish Bank Insurance and Trust Shares.	G. Faber (Man. Dir.) J. H. Taylor, C.A. (Sec.)	Equity and Law Investment Trust, Ltd., £131,350; G. Faber, £20,293; J. H. Batty, £11,898; Allan E. Messer, £7,448.
Scottish Bank Insurance and Trust Shares, Ltd.		(a) Nov. 27, 1936 (b) Dec. 7, 1938	25,000	Rt. Hon. Chas. A. McCurdy; Sir Ian Colquhoun; J. H. Batty; Sir B. E. Halsey Bircham; Geo. Faber; Allan E. Messer.	W. F. G. Normand, C.A. (Sec.)	Trust of Insurance Shares, Ltd., £24,994.
Unit Investments, Ltd.	British and Dominion Insurance Bank Trust Trans-Atlantic Canadian Do. U.S.	(a) July 8, 1938 (b) July 8, 1938	5,000	Brig.-Gen. E. L. Spears, dir. Assoc. Portland Cement; D. Beith, dir. Lon. & Lancs. Insur.; H. D. Bell, C.A.; J. M. Ferguson, dir. British Pacific Trust.	R. W. Tilley	G. A. F. Tyler, £4,500; R. W. Tilley, £500.

confirmed during the past twelve months. Compared with December, 1935, the *Financial News* and Actuaries' indices each showed a fall of rather over 26 per cent. on May 2, 1939. The closed fixed trusts declined during the same period by 22½ per cent., but the open fixed trusts were 33.4 per cent. below their end-1935 level at that date, and have shown a distinctly steep fall since the end of last year, compared with the general market trend. This difference of behaviour may well be due, in part, to the fact that the majority of the twenty-two trusts included in the open fixed trust index were formed in the latter half of 1935 itself, after three and a half years of almost uninterrupted market recovery. In the course of the next twelve months prices were carried to peak levels, but within little over eighteen months the market had broken through end-1935 levels; and it has been falling ever since. Hence it follows that a fixed portfolio originally based on the topical—and, presumably, generously valued—favourites of the second half of 1935 is likely to reflect the subsequent fall more extensively than more mature portfolios which

may have been set up anything up to two years earlier. When we turn to compare the behaviour of flexible trust prices with the market averages, there appears to be some support to the managers' contention that a flexible portfolio provides better opportunity for conservation of capital than a fixed portfolio. Yet the flexible trust index must be interpreted with a certain caution, for its constituents are significantly weighted by bank, insurance and investment trust share units, whose fluctuations are appreciably smaller and whose importance in the index is appreciably larger than certain lower priced flexible units composed of commodity and speculative industrial shares. The superiority of the flexible trust index over market averages, however, has noticeably declined since last September, when, like the fixed trust indices, it was particularly marked.

Conclusions on the basis of these index numbers must inevitably be qualified. Broadly, however, they establish that unit prices did not touch the market "highs," but except for open fixed trusts, they have not fallen quite so fast as equity shares in general.

FIXED TRUSTS' PRICE INDICES
(December 1935 = 100)

End Month	24 Closed Fixed Trusts	22 Open Fixed Trusts	Financial News Index	Actuaries' Index	End Month	24 Closed Fixed Trusts	22 Open Fixed Trusts	Financial News Index	Actuaries' Index
1934					1937				
Mar.	88.7	87.6	78.3	89.4	Mar.	109.0	100.7	110.1	107.0
June	89.9	87.6	78.7	87.6	June	102.7	96.8	102.8	102.2
Sept.	93.4	90.2	82.0	89.9	Sept.	101.3	94.0	99.6	99.8
Dec.	94.3	93.4	87.9	91.5	Dec.	96.0	90.4	89.8	91.3
1935					1938				
Mar.	94.1	92.0	81.8	87.0	Mar.	86.1	82.8	78.9	80.7
June	100.1	99.7	93.5	95.9	June	88.1	83.2	81.3	82.2
Sept.	95.7	94.6	92.2	91.8	Sept.	84.9	80.1	78.1	71.8
Dec.	100	100	100	100	Dec.	82.9	78.2	75.3	76.1
1936					1939				
Mar.	101.8	101.3	104.1	102.5	Mar.	80.0	69.1	75.5	73.5
June	104.4	101.4	104.7	102.8	June	77.5	66.6	73.9	73.6
Sept.	107.9	102.9	111.2	109.2					
Dec.	113.0	105.7	116.6	112.4					

FLEXIBLE TRUST PRICE INDICES
(June 1936 = 100)

End Month	17 Flexible Trusts	Financial News Index	Actuaries' Index	End Month	17 Flexible Trusts	Financial News Index	Actuaries' Index
1936				1938			
March	98.5	99.4	99.8	March	83.2	75.4	78.5
June	100	100	100	June	85.7	75.2	80.1
Sept.	103.3	105.3	106.2	Sept.	86.9	77.7	79.9
Dec.	107.5	111.4	109.3	Dec.	83.5	74.7	69.8
1937				1939			
March	104.8	105.2	104.1	March	75.2	72.1	71.5
June	102.2	98.3	99.5	June	72.5	70.6	71.6
Sept.	97.8	95.2	97.2				
Dec.	91.4	85.9	88.9				

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THE ECONOMIST

BANKING SUPPLEMENT

A SURVEY OF BRITISH AND FOREIGN BANKING

VOL. CXXXV]

MAY 20, 1939

[No. 4995

Contents include

Monetary Policy, 1844—1939

The Future of the Discount Market

American Banking

English Banks on the Continent

Banking in France

German Banks in 1938

South American Banking

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Monetary Policy, 1844-1939

JUST over a century ago Mr S. J. Loyd, who later became Lord Overstone, issued a pamphlet in which he argued that the Bank of England should be divided into two departments, issue and banking. This suggestion was taken up by Sir Robert Peel and enshrined in the Bank Act of 1844. Since then the issue department has been concerned solely with the issue of notes, the total issue depending rigidly upon the fiduciary issue plus the value of the gold held by the department. The banking department holds as its Reserve or "cash" the surplus at any moment of the total note issue over the amount of notes in circulation, and with this as its basis acts as banker to the Government, the banking system and its other customers.

Let us glance back for a moment at the original implications of this system. In 1844, notes rather than cheques were the main medium of circulation. A bank's right of note issue was greatly prized, and abuses of that right during previous years had been flagrant and frequent. Even the Bank of England itself had not escaped periods of anxiety, and in 1839 (as in 1890 and 1931) had to obtain temporary assistance from the Bank of France. Peel's Bank Act established the principle of a fixed fiduciary issue. The prevailing argument then was that any import or export of gold ought to cause an equivalent change in the quantity of currency in circulation, whether that currency consisted of gold or notes. The simple fact of that change would force the banking system to adopt the remedial measures of varying either the supply of credit or its cost, and so would tend to restore equilibrium between Great Britain and the outside world. How far the whole of this theory was comprehended or accepted by the monetary controversialists of a century ago is beside the mark to-day. The point is that this theory provided until 1931 the basis of the whole of our subsequent open-market and Bank rate policy, and indeed our operation of the gold standard.

From 1844 to 1914 the pre-war monetary system developed smoothly enough, and can claim to have played a leading part in the enormous economic development of Great Britain in those years. But it did so more by good luck than good management, and indeed it was only able to work at all during these seventy years for two independent reasons. The first was the intermittent but, in the aggregate, considerable expansion in the world's monetary stocks of gold, due to the discoveries in California, Australia and South Africa. The second was the growth and consolidation of the British commercial banking system, which in the course of this period made cheques rather than gold or paper currency the chief medium of circulation. Without this new gold and other new forms of money, the system instituted by Peel's Act would have left the country hopelessly short of money to finance its economic growth.

In 1914 came the war, and during the next six years Peel's monetary system went temporarily by the board. In 1914 the currency in circulation (including the holdings of the commercial banks) amounted to £123 millions of gold and £29 millions of Bank of England notes of a total of £152 millions. During the war the fiduciary issue of the Bank of England remained at £18.4 millions, so to that extent the principles of Peel and Overstone were preserved. But immediately after the war it was necessary to create the new Currency Note issue, and by the armistice the total amount of paper currency in circulation was £358.7 millions, and by April, 1920, it was (after deducting Bank notes held by the Currency Notes Commissioners) £439.5 millions. Other deposits at the Bank of England, which included commercial bank cash, had risen from £42.5 to £122.9 millions, with equally striking increases in the banking department's securities. Further evidence of inflation is found in the drop in the banking department's Proportion from 52.3 to 17.5 per cent.

Such were the monetary effects of the war and its inflationary methods of finance. We may pass over the formal suspension of the gold standard early in 1919 and the

subsequent depreciation of sterling to \$3.20. Before, however, the war had ended the appeal from Philip drunk to Philip sober came in the form of the interim report of the Cunliffe Committee. This roundly called for the restoration of the former gold standard, and more specifically for the transfer of the Currency Note issue to the Bank of England with the fixation of the fiduciary issue at a level to be arrived at by experiment. Meanwhile the huge volume of unbacked notes was to be reduced, cautiously and gradually, while the opinion was hazarded that a gold stock of £150 millions would in the end prove adequate.

This was harking back to Peel and Overstone with a vengeance, but nevertheless the attempt was made to put the clock back by stages in this way. Soon after the war the Treasury minute was issued, laying down that the fiduciary Currency Note issue of any one year should not exceed the actual maximum of the previous year. This was tantamount to a progressive reduction, regardless of the nation's needs. In practice it drove the authorities into creeping round a corner, for on several occasions they had to place additional Bank of England notes behind the Currency Note issue in order to preserve the fiction of a progressive reduction in the fiduciary issue. By April, 1925, £54 millions of Bank of England notes were being used in this way. Fortunately the Bank gained gold during the early 'twenties, and so this device proved practicable. Nevertheless, between 1920 and 1925, the total note circulation (again omitting Bank of England notes held behind the Currency Notes) fell from £439 to £384 millions.

In May, 1925, came the restoration of the gold standard, or rather the establishment of the gold bullion standard, for notes and not gold were now to be the internal medium of circulation. Three years later came the amalgamation of the two note issues under the Bank of England, as the Cunliffe Committee had recommended ten years before. At the same time, the fiduciary issue was fixed—it is almost true to say "by experiment"—at £260 millions. The important new principle was now established that the fiduciary issue would be varied, under prescribed measures of control. This was the first permanent breach in Lord Overstone's doctrine, but his shade was simultaneously propitiated by the decision to give a greater wealth of detail in the weekly Bank return.

The keynote of these post-war years was the desire to restore as much as possible of the pre-war monetary system. This implied that the nation's supply of money had to be conditioned by the nation's gold stocks as well as by the nation's needs. Now, allowing for the gold coin in circulation in 1914, it is doubtful if the nation held any more gold in 1928 than in 1914. It certainly held less by 1931. Considerable relief was afforded by the increase in the fiduciary issue from a mere £18.4 millions in 1914 to £260 millions in 1928, but even so it is doubtful if the supply of gold available during 1925-31 was sufficient to maintain the then post-war volume of trade and level of prices; while the table shows that the quantity of currency in circulation fell from £372 to £352 millions. The absence of any real trade recovery during 1922-29, and the downward trend of prices during the whole period 1922-31 afford some proof that our monetary system was the becoming our master rather than our servant. On the other hand, some monetary discipline was needed to rescue the world from the currency chaos of the years immediately succeeding the war. This is one justification for the gold bullion standard regime of 1925-31.

In the summer and autumn of 1931 came the breal and in September Great Britain suspended the gold standard. As has been said, this is the real dividing line between the old and new monetary technique, though in accordance with British tradition the new technique was only evolve gradually and with many improvisations. The first need was for the restoration of confidence, badly shaken by the pound's sudden departure from gold. Hence the auster-

Budgets of the autumn of 1931 and spring of 1932, and the 6 per cent. Bank rate of the winter of 1931-32.

Out of the confidence engendered by this austerity and the consequent return of funds to London came the beginnings of our new monetary system. Looking back over the past seven years we can see that, while the framework of Peel and Overstone was preserved, it was supplemented by the important new mechanism of the Exchange Equalisation Account, which though under Treasury control is in many ways equivalent to a third department of the Bank. Moreover, the whole spirit of the new system was that the country must have the money it needed, and must not be circumscribed by the amount of gold put at its disposal or by the valuation in sterling of that gold at a price which had remained unchanged for more than a century. The fiction that a £1 note represented an immutable weight of gold (about 0.235 fine oz.) was abandoned, and so too was the concept that the size of the note issue must rise and fall with each change in the size of our gold stocks. These were the two fundamental ways in which we obtained our monetary freedom. The rest was mainly a question of machinery.

The first big change since 1931 has been the rise in the sterling price of gold from about 84s. 11½d. to about 148s. per fine ounce. This change, which also took place in the gold-producing and gold-hoarding countries, had several important consequences. First, it meant that for all practical purposes our existing stock of gold appreciated in value. This was a fact, even though it only received complete recognition in the Currency and Bank Notes Act of the present year. Next the rise in the price of gold gave

such a stimulus to gold production and gold dishoarding that for both the above reasons the world was relieved of the fears of an impending gold shortage that were so prevalent during 1929-31. Finally, the return of funds to London meant that Great Britain received a full share—perhaps too full a share—of the world's augmented supplies of gold. The result has been that even after allowing for last year's heavy losses, the sterling value of our gold stocks is now four times what it was in 1931.

The world in fact had learned and applied an all-important lesson. This is that the stock of monetary gold need not depend solely upon the physical quantities of gold available. It equally depends upon the value placed upon that gold in terms of sterling and other national currencies.

As a result of this increase in our gold supplies—from £136 millions in September, 1931, to £835 millions in March, 1938—we found that we could divide our store of gold into two portions, one to lie behind our note issue, the other to take care of external movements of funds into and out of the country. Originally set up for the sole purpose of "smoothing out" fluctuations in the exchanges, the Exchange Equalisation Account rapidly assumed this second function. For the past seven years the Bank of England has held part of our gold as backing to the note issue; and as in the past any change in the size of that gold reserve reacts directly upon the credit base. The Exchange Equalisation Account holds the other part, and finances its holding chiefly by the issue of Treasury bills to the banking system. Unless counter-measures are adopted, any increase in the Exchange Equalisation Account's gold holdings involves an equivalent increase in

GOLD AND CURRENCY, 1844-1939
(£ millions)

	Sept. 9, 1844	July 15, 1914	April 14, 1920	April 29, 1925	Dec. 5, 1928	Sept. 16, 1931	June 23, 1937	Jan. 11, 1939	March 1, 1939
Gold:—									
(a) In Bank of England	12.7	38.5	112.0	153.9	157.8	135.6	{ 326.4 ⁷ 537.6 ⁷	126.4 ⁷ 208.2 ⁷	...
(b) In circulation ¹	36.0 ¹	123.0	20.0 ¹⁰ 28.5	...	...	...	...	...	...
(c) In Currency Notes Account	...	...	...	...	...	...	240.0 ⁸	410.0 ⁸	424.4 ⁹
(d) In Exchange Eq. Account	...	...	...	...	...	...	...	...	...
Total	48.7	161.5	160.5¹⁰	153.9	157.8	135.6	777.6⁷	618.2	650.8⁹
Currency in Circulation:—									
(a) Gold ¹	36.0 ¹	123.0	20.0 ¹⁰ 99.5 ⁸	94.4 ⁸	371.5	351.6	483.7	475.6	478.4
(b) Bank of England notes ¹	20.2	29.3	340.0	289.8	...	...	...	...	...
(c) Currency notes	...	...	...	...	...	...	...	...	...
Total	56.2	152.3	459.5¹⁰	384.2	371.5	351.6	483.7	475.6	478.4
Fiduciary Issue:—									
(a) Bank of England notes	15.7	18.4	18.4 305.0	19.8 235.7	260.0	275.0	200.0	400.0	300.0
(b) Currency notes ²	...	...	...	...	...	...	...	...	...
Total	15.7	18.4	323.4	255.5	260.0	275.0	200.0	400.0	300.0
Note Issue:—									
(a) Bank of England	28.4	56.9	130.4 340.0	173.7 289.8	417.8	410.6	526.4	526.4	526.4
(b) Currency notes	...	...	6.5 54.0	...	...	...	...	...	...
Less duplication³	...	...	...	...	...	...	...	...	...
Net Total	28.4	56.9	463.9	409.5	417.8	410.6	526.4	526.4	526.4
Banking Department:—									
Public Deposits	3.6	13.3	19.3	17.0	8.7	16.6	15.5	19.2	11.6
Bankers' Deposits	8.6 ⁵	42.5	122.9	105.5 ⁵	78.0 36.9	58.4 50.5	95.0 37.2	118.1 36.7	110.4 36.5
Other Deposits	...	...	...	...	...	...	...	...	...
Total Deposits	12.2	55.8	142.2	122.5	123.6	125.5	147.7	174.0	158.5
Government Securities	14.6	11.0	55.1	36.9	63.9	49.4	98.0	96.2	99.0
Discounts and Advances	7.8	33.6	79.9	76.2	10.9	8.3	3.8	22.1	6.3
Other Securities	9.0	29.2	24.9	27.1	19.6	25.8	20.2	22.3	22.4
Reserve	...	...	...	...	...	...	...	...	...
Total Assets	31.4	73.8	159.9	144.2	141.5	143.8	165.6	192.0	176.7
Proportion (%)	73.8	52.3	17.5	22.1	38.2	48.0	29.6	29.5	30.9

¹ Includes gold and notes held by commercial banks. ² Includes Government securities and silver coin, less investment reserve account. ³ I.e. Bank of England notes held as backing to the currency note issue. ⁴ Newmarch's estimate. Peel's estimate was £30 to £35 million. ⁵ London bankers' balances were about £1,000,000. ⁶ After deducting notes held as backing to currency notes. ⁷ Valued at 84s. 11½d. and 140s. per fine ounce, respectively. The latter valuation is used in computing the total. ⁸ Estimate based on returns of nearest dates. ⁹ Revalued at 148s. 5d. per fine ounce. It is assumed that there was no change in the Exchange Account's gold other than the transfer of £5.6 millions to the Bank of England on March 1, 1939. ¹⁰ The figure of £20 millions representing gold in circulation is an estimate. This imparts the same uncertainty to the totals.

the issue of Treasury bills to the public—even though this last increase is frequently masked by the normal financial operations of the Government affecting the floating debt. Every decrease in the Exchange Equalisation Account's gold has the contrary effect. In any case, fluctuations in the Account's gold stocks do not affect the credit base.

This new machinery was not evolved all at once, and during the past few years it has had to be gradually strengthened and adjusted, wherever weaknesses or creaks appeared. For one thing it was quickly found that the Exchange Equalisation Account was too small to do its job. Twice it had to be enlarged, and in the meantime a considerable amount of gold spilt over into the Bank of England. This overflow had the advantage of enabling the Bank to create and maintain an adequate volume of internal credit and currency, and indeed it was so great as to call for a reduction in the fiduciary issue from £260 to £200 millions, but it was a haphazard way of achieving this object. Also it had the disadvantage that if ever gold began to flow out of the country the Exchange Account might have to recover its overflow from the Bank, in which case the internal supply of credit would once more be at the mercy of international movements of funds.

This danger became apparent during the gold exodus of 1938-39. As had been foreseen, the Exchange Equalisation Account lost so much of its own gold that it had to recover its overflow from the Bank. Now the Bank had used that gold to bring about the expansion in the credit base needed to carry out the official policy of cheap and plentiful credit, debt conversion and the establishment of an internal price level well above that of 1932. In 1938, just when the trade recession and the financial needs of re-armament made it more necessary than ever to maintain a sufficiency of credit, the Bank found that it was operating partly upon "hot gold" brought to London by "hot money," which was now rapidly departing to New York, Paris, and other centres. As the table shows, both the note circulation and deposits at the Bank had risen to heights surpassing those of the boom years immediately succeeding the war. Yet such had been the growth in internal activity between 1920 and 1938 that a supply of currency which reflected boom conditions in 1920 was no more than adequate eighteen years later.

On the other hand, one final adjustment was needed. The Bank's gold was still valued at its original price of 84s. 11½d. per fine ounce, whereas as soon as any gold left the Bank it automatically jumped to its real price of about 148s. Thus the Bank was both working with hot gold and also undervaluing all its gold whether "hot" or "cold." It was a simple matter to put both right without disturbing the equilibrium of the Bank. Early in 1939 the Bank sold to the Exchange Account £200 millions of gold at its own valuation, equal to nearly £350 millions at the real value of that gold. As a temporary measure the fiduciary issue was increased from £230 to £400 millions. (The Christmas increase from £200 to £230 millions was then in force.) Two months later, the new Act was passed laying down that the Bank should value its gold week by week at the current price. The normal fiduciary issue was simultaneously fixed at £300 millions. The net result was to reduce the Bank's gold from £326 to £226 millions, and (omitting the Christmas increase) to enlarge the fiduciary issue from £200 to £300 millions. During the two months'

interim, the Bank's gold stood at £126 millions and the fiduciary issue at £400 millions. Instead of £326 millions of undervalued gold, both hot and cold, the Bank was left with £226 millions of properly valued gold, most if not all of which it would hope to regard as cold.

It remains to see where we stand to-day. Most of the spirit of the 1844 Act has gone, and only the bare framework, warped out of all recognition, remains. The size of our gold stocks depends as much upon the price of gold as upon their physical volume, and as the price of gold depends in practice upon the course of the New York exchange, the paradox arises that the weaker the pound becomes the more does the sterling value of our gold stocks increase. This paradox, however, need be of minor importance, especially if the sterling value of any gold sale needed to support the pound is equally increased. Still, it does throw a responsibility upon those responsible for the conduct of our monetary affairs.

It is also argued that the size of our note issue and so of the internal credit base is no longer governed by the size of our gold stocks, and that if it is desired to enlarge the note issue the Bank has only to buy gold from the Exchange Account. This is true as far as it goes, but it makes the fundamental assumption that the Account can spare the gold. Now, if for reasons either of a capital outflow or a passive trade balance the Account is losing gold, then it will have less gold to spare, and so far from being able to sell gold to the Bank to facilitate an increase in the note issue, it might in time have to buy gold from the Bank to replenish its own reserves. If so, and the authorities were unwilling to contemplate a depreciation of sterling, they would have to choose between an increase in the fiduciary issue and a contraction in the note issue and so in the credit base. This would bring them back to principles of Overstone with a vengeance.

Again, it is argued that when the Exchange Account sells gold there is no reduction in the supply of bank cash. This is equally true, as far as it goes. But each sale of gold by the Exchange Account causes an immediate reduction in the banking system's holding of Treasury bills, and the banks have long learned to watch not only their 10 per cent. cash ratio, but also their 30 per cent. ratio of "liquid assets" (including bills and loans against bills) to deposits. So once more we have so far failed to shake off the Overstone doctrine that each change in our gold stocks must bring about a corresponding change in the total supply of credit. Currency may play a far less important part than it did a century ago, though the Bank's Reserve of notes remains the foundation of our credit base. Yet bank credit and deposits must still respond to changes in our gold stocks, and so while the form of our money may have changed, the control to which it is subject remains the same. We have admittedly a more generous and liberal monetary system than we had a century ago, though that is as much due to the thirteen-fold increase in our gold reserves since 1844 and the four-fold increase since 1920 as it is to our improvement of the machinery. Yet apart from the fundamental decision to permit a 75 per cent. increase in the sterling price of gold, we have not freed ourselves from the pre-war gold standard as much as some people think. The ghosts of Peel and Overstone can almost be heard murmuring, "*plus ça change, plus c'est la même chose.*"

millions—while the amount of bills issued to the market "syndicate" fell from £137 millions to £116 millions. Measured by *The Financial Times* index of Government securities, the fall between the beginning of 1938 and the height of the September crisis was 10.2 per cent., and though there has been some intervening recovery, prices are now (May 1st) as low as at the end of September. This figure probably overstates the extent of the fall in the short-dated securities held by the discount market, but as the three discount companies held bonds at the end of last year to the tune of nearly eight times their paid-up capital, the importance of the fall can readily be realised.

Judged by all external evidence, the market stood these strains and stresses with remarkable equanimity. The three discount companies repeated for 1938 the dividends they had paid for 1937. Their aggregate net profits were declared at £610,800, or an increase of £17,300 on the figure for the previous year. The artificiality of these "profits" may, however, be recognised from the fact that in the case of one company the declared figure, included in the above total, was only arrived at after a transfer of £300,000 from Investment Reserve Account. This was no doubt required to write down security values, and if the other companies did not reveal in their profit and loss accounts the impact of the depreciation of their securities, this does not mean that they were altogether free from the need to provide for such depreciation. In their case the provision probably came out of hidden reserves. The example of 1938 tends to illustrate a suggestion often made in the market, that by far the greater part of the profits distributed by the market since the war were made in those fabulous years 1922 and 1932, when the course of events in the gilt-edged market made an abnormal accretion of profits to the discount market an almost automatic process. The reverse was, in minor degree, true of 1938. No house in the market can have avoided a loss on its investments, and the provisions made for such losses must have cut appreciably into accumulated reserves—whether published or hidden.

The immediate prospect for the market suggests in some

respects an improvement on the conditions so successfully resisted last year, but in other respects hint at greater difficulties. The dearth of bills in the market is likely to disappear. In financing the tremendous deficit for the coming year the authorities are unlikely to repeat their past mistake of giving each defence loan the temporary character of a funding issue. If only to render the participation of the banking system in the coming medium- or long-term loan operations possible, part of the amount to be raised will have to take the form of Treasury bills, so as to restore the liquid assets, on the basis of which the banks can again expand their holdings of investments. The outlook, therefore, strongly favours a considerable expansion in the issue of Treasury bills during the coming year. As against this prospect of more bills and bigger profit margins there is an unpleasant element in the outlook, in the shape of the probable conversion of the 4½ per cent. Conversion Loan. This security forms so important a part of the discount market's stock-in-trade that its departure will be sorely felt. Indeed, so large is the holding of this security in the hands of the market that the Treasury in deciding on the conversion terms may well have to offer, as one conversion alternative, a security which will be suitable for short-term holders. But even so the market is bound on balance to be the loser by the operation.

It was perhaps the anticipation of this development which led the Bank of England recently to take steps to consolidate the present structure of the discount market by advising the smaller firms to amalgamate and by offering more than usually specific guidance for the conduct of their business—their capitalisation, the desirable ratio between bonds and capital, the wisdom of modest dividends and large reserve allocations, etc. The aim of the authorities is evidently to have a more compact discount market, not so open to the temptation of overtrading in bonds, and with each house possessing a capital structure which would make the discount market a real element of strength and give its endorsements on bills a financial value which they do not always possess to-day. In order to assess the merits

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The Future of the Discount Market

Two developments have served to make the past year a severe testing period for the London Discount Market. They were the substantial contraction in the volume of Treasury bills issued to the market and the decline in the price of short-term gilt-edged securities in which the market is so largely interested. These developments were both products of the same cause—the growing international tension and the exodus of foreign funds from London which accompanied it. The impact of that outflow of funds on the foreign exchange market was taken by the Exchange

Equalisation Account, which lost gold, gained sterling and thus repaid Treasury bills previously issued to finance its gold holdings. Some of the foreign funds which left the London market had previously been invested in gilt-edged securities, and the sales from this quarter probably provided the main factor in the decline of gilt-edged prices.

The importance of these two developments can easily be seen from a few figures. In the year ended March 31st the total tender issue of Treasury bills declined by no less than £146 millions—that is, from £512 millions to £366

of this general objective it may be well to run briefly through the various functions which the discount market performs and to decide how each would be affected by the official proposals.

First in order of tradition is the importance of the discount market as a specialist in bills, in the proper assessing of names and credit risks. The importance of this function has been diminishing over many years with the growth of the bank acceptance and of the Treasury bill. Moreover, it may be argued that there is no inherent reason why clearing banks should not develop as fine a "nose" for commercial paper as the discount market has ever possessed. It remains a fact that the discount market has an accumulated experience which it would be difficult to transplant and—what is important from the present point of view—that it is often the small firm which has evolved the specialised knowledge of certain trades and which in this way carried on the traditional function of the discount market. Here is an argument for proceeding warily with large-scale amalgamations which might destroy the individual and highly personal character of much of the commercial discounting business still being done by the market.

The discount market provides a free market for bills. It would be easy for the banks to supplant that market as far as the absorption of bills was concerned. But the banks would miss the facilities of a large market in which they can at most times satisfy their requirements—often of large lines of bills and of special maturities. In providing a pool of discountable paper the market performs a most useful function, but it is one which could be performed as well by a smaller and more compact market.

The discount market provides an essential part of the machinery of credit control in this country. It is the medium through which open market operations are normally conducted, and it forms the link between the central bank and the whole commercial banking system. It could be replaced by putting the clearing banks in more direct contact with the Bank of England and instituting direct rediscounting facilities. Whether the resulting system would work better than the present one is a question on which it is impossible to give a confident answer. The present system has worked exceptionally well; it is the product of slow growth and adaptation, and its removal would create many problems of substitution whose solution even under the best possible circumstances would necessarily cause some initial friction. As far as the clearing banks are concerned, they do not hide their preference for the present system to the possible advantages of the more direct alternative, nor do they hide their preference for a discount market in which the personal and the competitive elements are better represented than they would be if they had to deal with four or five large companies.

The discount market provides the basis for a short-loan market. Every highly developed banking system requires a short-loan market. To this need one could apply the words of Voltaire: "If there were no God it would be necessary to invent him." We have seen the efforts made to "invent" short-loan markets in New York, in Paris, in every market having pretensions to being or becoming an international financial centre. The efforts made in the United States, for example, to dissociate the short-loan market from its highly volatile Wall Street collateral

should be a lesson of the value of our own short-loan market, secured as it is by the soundest and most liquid security in the world—the bill of exchange. Before tampering with the structure of the London discount market this is a function which should be borne in mind.

The discount market has over the past twenty years become an essential part of the gilt-edged market machinery. This is perhaps a function on which the critics will focus, and it forms part of the familiar case so often levelled against the market. None the less, it is a fact that any substantial contraction in the discount market's stake in the gilt-edged market would be definitely injurious to the latter. It must not be forgotten that the huge increase in the National Debt over the past twenty-five years has not been accompanied by a corresponding strengthening in the capitalisation of the gilt-edged market proper, i.e. the jobbers who deal in gilt-edged. By far the biggest "books" in gilt-edged are those run by the discount market, and time and again it has been found that the transaction of really sizeable orders in gilt-edged have been possible only by going outside the Stock Exchange and by dealing direct with a discount house. Admittedly this is a function which has been comparatively recently grafted on to the more traditional functions of the discount market. It brings with it certain responsibilities and a demand for stronger capitalisation which in some respects lend point to the requests for greater concentration made by the authorities. None the less, it would be a mistake to assume that in so far as this new function has led to overtrading in gilt-edged it has been the smaller house which has been guilty. The reverse has, on the whole, been the case.

Finally, the discount market, by giving its endorsement to the bills which pass through its hands, is said to improve the quality of this paper. There has always been a measure of artificiality about this claim, and it has become increasingly apparent since the bank acceptance and the Treasury bill have become so largely the staple of the market's trade. For even the biggest discount company to endorse a clearing bank acceptance is surely to gild the lily. None the less, this is a function to which the authorities appear to attach great importance, especially in connection with the considerable volume of dubious standstill paper remaining in the market.

This résumé of the functions performed by the discount market, in the light of current conditions, suggests that there is room for some simplification in its structure, that in certain important respects the basis on which the present structure of the market was raised has disappeared, and that in so far as the intrusion into gilt-edged is to be regarded as a permanent development there is a case to be made for strengthening the capitalisation of the individual firms in the market. But it also suggests that the market still performs extremely important functions, and that in the performance of these the accumulated tradition of the market and the personal element count for a great deal. These valuable intangibles will not readily stand rough and violent treatment. The market has reached its present development and efficiency by the slow process of gradual adaptation—typical of the evolution of most British institutions. There is probably a good case to be made for allowing the same process to continue its good work in moulding the future of the London discount market.

the share market scarcely left a ripple on the banking statistics or troubled the glassy surface of the tabulations of quoted money rates.

In the twelve months March, 1938,–March, 1939, we added \$2,366 millions to our gold stock; in addition, \$1,400 millions of gold was released (in April, 1938) from the Treasury, mostly from the Inactive Fund. For technical reasons, the incoming gold has not been monetised quite as fast as it arrived, and on March 31, 1939, some \$675 millions were "in transit" through the Treasury's

General Fund. But the net effect was that the gold certificates issued to the Reserve Banks increased by \$3,211 millions; member bank balances with the Reserve Banks increased \$1,813 millions; Treasury deposits with the Reserve Banks increased \$909 millions; money in circulation increased about \$400 millions; and excess reserves of

RESERVE BANK AND TREASURY ITEMS (£000,000)

	March 30, 1938	August 31, 1938*	March 29, 1939
U.S. securities	2,564	2,564	2,564
Gold certificates	9,213	10,632	12,424
Gold stock	12,794	13,135	15,160
Member Bank reserves	7,312	8,179	9,125
Of which, excess	1,560	2,940	3,520
Treasury deposits with F.R. banks	292	720	1,201

* The interim date has no significance; it was the final date for the article on American Banking in the October 15, 1938, Supplement of *The Economist*.

the member banks increased by \$1,960 millions to \$3,520 millions. The increase of money in circulation was partly met out of increased issues of silver certificates; and the figures of excess reserves were augmented by about \$800 millions in the form of a reduction in required reserves.

It is not at all easy to grasp the significance of these magnitudes. In a single twelvemonth period we have added \$3,800 millions to our *effective* gold stock. Of this, about half (\$1,800 millions) was added to member bank reserves and the other half accrued to the General Fund of the Treasury in the form (1) of gold in "transit" (about \$700 millions) and (2) of an increase in Treasury deposits at the Reserve Banks. That is, only about half of the effective gold increment has yet entered the credit mechanism.

ITEMS OF THE REPORTING MEMBER BANKS (£000,000)

	New York City		
	March 30, 1938	Aug. 31, 1938	March 29, 1939
Total loans and investments	7,576	7,751	7,895
Total loans	3,158	3,007	2,864
U.S. and gtd. securities ...	3,263	3,664	3,845
Other securities	1,155	1,080	1,186
Reserve	2,958	3,425	4,390
Demand deposits	6,100	6,446	7,135
Domestic inter-bank deposits	1,956	2,500	2,651
	Outside New York City		
Total loans and investments	13,234	13,110	13,684
Total loans	5,613	5,263	5,327
U.S. and gtd. securities ...	5,671	5,780	6,277
Other securities	1,950	2,067	2,080
Reserve	2,797	3,260	3,125
Demand deposits	8,168	8,942	8,856
Domestic inter-bank deposits	3,127	3,458	3,815

Of the \$1,800 millions increase in member bank deposits with the Reserve Banks, \$1,400 millions went into the reserves of the New York City banks and \$300 millions into the reserves of the Reporting Member Banks outside New York City; the negligible remainder went to country banks. This is rather antithetical to the internal flow during the period of greater activity in 1936 and 1937, when there was a distinct movement of reserve balances away from New York. Statistically, the movement is recorded by the building up of the domestic inter-bank deposit account in the New York City banks and in the Reporting Member Banks. It will be recalled that in the 1936-37 period these accounts were drawn down. But the mere statistical record of the fluctuations of the internal balance of payments—between New York City and the rest of the country, and between urban and rural banks in the interior—throws little light on the nature of the forces influencing the flow. The general character is clear enough: New York is the depository of refugee money from Europe, represented by that part of the gold inflow classed as "flight money"; and is likewise the depository of funds from the interior of the country. It would hardly be accurate to say that New York is "borrowing" money from Europe and simultaneously "borrowing" money from the interior of the United States. Borrowing implies the hiring of money for use, and the New York banks neither pay anything for this money nor do they use it. Nor, in the absence of a money market, can they use it. To a great extent their function appears to be custodianship, not banking. As was said above, in 1937 New York experienced a withdrawal of funds to the interior, which proved to be disturbing; but against the repetition of such an episode the New York bankers are, at least in some ways, better fortified than in 1937. In early 1938, it seems that foreign balances were drawn down materially, not in the form of a gold export or a movement on the exchanges, but in payment for our sudden and large export surplus. This caused no perceptible disturbance. One can perhaps get little help from these only partly relevant analogies; but it is important to keep in mind that there is (and always has been) such a thing as an internal balance of payments as well as an external balance of payments; that New York is the focus or clearing centre of both; that this centre is without the buffer of a money market; and that the excess reserves of the New York City banks are only partially "excess reserves" in the text-book sense, and for the rest stand as the functional substitute for a money market.

While the year's record of the Reserve Banks could be written entirely in terms of gold, the chronicle of the commercial banks can be written in terms of gold and the Federal deficit. Over the period the demand deposits of the

American Banking

(By Our New York Correspondent)

OVER the twelve months March, 1938, to March, 1939, the record of American banking can be written exclusively in terms of gold and the Federal deficit; and almost exclusively in terms of gold. In that period our business index passed from deep depression to a violent advance of almost 30 per cent. and a subsequent recession of, say, 5 per cent. The share market averages between the end of March and the middle of July, 1938, rose over 50 per cent. and in March-April, 1939, lost about two-thirds of this rise. But the fluctuations of business and of

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New York City banks rose \$1,000 millions, and their domestic inter-bank deposits by \$700 millions; while their loans and investments increased only \$300 millions. This increase in total loans and investments was entirely attributable to their purchases of the "fully guaranteed" securities, their holdings of which more than doubled in the year. A small decline in the holdings of United States obligations was matched by a small increase in holdings of other securities; and their total loans declined slowly but rather persistently by \$300 millions. The total loans and investments of the New York banks are now almost two parts investments and one part loans; and the investments, three parts investments in securities of the Federal Government and its agencies and one part "all other," including the issues of local governments. It is probably possible to say that well over 50 per cent. of the assets of the New York City banks are devoted to the Federal Treasury, to Federal agencies and to local government—that is, to the State rather than to private enterprise; and this drift has been strongly marked in the past year by the \$300 millions decline in loans and the \$600 millions increase in the securities of the Federal agencies. The increasing tendency in Wall Street itself to think of banks as "instrumentalities" of the State has abundant statistical justification, although the term "commercial banking" is still heard.

The chronicle of the Reporting Member Banks outside New York is not very different. Their total loans and investments rose by \$450 millions—proportionately a little less than in New York. Their total loans declined by the same amount—\$300 millions; but this, too, was proportionately less than in New York, and in the last six months they have actually increased a bit. These banks, however, added about \$300 millions to their holdings of Treasury obligations (the New York banks added none); and about \$250 millions to their holdings of the guaranteed securities (the New York banks added \$600 millions). That is, each group increased its holdings of "U.S. and guaranteed securities" by about \$600 millions, but the New York banks took exclusively the guaranteed issues, while the interior banks divided their investment almost equally between the two.

In the twelve months March, 1938, through March, 1939, the direct obligations of the Federal Government increased by about \$2,500 millions in spite of the liquidation of the Inactive Fund; but of this sum the direct obligations "in the market" increased by only \$900 millions. The Reporting Member Banks (in this instance, the Reporting Member Banks outside New York) took almost exactly one-third. But the "fully guaranteed debt" in the market increased by about \$800 millions (March-February) and the Reporting Member Banks increased their holdings by \$870 millions. That is, if one combines the direct and the fully guaranteed Treasury issues together, the Reporting Member Banks took a total of almost \$1,200 millions out of \$1,700 millions—approximately two-thirds. The preference of the banks for the

"fully guaranteed" issues over the direct issues is explicable by maturity—the Treasury issues of the past twelve months being almost exclusively long-term bonds (combined with a net retirement of notes and bills) while the fully guaranteed issues have been short-term. From the strict Treasury standpoint, the Treasury in the year funded a substantial fraction of its short-term debt; from the banking standpoint, the issues of large amounts of short-term, fully guaranteed securities enabled the banks to increase their proportion of long Government bonds (that is, to follow the conversions) and, by buying all the fully guaranteed offerings, restore the ratio of short-to-long in their combined portfolio. By this distribution, the Treasury was able to borrow almost \$2,000 millions from the market in twelve months, not only without disturbing the rate structure but on an actually rising market. The net effect on bank earnings was probably not unfavourable, as the guaranteed issues carry a slightly higher rate than the direct issue of the same maturity; and the long-term direct Treasury issues carry a higher coupon than the retired short issues.

As was said at the beginning of this article, in twelve consecutive months we have received over \$2,000 millions of gold; monetised or "assimilated" almost \$2,000 millions of gold; increased the direct and guaranteed obligations of the Treasury by over \$3,000 millions—all without any very perceptible rippling of quoted money rates. The following table gives some of the common rates:—

INTEREST RATES*

	Bankers' Acceptances	Call Loans	Treasury Bills (new issues)	Average 3-5 yr. notes	Treasury Bonds	Municipal Bonds	Corporate Bonds
Mar. 1938	$\frac{7}{16}$	1.00	0.074	1.01	2.64	2.99	4.36
Apr. "	$\frac{7}{16}$	1.00	0.083	0.94	2.62	3.03	4.50
May "	$\frac{7}{16}$	1.00	0.027	0.77	2.51	2.91	4.28
June "	$\frac{7}{16}$	1.00	0.023	0.67	2.52	2.91	4.40
July "	$\frac{7}{16}$	1.00	0.053	0.70	2.52	2.87	4.17
Aug. "	$\frac{7}{16}$	1.00	0.047	0.71	2.51	2.82	4.09
Sept. "	$\frac{7}{16}$	1.00	0.096	0.82	2.58	3.02	4.17
Oct. "	$\frac{7}{16}$	1.00	0.023	0.68	2.48	2.82	4.03
Nov. "	$\frac{7}{16}$	1.00	0.024	0.71	2.50	2.74	3.95
Dec. "	$\frac{7}{16}$	1.00	0.007	0.67	2.49	2.75	3.95
Jan. 1939	$\frac{7}{16}$	1.00	0.002	0.65	2.47	2.70	3.86
Feb. "	$\frac{7}{16}$	1.00	0.004	0.63	2.44	2.70	3.81
Mar. "	$\frac{7}{16}$	1.00	†	0.53	2.34	2.64	3.72

* From the Federal Reserve Bulletin, compiled from various sources.

† Mid-week of March.

‡ "Rate negligible."

§ Average yield, bonds due or callable after 12 years.

During this period of heavy deficit financing the interest rate has steadily fallen. The volume of notes and bills in the market has been greatly reduced; and this has given the remainder a scarcity value. But the decline in the long-term rate from $2\frac{3}{8}$ per cent. to under $2\frac{3}{8}$ per cent. is not negligible; and it has been paralleled in municipal and corporate bonds. The decline in the yield on high-ranking second-rate bonds has been even more pronounced—Moody Baa rating dropping from 6.47 in April, 1938, to 4.84 in the middle of March, 1939.

English Banks on the Continent

(By a Correspondent)

COMPETITION on the Continent by English banks is represented by Lloyds and National Provincial Foreign Bank, Limited, Westminster Foreign Bank, Limited, Barclays Bank (France), Limited, and Barclays (S.A.I.). These are all offshoots of members of the "Big Five" of this country and are controlled by the respective parent institutions. They have been formed as separate companies in order not to attract taxation on the basis of capital and profits of the parent companies. Other London banks, such as the Standard Bank of South Africa and the Bank of London and South America, have branches in Europe, but mainly for facilitating trade between this country and other parts of the world. The Midland Bank, true to the policy of Sir E. Holden, has made no direct expansion external to this country.

English banking history on the Continent began with

the invasion of Lloyds Bank (France), which in 1911 was founded to take over the Parisian business of Armstrong and Company. In 1917 the National Provincial joined forces with Lloyds and their joint venture now has branches in France, Belgium and Switzerland. In 1913 the London County and Westminster (Paris), Limited (now Westminster Foreign Bank, Limited), took over the Banque Franco-Americaine. Barclays Bank is represented in France and Italy. The French connection developed in 1922 through the absorption of Cox and Company (France), Limited.

These penetrations were undertaken primarily to retain the foreign business of the English banks' clientèle, which had previously been conducted either through foreign agents or foreign banks with a London office. Paris has a large English population, and it was rightly thought that

business would accrue from this source. Business has furthermore been obtained from other foreign nationals in Paris, who at times preferred English institutions. It was assumed that a certain amount of native business would follow.

As the war progressed, and the franc, after "pegging" had ceased, began to depreciate, the funds of English bankers abroad increased. With the growth of franc deposits came discount and loan business. All banks of post-war formation in France, both French and foreign, profited largely by the special, though temporary, economic conditions which followed the Armistice. Further, the established traders who, owing to inflated prices, could no longer cover their banking requirements with their old friends, had recourse to the newer institutions, who were anxious to attract business.

A separate history attaches to the movement in each country. The French provincial expansion was the natural outcome of Paris experience. A clientèle had been built up, success had come quickly and, with the prospect of Allied victory, conditions seemed ripe. Optimism in post-war trade was high and the banks went to the provinces to prepare to obtain their share of the business which it was thought would follow.

Belgian expansion was not begun till 1919. Conditions were much the same. It was surmised that the German banks, which before the war had had a large share of all banking business, would not be allowed to return, and this seemed to afford opportunity for English institutions.

Spain, being a neutral, assumed an importance impossible but for the war. Her exports increased and immense profits were made at the expense of the Allies. Here there seemed a field for English infiltration, fostered by governmental influence, and the Westminster extended to Madrid, and later to Barcelona, Bilbao and finally Valencia. Things went well at first, but taxation and tariff restrictions suddenly and rapidly altered the whole complexion of things, until the Westminster decided that it was useless to continue. It might be mentioned that the Spanish did not employ their easily earned profits too wisely; mark speculation dissipated much that might have formed a useful basis for new business or served to retain that recently built up.

Barclays (S.A.I.) was formed in 1925. The expansion had not been achieved without difficulty of administration, law, staff and premises. With regard to administration, that of Lloyds and National Provincial and Barclays is centred in Paris with a supervisory Board in London. The Westminster and Barclays controls are in London. The problem of staff has been solved differently by the various banks. Some have a larger English staff than others. Some incline to English managers, but there is the difficulty

that Englishmen, even those who have been in the country concerned for years, cannot be possessed of that delicate turn of language which is so often required in dealing with foreign customers. As for premises, a central position is necessary with fixity of tenure. Further, the foreigner is used to more elaborate buildings and furnishings than exist here, and moreover likes the security of strong-room safes, etc., to be apparent. Owing to the system of renter safes, he sees the vaults in part, whereas the English customer does not. Want of complete knowledge of code law has been troublesome, but the principal foreign branches have their own solicitors' department and thus obtain legal advice at first hand and with a minimum of delay.

As for results, the War and the subsequent depression have proved that the time for expansion was ill-fated, through no fault of the institutions concerned. But they have successfully weathered the storm, thanks largely to the potential strength they possess in the parent institutions. With the rehabilitation of Europe, if ever it comes about, there should be a steady growth of business, but should the economic reconstruction of Europe be much longer protracted, it may be found a difficult matter to progress.

In brief, the four out of the five great English joint stock banks represented on the Continent compete with the native bankers for all classes of business normally transacted on the places where they are established, but more particularly for international business, for international agency accounts, and for the accounts and business of their countrymen whether resident or domiciled abroad. They specialise particularly in exchange in all its ramifications; in the keeping of currency accounts in any currencies which are still free; in the opening of confirmed, unconfirmed and acceptance credits; in the use, in this manner, of the normal banking machinery by which commodities are moved through one country to another; in accepting deposits both of the currency of the country in which they are established and in other currencies; and in the granting of loans against securities (agricultural advances and loans against property are relatively unknown) as well as discounts in all these various currencies.

They thus perform services of great value to English merchants, exporters and importers, and they make a contribution of no mean value to the oiling of the wheels of international commerce upon the smooth and efficient working of which so much of the prosperity of this country depends. Finally, in so doing they presumably obtain some remuneration for their work, which like all other commercial houses they would not undertake without profit. Unfortunately, the absence of any information as to the exact size of those profits precludes the formation of a complete judgment as to whether or not the British banks' Continental activities are justified.

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Banking in France

(By a French Correspondent)

To those who believed with M. Blum in March, 1938, that a policy of "conscriptio" for industry and capital was the only possible way out of the deadlock in which France found itself, the financial history of France during the last year is bewildering. What happened is, however, not so difficult to explain. The country became fully conscious of the gravity of the external dangers when the Anschluss with Austria took place, and it coincided with the coming into power of a Radical Government which was determined to put a stop to social disturbances and currency depreciation. The limit for the depreciation of the franc fixed in May was low enough to leave a fair export premium to the French manufacturers, which is even now estimated at around 10 per cent. There was therefore no more reasonable prospect of further depreciation on purely economic grounds, and, in fact, the franc has remained stable in relation to the pound for the whole year. The policy of "putting the country back to work" was greatly facilitated by the large benefits which the working classes had received during the previous year and by the experience earned by the workers' delegates who, for many months, had considered themselves not as intermediaries, but as leaders. Furthermore, the rise in wages was checked, thanks to the coming into force of the arbitration procedure and to the slowing down of the rise in prices. This evolution towards social peace became evident after the failure of the general strike in November. The Government had shown that the law was not established for the exclusive benefit of one class.

After the fixing of the sterling-franc rate at 179, a large repatriation of capital had taken place; much of this benefit was, however, lost in the following months, partly due to fears of international complications. The September crisis found the Exchange Stabilisation Fund short of gold and imposed a terrible strain upon the banking community. The crisis, however, was overcome a few weeks later, when M. Paul Reynaud was called to the Finance Ministry, and since then capital has been flowing back into the country, at a slower pace than on previous occasions, but in a much more continuous and steady manner. The stability of the Government, of social conditions, and of the currency, coupled with the constructive reforms effected by the decree-laws, have undoubtedly yielded good results. But, it will be objected, the Government is still obliged to borrow 45 to 50 per cent. of its expenditures. It is true that the problem of public finance is far from being solved, but the numerous steps taken during the last six months have shown clearly that the Government is no longer indulging in the easy policy of announcing that, circumstances being exceptional, the Central Bank will be called upon to supply the full amount of the deficiency. Furthermore, the Treasury has established, in the form of a callable loan to the Exchange Fund, a reserve of ready cash which allows it to choose the most favourable moment for the issue of loans.

It was stated above that the French banking community stood the test in September remarkably well. This was largely due to the liberal assistance provided by the Bank of France, whose dominance has been increased by the events of 1938, partly because it has provided the Treasury with roughly 30 milliards of loans, or rather because, thanks to the revaluation of its gold, a large part of these loans could be erased, but mainly because the bank had to provide the market with abundant funds in the month of September. During this crisis alone about 25,000 millions were given out by the Central Bank, mainly in the form of bank notes. The Government drew 10,000 millions, while the demands of the public upon the commercial and savings banks were the largest since 1914. The moratorium which had been resorted to at the beginning of the Great War was considered by many as a likely danger, in spite

of the repeated assurances on the part of official quarters that such a measure would never be applied again. Even those who did not indulge in similar fears found it necessary for practical purposes to keep an unusual amount of currency. These heavy withdrawals were easily met by the banks, thanks to the assistance of the Bank of France, which took all possible forms from discount to collateral loans, from 30-day repurchase loans to open market purchases (the latter having been authorised by law since June). After Munich and after the appointment of M. Paul Reynaud as Finance Minister, hoarding practically disappeared. The savings and commercial banks recovered all the deposits they had lost, and over one-half of the currency issued in September flowed back to the Bank of France. The balance which did not return probably represents the amount needed for current transactions in a country where cheque payments are not as developed as in the Anglo-Saxon countries. It should be remembered in this connection that from the end of 1935 to the end of 1938 the sight liabilities of the bank only increased by 55 per cent., while prices increased by 85 per cent. Finally, as evidence of the recovery, the discount rate was lowered to 2 per cent. in December, a rate which had been abandoned since the beginning of 1937.

Three points deserve a special mention in connection with this crisis. The first is that the old custom of the French banks of granting credit as much as possible on collateral of eligible paper proved very effective in ensuring their liquidity. Rediscount was, of course, the essential means by which the banks—all the banks—asked for the Bank of France's assistance, and the Governor could note with satisfaction in his annual report that all the paper discounted in September had been of good quality; in fact, the provision appropriated at the end of the year against bad debts was no larger than usual. The second point of importance is that there was no notable export of capital. The reasons for this may perhaps be found in the 1914 precedent, when the dollar went to a heavy discount against the currencies of the belligerent countries, but more probably in the belief that in war time local currency is the only useful one to have, and that war risks were fairly well spread all over the world. It is also worth mentioning that the banks incurred heavy expenses during that crisis because nearly all of them had to organise special premises for the safekeeping of securities in case of war. In most cases new premises had to be bought in remote centres in the provinces.

During the months of March and April, 1939, a new and considerable increase in bank-note circulation took place which was clearly due to hoarding in view of war threats. There does not seem, however, to have been any withdrawals from the commercial banks, on balance, although savings banks suffered a decline in their deposits. In other words, the "circuit" by which the spendings of the Government came back to the banks and increased their deposits was interrupted by the hoarding of important amounts of bank-notes and not by export of capital. On the contrary, sales of gold on the part of individuals are reported to be continuing at a regular rate, while no strain could be observed on the foreign exchange market. The natural result was renewed tightness on the money market and some difficulty in placing Treasury bills. There seems to have been some hesitancy on the part of the monetary authorities as to the wisest course to follow. The first step taken by the Bank of France was to buy in March in the open market roughly 900 millions of short-term paper, but after a month it was realised that open market purchases were, under the circumstances, a one-day operation, and the rates for Treasury bills were raised by about $\frac{1}{4}$ per cent.

The experience of the past year shows clearly that the

French banking system is able to bear very heavy pressures, not only because it is sound in itself, but because the Central Bank is ready to lend its assistance liberally in case of emergency, while letting money rates play their normal rôle whenever possible. The tendency to hoard francs and the steadiness of the exchange, which permitted large gold purchases, have changed the aspect of the French

monetary problem. The question is no more how to prevent inflation from causing gold exports. Now that the leakage abroad has ceased, the question is rather how to centralise the plethora of liquid funds in the banks and thereby to facilitate the financing of the Treasury. The present task appears certainly easier to achieve than the former.

German Banks in 1938

(By Our Berlin Correspondent)

EVER since the banking crisis of 1931, when the German State and the Reichsbank had to come to the rescue of the commercial banks of the country, the German banking system has been in greater or less degree under the influence of the State. Although it has been possible for the State to dispose, in recent years, of the shares it took over in return for its support to the capital of the banks, they have remained in other ways in decisive dependence on the State. This is particularly true of the banks' liquidity, for which they rely entirely on the Reichsbank, and the financial policy pursued by the Third Reich since 1933, with its management of the money and capital markets, is naturally reflected in the balance sheets of the banks. Industrial activity in Germany is predominantly based on the public works of the State; the recovery of recent years has been a domestic recovery, or, more strictly, an armament recovery.

After their seizure of power the National Socialists inaugurated a large programme for the creation of work, to which without much delay were added armaments, auto-roads and a huge building programme to supply the needs of the army, the party, the State, the cities and, later, fortifications. This public works programme was further extended by the Four Year Plan for self-sufficiency. This programme required much larger sums than were available to the Reich from its current income from taxes and duties of all kinds. Credit was therefore expanded for the purpose of paying for the Government projects. Large quantities of so-called armament bills were issued. In order to conceal the extent of the re-armament from foreign eyes and to avoid any excessive burden on the Budget, formally so-called, these bills were issued through a number of dummy corporations, in particular through the Metallforschungs-G.m.b.H., which, having a status in German law equivalent to that of a British private company, was under no necessity to publish its accounts.

Official data on the extent of capital expenditure by the State are not available, and the volume of funds injected into the credit system by this programme of expansion can only be estimated. The debt of the Reich has more than doubled since 1933 to Rm. 27 milliards. The grand total of all public debts can be stated to be Rm. 60-70 milliards, which is also more than double the figure of 1933. There are still some Rm. 12-13 milliards of armament bills that have not yet been funded. This growth of debt is all the more remarkable as the yield of taxes has risen from Rm. 6.85 milliards in the financial year 1933-34 to about Rm. 17½ milliards in the past year. A growing portion of the capital expenditure could thus be financed out of revenue; but the growth of debt can be understood from the fact that the annual financial requirement of all public bodies has been officially placed at between Rm. 35 and 40 milliards.

The financing of expenditure by short-term bills naturally gave rise to the need for large-scale consolidations. This development of the policy started in 1935 with the issue of Reich loans. At first the pace was slow and the technical possibilities of the money and capital markets were very carefully explored before each issue. But recently the frequency of issue of Reich loans has greatly increased. Including the four loans issued in 1938, the Reich has issued loans for Rm. 14½ milliards altogether.

The national savings in 1937 were Rm. 6.9 milliards and the Reich loans of Rm. 3 milliards absorbed less than half. But in 1938 the national savings are put at about Rm. 10 milliards; including the new loan, the Reich has borrowed at long-term Rm. 7.63 milliards, or nearly three-quarters of the national savings.

The Government of the Reich was compelled, as the result of its financial policy and its constant need to fund floating debt, to reserve the capital markets almost exclusively to itself. A control of issues was introduced, and the capital market was virtually closed so far as the demands of private industry and commerce were concerned. (One of the tasks entrusted to Herr Funk when he replaced Dr Schacht was to open the capital market once more to private issues.) The ban on issues last year was suspended only for issues in connection with the self-sufficiency plan, re-armament, work-creation or social measures, which were considered to be in the direct interests of the State, and for which the State itself would have to provide funds if access to the capital market were not allowed.

In circumstances such as these, the banks were inevit-



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ably called upon to play their part in the financial plans of the State, and the calls upon them grew with the expenditure of the State. The characteristic feature of recent years, from the point of view of the banks, has been a steady increase in the liquidity of the finances of industry. This arose not only from the vast sums being poured into industry by the State but also from the considerable reduction in stocks of materials. In the earlier years of recovery, when production could be increased with the existing capacity, industry had little need of capital, and the banks accordingly opened comparatively few new credits. Moreover, since industry used its inflowing funds to repay its debts, there was a considerable decline in the total advances of the banks. This item (Debitoren) for the five big Berlin banks stood at Rm. 5.65 milliards in the prosperous year 1929 and was still as large as Rm. 4.38 milliards in 1932, but at the end of 1937 it was only about Rm. 3 milliards.

Another consequence of this financial liquidity was that the deposits of the banks rose from 1935 onwards. Current and savings accounts of the five big Berlin banks were Rm. 6.16 milliards at the end of 1935, Rm. 6.34 milliards at the end of 1936 and Rm. 6.78 milliards at the end of 1937. Savings deposits in other institutions were also swollen by the decline in unemployment; they are about Rm. 20 milliards.

The liquid condition of industry, the ban on new issues and the limitations imposed on capital expenditure by the shortage of raw materials, combined to make it difficult for the banks to find remunerative outlets for the funds entrusted to them. The chief possibility was the purchase of the short-term bills and long-term loans of the Reich Government. The Big Five's portfolio of bills and cheques increased from Rm. 1.75 milliards in 1933 to Rm. 2.62 milliards at the end of 1937 and to Rm. 2.66 milliards at the end of March, 1938. In this way the banks were brought into intensive collaboration with the financial plans of the State. In 1929, it is true, the bill portfolio stood at above Rm. 3 milliards. But these were then in the main genuine commercial bills, which play a very small part in the present holdings. If, for example, it is assumed that the Reichsbank has exactly the same number of genuine commercial bills to-day as in the year 1928-29 (Rm. 2.6 milliards), it would follow that its portfolio contains about Rm. 5½ milliards of Treasury bills.

In spite of the considerable increase in recent years of German exports, the big banks' advances against goods have shown very little movement. Imports rose from Rm. 4.2 milliards in 1933 to Rm. 5.4 milliards (for the old Reich) in 1938 and exports from Rm. 4.87 milliards to Rm. 5.3 milliards (in 1929 imports were Rm. 13.4 milliards and exports Rm. 13.5 milliards). Imports of Greater Germany in 1938 were Rm. 6.1 milliards and exports Rm. 5.6 milliards. The advances against goods of the Big Five in 1929 were Rm. 1.97 milliards, but they have fallen to Rm. 584 millions in 1933 and Rm. 275 millions in March, 1939.

With the attainment of the limits of capacity, and especially with the addition of the Four Year Plan, the financial picture underwent some alteration. The rise of costs consequent upon the increased exploitation of resources and the necessity of undertaking new investments for the sake of achieving autarky, reduced the liquidity of industry and gave rise to a greater demand for bank credit. In 1938, however, this demand was approximately offset by the increasing liquidity of other branches of industry, whose production was restricted by shortage of raw materials or other causes. The so-called "Four Year Plan industry," on the other hand, has a high demand for funds which it has not been able to get from the capital market because of the ban on issues and for which its own resources are insufficient. This has been the chief cause of the noticeable increase in the number of new credits granted by the banks during 1938.

The most important event of 1938 for the banks, however, was the change in the Government's financing plans that occurred in March. In spite of the strict supervision and control exercised to prevent the consequences of credit inflation from appearing, the danger of unlimited issue of armament bills was apparent. Any rise in prices

was prevented, but a divergence between the quantity of money in circulation and the available supplies of consumption goods began to be more and more noticeable. Public works, on the scale of those in Germany, cannot be carried through without affecting the supply of consumers' goods, especially if an increase in imports is prevented.

To prevent the unbridled growth of the national debt, and to exercise an effective control on expenditure, the issue of armament bills was stopped in March, 1938. But it was impossible to do without all forms of short-term paper, as the expenditure of the State was considerably more than could be met out of the current revenue. Accordingly, from April onwards, "delivery certificates" with a six-months' maturity and a discount rate of 3 per cent. were issued. The issue of these undiscountable documents was to be kept within the limits of what could be paid off out of revenue at maturity or out of funding loans. After the transitional period of six months, therefore, the issue of short-term paper was to be entirely suspended and the finances of the State were to rest entirely on tax revenue and long-term loans. Political events interfered with this plan and much larger quantities of delivery certificates were issued than was intended. The difference between the old and new methods of financing has thus remained merely technical. Whereas the old bills were discountable at the Reichsbank, the delivery certificates can only be "lombarded" (i.e. accepted as security for loans). Moreover, the issue of bills did not appear in the statistics until the banks took them into their discount portfolios, while the delivery certificates have to be revealed in the returns of the Ministry of Finance.

The recent balance sheets of the banks clearly reflect the influence of the new financing methods. Industrial firms, which had been compelled in the summer to sell large amounts of securities on the Stock Exchange in order to obtain funds, use the delivery certificates they receive from the State as security for loans from the banks. The advances (Debitoren) of the big Berlin banks, however, have not risen; at the end of November they remained at Rm. 3.2 milliards as in March. But in the same period their holdings of Treasury bills and undiscountable Treasury paper rose from Rm. 426 millions to Rm. 1.18 milliards. Holdings of ordinary bills and cheques fell only

BALANCE-SHEET ITEMS OF THE FIVE BIG BERLIN BANKS
(Rm. millions)

	Nov., 1937	March, 1938	Nov., 1938	March, 1939
Cash, balances at Reichsbank, postal cheques.....	136	158	186	172
Bills	2,690	2,598	2,390	2,367
Treasury bills and certificates	455	426	1,185	1,479
Securities	897	871	1,270	869
Of these, Reich loans.....	333	303	714	438
Advances against goods	283	295	296	275
Debtors (i.e. advances)	3,076	3,190	3,193	3,413
Creditors (i.e. current accounts)	6,142	6,086	6,864	6,892
Savings deposits	635	712	789	967

from Rm. 2.66 to Rm. 2.46 milliards; this small decline is due to the fact that the Reichsbank is issuing so-called "Blockwechsel" (block bills) to the banks in replacement of their "Sonderwechsel" (special, i.e. armaments, bills). The heavy burden placed on their balance sheets by the delivery certificates is unwelcome to the banks, since it impairs their liquidity. As the delivery certificates can only be lombarded, the Reichsbank requires a rate of interest 1 per cent. higher than is required on the discount of a bill. For this reason the banks offer to the Reichsbank part of their remaining holdings of bills and keep the delivery certificates in their portfolios until maturity. To avoid too heavy commitments in delivery certificates the banks have been taking the "Solawechsel" of the Golddiskontbank, a subsidiary of the Reichsbank, in increasing quantities.

There have been few significant changes in the banking position during the first quarter of 1939. As the foregoing table shows, the bill portfolios have only slightly increased,

though the proportion of genuine commercial bills to armament bills can hardly be much higher. The very heavy requirements of the State for funds have led to increases in the holdings of Treasury bills and undiscountable Treasury certificates. On the other hand, advances show an increase, reflecting industry's growing need for credit, especially as the result of re-armament and the Four Year Plan. Concomitantly with the increases in Treasury paper and advances, holdings of securities have fallen. The public demand for investments, which for once has not been exhausted by Reich loans, made it possible for the banks to

unload some of the securities they had bought in their efforts to maintain price-levels on the Bourse. Deposits, especially savings deposits, have continued to increase. This reflects the fact that the growing shortage of consumers' goods is impeding the full spending of consumers' incomes.

The "New Finance Plan" announced by Dr Funk, Minister of Economics and President of the Reichsbank, has not yet affected the banks' balance sheets, as the new tax certificates have only been issued since May 1st. The loans of the banks will presumably tend to increase.

South American Banking

(By a Correspondent)

BANKING and foreign exchange policy in the South American countries is largely dependent upon the course of external trade. Here the low level of commodity prices, the urgent need for foreign markets for South American produce, and the commercial methods of the totalitarian countries have led to the continued canalisation of South American trade through special agreements, compensation arrangements, quotas, etc. In Brazil, Chile, Peru and Central America, Germany has made considerable headway by the use of Askis marks. Germany and Italy often sell subsidised goods at under cost price, while Japan and Italy have dumped cheap textiles. There is thus considerable need for more positive British action, and the recent extension of the Export Credits Guarantee Department's maximum commitments from £50 to £75 millions has received a general welcome. Simultaneously there is the development of the American policy of granting long-term credits. This is mainly a drive against the totalitarian countries, but it is to be hoped that the offering of fresh finance will not cause Latin Americans to display greater indifference towards external debt already in default.

Meanwhile the steady recession in South American export trade since early 1937 has resulted in an adverse trend in the trade balances of the various Republics and the maintenance in many cases of foreign exchange, import and other restrictions. Consequently, the banking industry is still burdened with difficulties in moving funds, and also with heavy and unremunerative extra routine work. Business has also become increasingly competitive, and interest and commission rates continue at a low level. Nevertheless, internal conditions in South America show notable resistance to the present crisis, and the monetary regimes in general are to-day more capable of quick adjustment to adverse conditions. In particular, the Central Banks, where established, have shown themselves able to cope with the alternating waves of prosperity and depression inherent in primary producing countries in such a way that the internal systems of credit have not suffered seriously.

This is particularly true of Argentina, which, during 1938, experienced a sharp reversal of the prosperous conditions of 1937, this reversal being due to bad harvests of wheat, linseed and maize. Owing mainly to a consequent contraction of about 40 per cent. in her exports, Argentina had in 1938 a passive trade balance equal to some £3,500,000 sterling, compared with an active balance in 1937 of no less than £44,000,000 sterling. To redress this position, the Argentine Government on November 8th raised the "official" selling rate of exchange from 16 to 17 pesos to the pound (the "free" rate rising correspondingly), and, with the official buying rate still fixed at 15 pesos, the margin of profit gained by the Exchange Profits Fund was correspondingly increased. This enabled the Government to guarantee minimum wheat and linseed prices to farmers during the 1938-39 season. The peso has also been supported by heavy shipments of gold, mainly to New York, which are also probably derived chiefly from the official exchange profits. Also, since December 1, 1938, imports have been rigorously controlled by a comprehensive system of prior permits, so that, despite the sluggish export movement this spring—due to the surplus world stocks of wheat—an active trade balance had re-emerged

by the end of March, 1939, of over 73 million pesos (say, £4,300,000 sterling), against a passive balance twelve months previously of 22 million pesos.

Although Argentine imports from all countries this year are necessarily much reduced, Great Britain remains the chief supplier, and the ratio of British imports to total imports tends to rise, whereas there is a sharp fall in the proportion representing Italian, Japanese and American goods. In fact, trade between Argentina and the United States is virtually at a deadlock, although the trade balance is again swinging in favour of the Argentine, and, under the import control system, this may again lead to increased imports of American goods. While the United States is anxious to conclude a Trade Agreement with Argentina—particularly so as to assist in consolidating Pan-American political policy in face of the Berlin-Rome-Tokio triangle—existing difficulties in the path are aggra-

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vated by the American import restrictions upon Argentine meat, and more fundamentally by the fact that both countries produce the same products which form the basis of their key industries, and so cannot be economically complementary to one another. The reverse is the case with Argentina's trade with Britain, which gives rise to the belief that, should a new Anglo-Argentine Agreement be drawn up this year—as seems the general opinion—it will be possible to arrange terms satisfactory to both nations.

Generally speaking, the Argentine outlook inspires restrained optimism, if nothing better. The Government is attempting to enforce substantial economies so as to prevent the recurrence of a budgetary deficit. Confidence in the inherent soundness of the financial position is evidenced by the immediate success of the \$US25 millions loan floated in New York in November, 1938, and the internal loans for 150 million pesos issued in March, 1939. Treasury bills continue to be placed by tender in Buenos Aires at low interest rates. The banking situation continues liquid and normal, and the claim that the Central Bank has proved a very useful defensive monetary weapon is supported by the fact that, during the past difficult eighteen months, business turnover, as indicated by bank clearing figures, has been sustained, commercial failures have remained low, the cost of living has been relatively stable, and unemployment is not at all serious. Moreover, the Institute for Liquidating Bank Investments, formed as part of the financial reforms a few years ago, has made steady headway in thawing out the frozen assets (mainly real property) then acquired and has thus relieved the banking industry of a serious and unwieldy burden.

In Brazil, the regulations of December, 1937, made obligatory the deposit of currency funds with the banks, for account of the Bank of Brazil, against the supply of exchange cover to meet the cost of imported goods. This sterilisation of large deposits naturally caused some concern, particularly in regard to the seasonal financing of crops. Such deposits, however, will now no longer be necessary, as the Decree of April 8, 1939, has abolished the foreign exchange monopoly of the Bank of Brazil. Although control is not altogether relinquished, the irksome formalities and delays in obtaining exchange for payment of imports should henceforward be removed. Brazil has, in effect, reverted to an exchange system similar to that in force from February, 1935, to November, 1937, exporters being now obliged to sell 30 per cent. of their bills to the Bank of Brazil at the official rate, while the milreis will again be allowed to find its own level in a "free" market, consisting of the balance (70 per cent.) of the available exchange. The net result will be to give exporters a rather higher return in their own currency, while imports will cost more. This is not altogether undesirable, as it may help towards an improvement in the trade balance.

The new Exchange Decree is probably linked with Brazil's Commercial Agreement with the United States of March 9, 1939, which provides, *inter alia*, for a request to the United States Congress for authority to provide up to

\$50 millions of gold for a proposed Central Bank of Brazil, repayment to be made from Brazil's future gold production. Admittedly this undertaking appears hedged with many reservations, and it will probably merely amount to a book entry earmarking American gold on Brazil's account—perhaps somewhat similar to the gold earmarked under the 1937 Agreement, which was allowed to lapse without the gold being used. The new Agreement, however, is welcome, as it may assist in the modernisation of Brazil's banking fabric and in stabilising the milreis.

The future of these reform schemes in Brazil, and indeed of the Republic's economy as a whole, will, however, depend upon the emergence of a substantial trade balance. The outlook in this respect is not encouraging: Brazil had in 1939 an active balance of only £29,000 (gold), against nearly £2,000,000 (gold) in 1938. In pursuit of a policy of internal development of transport and industry, imports—especially of machinery, railway material, etc.—continue at a high level, while, on the export side, the notable increase in shipments of both coffee and cotton has been more than offset by the fall in the prices of both these commodities. Furthermore, there has recently been a slowing down of coffee exports compared with the rapid expansion which followed the Government's change of policy in November, 1937. While, therefore, the new foreign exchange measures have created a good impression, it remains to be seen to what purpose the Government's quota will be applied. There are some hopes that it may be used for the partial resumption of the foreign bond service, but unless the trade balance improves, either some of the quota must be diverted to finance imports or there may be a curtailment of free exchange available to cover imports and other non-official remittances.

With regard to the powers in respect of the nationality of foreign banks' shareholders provided in the new Federal Constitution, President Vargas has stated that it did not suit the economic situation of the country to apply this principle hurriedly. It was not intended to be a political measure impeding the influx of foreign capital or discrimination against capital held in Brazil.

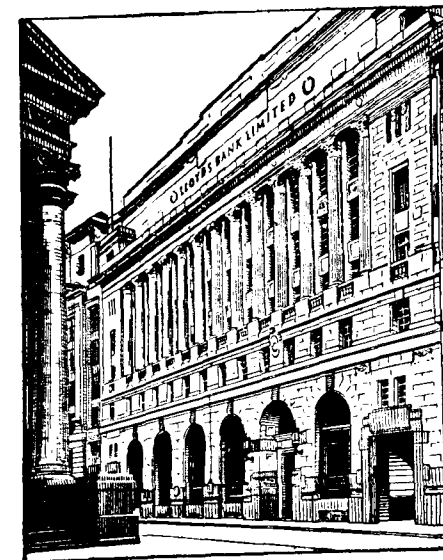
Internal conditions in Chile have stood up well to the world crisis, due largely to the orthodox policy of the Central Bank. Unfortunately, the country now has the problem of finding the enormous funds needed to reconstruct the devastated areas left by the January earthquake. In Peru the position of the Central Bank is strong, while the coming cotton crop promises to be satisfactory. It is hoped that the crop will be normally disposed of in order to relieve the foreign exchange market, which is now showing signs of strain, though still free from restrictions.

In Colombia, Ecuador and the Central American "coffee" countries of Guatemala, Nicaragua and Salvador, crops have been generally favourable and are being regularly disposed of, with a consequent growth of freedom both in the foreign exchange markets and for import trade. The Central Banks in these countries continue to show a strong position in gold and other reserves held against sight liabilities.

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Capital Authorised	-	-	-	-	Fcs.	750,000,000
Capital (Paid Up)	-	-	-	-	"	400,000,000
Reserve Fund	-	-	-	-	"	800,000,000
Deposits and Current Accounts, 28th February, 1939	-	-	-	-	"	12,991,913,703

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PROFITS OF BRITISH BANKS FOR LAST COMPLETED FINANCIAL YEAR

BANK	Year Ended	Profits	Dividend	Rate	Reserve	Premises	Staff	To Carry Forward		Profits a Year Ago
								Increase	Decrease	
ENGLISH										
	1938	£	£	%	£	£	£	£	£	£
Barclays.....	Dec. 31	1,926,458	1,510,129	{ A 10, B } { & C 14 }	250,000	150,000	...	16,329	...	2,133,825
British Mutual	Dec. 31	24,444	18,000	10	5,000	100	...	...	1,459	22,461
District	Dec. 31	508,808	376,525	{ A & C 18½ } { B 10 }	...	60,000	70,000	2,283	...	519,255
Lloyds	Dec. 31	1,705,300	1,302,549	{ A 12 } { B 5 }	300,000	100,000	...	2,751	...	1,832,501
London Merchant.....	Dec. 31	10,250	...	...	10,250	...	...	...	...	14,663
Martins	Dec. 31	872,929	603,206	14½	50,000	100,000	100,000	19,723	...	853,566
Midland	Dec. 31	2,445,671	1,758,400	16	500,000	150,000	...	37,271	...	2,508,009
National Provincial	Dec. 31	1,771,785	1,421,912	15	...	100,000	250,000	...	127	1,874,960
Union of Manchester	Dec. 31	133,529	54,375	10	37,000	5,000	38,000	...	846	134,213
Westminster	Dec. 31	1,557,161	1,126,595	{ A 18 } { B 12½ }	...	100,000	300,000	30,566	...	1,750,589
Williams Deacon's	Dec. 31	301,418	234,375	12½	100,000	30,000	...	...	62,957	310,921
Totals		11,257,753	8,406,066	...	1,252,250	795,100	758,000	108,923	65,389	11,954,963
SCOTTISH										
	1939									
Bank of Scotland	Feb. 28	305,634	208,800	12	50,000	15,000	30,000	1,834	...	313,253
British Linen	Jan. 14	276,713	145,000	16	100,000	30,000	...	1,713	...	290,203
Clydesdale	Dec. 31	316,941	208,000	16	50,000	20,000	35,000	3,941	...	320,249
Commercial of Scotland ...	Oct. 31	381,155	239,250	{ A 16 } { B 10 }	50,000	50,000	40,000	1,905	...	395,664
National of Scotland	Nov. 1	292,639	142,100	16	70,000	25,000	55,000	539	...	276,012
North of Scotland	Dec. 31	242,077	182,560	16	35,000	5,000	15,000	4,517	...	246,148
Royal of Scotland	Oct. 8	613,257	465,909	17	87,349	30,000	30,000	...	7,096	636,420
Union of Scotland	1939 Apr. 1	310,407	216,000	18	50,000	15,000	25,000	4,407	...	312,625
Totals		2,738,823	1,807,619	...	492,349	190,000	230,000	18,856	7,096	2,790,574
IRISH										
	1938									
Belfast Banking	Dec. 31	103,929	63,800	11	...	...	...	40,129	...	106,718
Northern	Dec. 31	79,813	47,578	{ A 10½ } { B 5½ }	30,000	1,500	...	735	...	82,251
Ulster	Dec. 31	179,954	140,000	14	50,000	...	...	...	10,046	183,873
Totals		363,696	251,378	...	80,000	1,500	...	40,864	10,046	372,824

BANK OF ENGLAND
END OF YEAR POSITION

END OF YEAR POSITION																														
Last Return of Year	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS																	
		Capital		Per Cent.		Rest		Per Cent.		Note Circulation			Per Cent.		Post Bills		Per Cent.		Deposits		Per Cent.		Coin and Bullion	Per Cent.	Govt. Securities		Per Cent.	Other Securities		Per Cent.
		£		£		£		£		£			£		£		£		£		£				£			£		
1910 ...	11	14,553,000		14-2	3,187,894	3-1		28,610,215	28-0		24,848	...	55,962,860	54-7	102,338,727		£		31,355,727	30-6		34,349,568	33-6		36,633,614	35-8				
1920 ...	10	14,553,000		4-3	3,338,587	1-0		132,851,150	39-0		7,639	...	189,859,334	55-7	340,610,710		£		128,267,670	37-2		126,314,798	37-2		86,028,242	25-2				
1925 ...	10	14,553,000		4-4	3,344,666	1-1		144,730,510	43-6		2,021	...	169,044,292	51-0	331,674,489		£		144,556,367	43-6		83,837,526	25-3		103,289,596	31-1				
1929 ...	10	14,553,000		2-8	3,390,838	0-7		379,573,841	74-0		1,984	...	115,666,738	22-5	513,186,401		£		150,548,712	29-4		311,761,133	60-6		50,876,556	10-0				
1930 ...	9	14,553,000		2-7	3,400,255	0-6		368,801,566	65-5		1,264	...	175,189,157	31-2	561,945,242		£		152,640,787	27-2		325,174,789	57-8		84,129,666	15-0				
1931 ...	9	14,553,000		2-6	3,417,512	0-6		364,150,042	65-4		1,071	...	174,471,468	31-4	556,593,093		£		125,401,728	22-6		349,065,659	62-7		82,125,706	14-7				
1932 ...	9	14,553,000		2-7	3,430,563	0-6		371,193,057	69-4		1,510	...	145,035,194	27-2	534,213,324		£		124,309,107	23-3		368,598,410	69-0		41,305,807	7-7				
1933 ...	9	14,553,000		2-5	3,421,526	0-6		391,981,846	68-7		1,429	...	159,916,147	28-2	569,873,948		£		195,228,035	34-3		342,245,007	60-0		32,400,906	5-4				
1934 ...	9	14,553,000		2-6	3,436,737	0-6		405,163,800	72-5		...	...	135,422,521	24-3	558,576,058		£		195,234,129	35-0		344,114,924	61-6		19,227,005	3-7				
1935 ...	9	14,553,000		2-6	3,428,981	0-6		424,506,785	75-3		...	...	121,333,662	21-5	563,822,428		£		201,914,149	35-8		339,211,232	60-2		22,697,047	4-0				
1936 ...	9	14,553,000		2-1	3,451,737	0-5		467,406,210	67-5		...	...	202,185,316	29-9	687,317,263		£		314,223,879	45-7		334,332,960	48-6		38,760,424	5-4				
1937 ...	9	14,553,000		2-1	3,441,563	0-5		505,317,131	73-0		...	...	168,591,894	24-4	691,903,588		£		327,243,763	47-2		334,300,927	48-4		30,358,898	4-4				
1938 ...	9	14,553,000		2-2	3,413,438	0-5		504,726,803	74-6		...	...	153,719,303	22-7	676,412,538		£		327,486,956	48-4		298,881,653	44-2		50,043,929	7-4				

BANK RATE SINCE 1855

BANK RATE SINCE 1855

Year	No. of Changes	Highest	Lowest	Average	Year	No. of Changes	Highest	Lowest	Average	Year	No. of Changes	Highest	Lowest	Average	Year	No. of Changes	Highest	Lowest	Average	
1855 ...	8	7	3½	4 17 9	1876 ...	5	5	2	4 12 2	1897 ...	6	4	2	4 12 2	1918 ...	None	5	5	5 0 0	
1856 ...	7	7	4	4 17 9	1877 ...	7	5	2	4 12 2	1898 ...	6	4	2	4 12 2	1919 ...	1	6	5	5 0 0	
1857 ...	9	10	5	4 17 9	1878 ...	10	5	2	4 12 2	1899 ...	6	4	2	4 12 2	1920 ...	1	6	5	5 0 0	
1858 ...	6	6	4	4 17 9	1879 ...	5	5	2	4 12 2	1900 ...	6	6	3	3 15 1	1921 ...	4	7	5	6 2 4	
1859 ...	5	4	2	4 17 9	1880 ...	2	3	2	4 12 2	1901 ...	6	6	3	3 15 1	1922 ...	4	7	5	6 2 4	
1860 ...	11	8	4	4 17 9	1881 ...	6	5	2½	3 9 9	1902 ...	6	5	3	3 14 5	1923 ...	1	4	3	3 9 9	
1861 ...	11	8	3	4 17 9	1882 ...	6	5	3	4 2 11	1903 ...	3	4	3	3 6 7	1924 ...	1	4	3	3 9 9	
1862 ...	5	3	2	4 17 9	1883 ...	6	5	3	3 11 7	1904 ...	3	4	3	3 15 0	1925 ...	None	4	4	4 11 0	
1863 ...	12	8	3	4 17 9	1884 ...	6	5	2	2 19 1	1905 ...	2	4	3	3 5 11	1926 ...	4	5	5	5 0 0	
1864 ...	15	9	3	4 17 9	1885 ...	7	5	2	2 18 4	1906 ...	6	4	2½	3 0 2	1927 ...	None	4	5	5 0 0	
1865 ...	16	7	3	4 17 9	1886 ...	7	5	2	3 1 1	1907 ...	6	4	2	4 5 4	1928 ...	None	4	5	4 13 0	
1866 ...	14	10	3½	4 17 9	1887 ...	7	5	2	3 6 11	1908 ...	6	7	4	4 18 6	1929 ...	None	4	5	4 10 0	
1867 ...	2	2	2	4 17 9	1888 ...	9	5	2	4 3 6	1909 ...	6	7	4	3 0 3	1930 ...	4	5	3	3 8 8	
1868 ...	3	2	2	4 17 9	1889 ...	8	6	2½	4 10 6	1910 ...	9	5	3	3 14 5	1931 ...	4	6	2	3 18 2	
1869 ...	7	4	2½	4 17 9	1890 ...	11	6	3	2 10 5	1911 ...	4	4½	3	3 15 5	1932 ...	6	6	2	3 0 0	
1870 ...	10	6	2	4 17 9	1891 ...	12	5	2½	3 6 5	1912 ...	4	5	3	3 15 5	1933 ...	None	2	2	2 0 0	
1871 ...	10	5	2	4 17 9	1892 ...	4	3½	2	2 10 5	1913 ...	2	5	4	4 15 5	1934 ...	None	2	2	2 0 0	
1872 ...	14	7	3	4 17 9	1893 ...	12	2	2½	3 1 2	1914 ...	2	5	4	3 4 0	1935 ...	None	2	2	2 0 0	
1873 ...	24	9	3	4 17 9	1894 ...	12	2	2	2 2 4	1915 ...	8	10	3	5 0 0	1936 ...	None	2	2	2 0 0	
1874 ...	13	6	2½	4 17 9	1895 ...	None	3	2	2 0 0	1916 ...	None	1	6	5	5 9 3	1937 ...	None	2	2	2 0 0
1875 ...	12	6	2	4 17 9	1896 ...	3	4	2	2 9 7	1917 ...	2	6	5	5 3 0	1938 ...	None	2	2	2 0 0	

POSITION OF THE BANK OF ENGLAND FROM MAY 4, 1938, TO APRIL 26, 1939

(000's omitted)																	
Date	Issue Department		Banking Department			Gold in or out of Bank	Bank Rate	Issue Department		Both Depts.		Banking Department					
	Notes Issued	Circulation	Public Deposits	Bankers' Deposits	Other Deposits			Govt. Debt and Securities	Other Securities	Gold Coin and Bullion and Reserve Ratio †	Govt. Securities	Discounts and Ad- vances	Other Securities	Reserve and the "Proportion"			
														£	£		
1938	£	£	£	£	£	£	%	£	£	£	%	£	£	£	£	£	%
May 4	526,407	490,533	10,742	117,453	35,971	0-4 in	2	199,841	150	327,201	50	117,766	8,189	19,265	36,668	22½	
11	526,408	482,190	36,596	87,944	35,458	Nil	2	199,741	250	327,173	50½	105,742	7,602	19,410	44,983	28½	
18	526,408	473,592	28,502	93,175	35,969	Nil	2	199,246	744	327,141	51½	98,346	7,754	20,750	48,549	30½	
25	526,410	480,200	26,477	91,248	36,103	Nil	2	199,498	494	327,176	51½	95,671	9,528	19,419	46,976	30½	
June 1	526,410	484,921	24,868	102,803	35,462	Nil	2	199,391	600	327,248	50½	109,676	8,934	19,976	42,327	25½	
8	526,410	490,721	11,732	111,110	35,425	Nil	2	199,917	74	327,266	50½	111,421	7,938	20,167	36,545	23	
15	526,410	485,737	11,556	109,062	43,246	Nil	2	199,949	44	327,268	50½	114,401	5,681	20,093	41,529	25½	
22	526,412	483,272	21,656	105,513	35,307	Nil	2	199,987	2	327,325	50½	110,176	5,500	20,627	44,053	27½	
29	526,412	485,184	10,537	125,476	36,137	Nil	2	199,987	1	327,355	49½	119,491	7,344	21,066	42,171	24½	
July 6	526,412	488,231	12,546	115,663	35,989	Nil	2	199,945	45	327,402	50½	111,891	10,710	20,402	39,171	23½	
13	526,412	488,104	13,219	113,005	35,490	Nil	2	199,956	35	327,394	50½	109,566	10,314	20,558	39,290	24½	
20	526,412	487,110	22,485	107,339	34,669	Nil	2	199,515	474	327,426	50½	109,821	9,305	23,086	40,317	24½	
27	526,412	493,312	11,187	116,356	35,051	Nil	2	199,952	38	327,482	49½	115,761	9,476	21,269	34,170	21	
Aug 3	526,412	497,783	9,490	113,424	34,741	Nil	2	199,989	3	327,512	50	114,671	9,607	21,781	29,729	18½	
10	526,412	489,993	19,315	106,079	34,513	Nil	2	199,409	521	327,549	57½	109,716	9,238	21,544	37,555	23½	
17	526,412	482,623	20,107	105,723	34,067	Nil	2	199,468	519	327,597	51	104,641	6,462	21,992	44,974	28½	
24	526,412	478,698	23,960	101,560	34,073	Nil	2	199,282	707	327,648	51½	101,911	6,267	20,642	48,949	30½	
31	526,413	480,433	27,758	94,744	36,376	Nil	2	199,800	188	327,761	51½	102,061	5,370	22,327	47,328	29½	
Sept. 7	526,414	480,115	32,151	91,259	34,852	1-9 in	2	199,744	244	327,835	51½	101,336	5,354	22,073	47,720	30½	
14	526,414	478,593	21,570	99,593	36,377	0-6 in	2	199,459	533	327,885	51½	98,531	5,880	22,069	49,293	31½	
21	526,414	479,224	18,431	100,861	39,424	Nil	2	199,352	640	327,923	51½	97,906	6,090	24,563	48,699	30½	
28	526,414	500,921	11,447	99,923	40,210	Nil	2	199,452	538	327,866	50½	112,751	7,306	22,828	26,945	17½	
Oct. 5	526,414	505,784	12,055	109,703	37,141	Nil	2	199,917	72	327,759	49½	121,871	10,205	22,478	21,974	13½	
12	526,414	496,382	28,267	94,859	36,579	Nil	2	199,732	256	327,799	50	114,531	9,554	21,853	31,418	19½	
19	526,414	486,391	33,763	90,928	35,862	Nil	2	199,812	177	327,754	50½	104,931	8,000	23,932	41,363	25½	
26	526,414	482,481	25,039	100,421	35,501	0-2 in	2	199,852	111	327,776	50½	107,581	4,157	21,609	45,295	28½	
Nov. 2	526,414	483,951	14,133	109,482	36,436	Nil	2	199,877	62	327,722	50½	102,336	10,449	21,144	43,772	27½	
9	526,414	482,690	15,937	109,498	35,504	Nil	2	199,812	100	327,707	50½	101,571	11,103	20,979	45,016	27½	
16	526,414	478,588	35,047	89,486	35,037	Nil	2	199,806	80	327,674	51½	95,236	12,405	20,587	49,087	30½	
23	526,414	476,058	31,730	92,249	34,970	Nil	2	199,211	654	327,681	51½	91,801	12,184	21,128	51,623	32½	
30	526,415	480,809	23,105	97,082	37,190	Nil	2	199,213	628	327,653	51½	90,166	17,556	20,635	46,845	29½	
Dec. 7	556,415	487,752	18,628	102,945	35,944	0-8 in	2	229,235	577	327,614	50½	66,136	17,871	21,503	69,862	44½	
14	556,415	495,349	15,609	99,547	36,002	Nil	2	229,430	359	327,519	50½	68,361	16,819	21,695	62,170	41½	
21	556,415	503,038	12,522	98,338	37,312	Nil	2	229,655	85	327,313	50½	72,121	14,911	24,796	54,275	37½	
28	556,416	504,727	15,938	101,027	36,755	Nil	2	229,755	49	327,292	49½	69,216	28,539	21,456	52,475	34½	
1939																	
Jan. 4	556,416	488,071	20,503	135,955	37,241	Nil	2	229,645	69	327,100	48	71,381	48,906	22,380	69,030	35½	
11	526,414	475,644	19,214	118,139	36,653	200,002 out	2	399,626	90	127,066	19½	96,171	22,122	22,321	51,422	29½	
18	526,414	467,953	12,251	119,935	36,693	Nil	2	399,623	66	127,034	19½	85,751	18,491	23,606	59,081	34½	
25	526,414	463,845	11,015	118,188	36,713	Nil	2	399,657	34	127,087	20½	82,006	18,784	21,862	63,242	37½	
Feb. 1	526,414	471,949	12,262	108,306	37,136	Nil	2	399,587	100	127,197	20½	77,901	21,314	21,360	55,248	35	
8	526,414	474,998	15,351	103,950	35,490	Nil	2	399,603	60	127,304	20½	77,636	20,649	22,417	52,307	33½	
15	526,414	473,221	12,477	110,529	35,498	Nil	2	399,608	21	127,424	20½	82,491	18,123	21,866	54,203	34½	
22	526,414	472,735	16,348	103,135	35,133	Nil	2	399,464	50	127,425	20½	78,941	17,529	21,646	54,690	35½	
Mar. 1	526,414	478,449	11,643	110,361	36,550	Nil	2	299,402	12	227,416†	35½	99,046	6,349	22,398	48,967	30½	
8	526,033	479,178	11,448	97,424	35,804	Nil	2	299,330	7	227,074	36½	89,246	3,359	22,395	47,896	33½	
15	526,033	477,248	10,525	106,470	35,549	Nil	2	299,260	3	227,085	36½	97,531	1,707	21,704	49,836	32½	
22	526,033	477,412	28,597	92,206	35,708	Nil	2	298,807	430	227,145	35½	99,406	3,179	22,434	49,733	31½	
29	526,160	481,986	21,774	98,509	36,268	Nil	2	298,900	317	227,231	35½	102,301	4,776	22,472	45,245	28½	
April 5	526,160	491,451	16,042	91,946	40,529	Nil	2	299,099	88	227,258	35½	100,351	8,486	21,509	35,814	24½	
12	526,160	489,703	17,739	97,646	40,936	Nil	2	298,932	255	227,238	35½	108,666	6,276	21,777	37,535	24	
19	526,160	485,004	22,129	96,473	38,830	Nil	2	298,478	707	227,179	35½	101,976	6,742	24,225	42,175	26½	
26	526,160	489,080	26,957	91,425	37,589	Nil	2	298,484	676	227,089	35½	107,156	6,171	22,343	38,009	24½	
† Revalued from March 1, 1939, in accordance with the Currency and Bank Notes Act, 1939.																	
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COMPARATIVE STATEMENTS

JOINT STOCK BANKS OF ENGLAND AND WALES (EXCLUDING BANK OF ENGLAND)

Year	Banks	No. of Branches	Capital and Reserves	% of Liabilities	Deposits	% of Liabilities	Acceptances	% of Liabilities	Total Liabilities	Cash in Hand and Money at Call & Notice	% of Liabilities	Investments	% of Liabilities	Discounts and Advances	% of Liabilities
1890	104	2,203	£ 67,826,000	14.6	£ 368,663,000	79.4	£ 22,829,000	4.9	£ 464,078,000	£ 83,955,000	18.0	£ 182,816,000	17.8	£ 269,507,000	58.0
1895	99	2,690	69,213,000	12.4	455,561,000	81.8	23,724,000	4.2	558,744,000	111,208,000	19.9	107,498,000	19.2	311,678,000	56.7
1900	77	3,757	73,847,000	11.3	586,726,000	84.0	21,530,000	3.0	698,762,000	144,400,000	20.7	127,766,000	18.3	395,313,000	56.6
1905	59	4,558	82,010,000	10.8	627,529,000	82.6	39,225,000	5.2	758,712,000	179,530,000	23.6	131,731,000	17.3	401,485,000	52.9
1910	45	5,202	80,946,000	9.4	720,687,000	83.6	52,263,000	6.0	862,134,000	199,724,000	23.0	137,711,000	16.8	467,880,000	54.3
1915	37	6,027	81,731,000	7.1	992,555,000	86.4	62,512,000	5.5	1,146,807,000	262,453,000	22.9	310,771,000	14.2	503,617,000	43.9
1918	28	6,501	92,902,000	5.3	1,583,412,000	90.9	58,850,000	3.4	1,742,724,000	481,220,000	27.6	347,230,000	22.2	834,868,000	47.9
1919	21	7,195	106,273,000	5.0	1,874,184,000	87.9	151,138,000	7.1	2,137,908,000	452,755,000	21.3	398,611,000	20.0	1,129,582,000	53.0
1920	20	7,612	128,154,000	5.8	1,961,527,000	89.0	102,920,000	4.7	2,200,317,000	449,153,000	20.4	368,734,000	18.7	1,263,091,000	57.4
1921	20	7,963	129,131,000	5.9	1,974,898,000	90.0	74,166,000	3.4	2,185,438,000	438,519,000	20.0	375,564,000	16.7	1,280,171,000	58.3
1922	20	8,235	129,173,000	6.3	1,833,971,000	89.0	85,687,000	4.2	2,056,242,000	423,092,000	20.6	424,413,000	17.1	1,102,643,000	53.7
1923	19	8,491	129,004,000	6.2	1,822,067,000	88.1	111,490,000	5.4	2,069,847,000	413,532,000	20.0	404,392,000	20.6	1,116,866,000	54.0
1924	18	8,676	132,103,000	6.3	1,813,513,000	86.9	132,318,346	6.3	2,085,016,802	437,889,000	20.9	361,416,000	19.5	1,132,070,000	54.3
1925	18	8,873	134,840,000	6.5	1,806,810,000	87.1	125,005,000	6.0	2,073,810,000	441,787,000	21.3	317,572,000	17.3	1,167,962,000	56.3
1926	18	9,105	138,717,000	6.6	1,848,174,000	87.9	108,886,000	5.2	2,102,747,000	444,014,000	21.1	307,661,000	15.3	1,208,975,000	57.5
1927	17	9,381	139,444,000	6.4	1,892,948,000	86.8	140,159,000	6.4	2,179,372,000	492,652,000	22.6	290,544,000	14.6	1,220,983,000	56.0
1928	16	9,595	141,516,505	6.1	1,951,477,697	83.5	237,140,923	10.1	2,337,234,765	493,841,201	21.1	293,156,061	13.3	1,268,803,457	54.3
1929	16	9,815	141,593,545	6.3	1,911,007,360	85.4	179,295,205	8.0	2,238,855,706	481,341,704	21.5	285,176,223	12.5	1,250,763,477	55.8
1930	16	10,082	144,323,133	6.4	1,976,805,092	87.6	128,023,846	5.7	2,255,681,859	472,358,357	20.9	329,286,947	12.7	1,281,039,732	56.8
1931	16	10,178	134,472,636	6.5	1,820,986,812	87.9	109,740,433	5.3	2,071,539,059	414,540,355	20.0	329,472,822	14.6	1,165,818,605	56.3
1932	16	10,066	135,224,636	5.9	2,064,334,875	89.5	96,673,580	4.2	2,302,302,796	446,214,089	19.4	520,853,312	22.6	1,188,312,612	51.6
1933	16	10,060	135,352,136	5.9	2,025,230,732	88.5	122,069,412	5.2	2,288,936,892	446,089,501	19.5	612,298,669	26.8	1,057,004,290	46.1
1934	16	10,086	137,709,293	5.9	2,061,910,349	88.1	131,156,679	5.6	2,337,238,827	477,430,516	20.4	636,807,780	27.2	1,040,932,750	44.5
1935	15	10,118	137,741,609	5.7	2,172,713,497	89.5	109,137,702	4.5	2,425,754,979	498,889,932	20.6	653,702,429	27.0	1,113,833,463	45.9
1936	15	10,074	138,529,709	5.5	2,329,107,565	92.1	85,564,837	3.4	2,529,458,732	566,088,487	22.2	691,628,326	30.0	1,173,840,689	46.4
1937	15	10,097	142,056,407	5.4	2,348,198,851	90.0	117,880,182	4.5	2,614,250,601	522,103,210	20.0	663,858,022	25.4	1,263,082,359	48.4
1938	15	10,151	142,245,127	5.6	2,268,767,169	89.0	132,659,912	5.2	2,549,573,581	504,646,791	19.8	652,885,852	25.6	1,212,080,552	47.5

PRIVATE BANKS

Year	Number of Banks	LIABILITIES						ASSETS								
		Capital and Reserves	Per Cent. of Liabilities	Notes	Per Cent. of Liabilities	Miscellaneous	Per Cent. of Liabilities	Deposits	Per Cent. of Liabilities	Total Liabilities or Assets	Cash in Hand and Money at Call and Notice	Per Cent. of Liabilities	Investments	Per Cent. of Liabilities	Discounts and Advances	Per Cent. of Liabilities
		£		£		£		£		£		£		£		£
1895	38	11,834,400	13.9	412,600	0.5	2,864,800	3.4	70,372,000	82.2	85,483,700	20,476,300	23.9	25,099,700	29.4	36,320,000	42.6
1900	19	6,192,800	12.8	161,750	0.3	1,264,100	2.6	40,420,500	84.3	48,029,200	10,523,400	21.8	14,633,700	30.5	20,919,600	43.8
1905	12	4,393,900	13.2	83,500	0.3	1,018,000	3.1	27,775,000	83.4	33,270,400	7,271,500	21.8	10,150,500	30.5	14,738,600	44.3
1910	9	5,535,100	11.2	57,920	0.2	1,096,700	3.5	26,808,000	85.1	30,369,900	6,478,000	20.6	8,113,100	25.8	15,912,700	50.3
1915	7	3,180,707	8.6	60,400	0.2	786,018	2.1	32,890,739	89.1	37,158,216	8,038,863	21.7	8,879,329	24.0	18,635,160	50.7
1918	7	3,735,082	6.7	122,930	0.2	821,153	1.5	51,271,230	91.6	48,655,153	16,249,863	29.0	13,356,332	23.9	24,625,406	44.0
1919	6	3,536,591	5.8	153,690	0.3	1,188,228	1.9	56,246,064	92.0	55,950,395	13,183,181	21.4	14,325,897	23.4	31,728,358	52.7
1920	5	3,123,098	5.7	...	...	1,024,656	1.9	50,864,631	92.4	61,124,571	11,537,610	21.3	6,186,350	11.2	35,501,368	64.0
1921	5	3,186,738	6.1	...	...	970,412	1.9	48,306,822	92.0	55,012,385	8,484,742	16.2	6,108,554	11.6	36,214,429	69.0
1922	5	3,813,420	6.8	...	...	1,124,254	2.0	50,955,682	91.2	52,463,972	8,593,043	15.4	11,524,744	20.6	33,301,819	65.0
1923	5	2,816,442	7.2	...	...	2,557,537	6.6	33,485,334	86.2	55,893,358	3,185,610	8.2	5,159,713	13.3	27,756,144	71.4
1924	4	2,575,000	7.1	...	...	4,431,214	12.3	29,161,063	80.6	38,859,363	2,590,161	7.2	6,021,018	16.7	22,933,848	63.4
1925	4	2,625,000	7.4	...	...	4,968,029	14.1	27,780,929	78.5	36,157,277	2,809,784	7.9	5,131,034	14.5	22,287,452	63.1
1926	4	2,675,000	7.2	...	...	4,573,707	12.3	29,928,971	80.5	35,373,958	3,597,586	9.7	4,870,175	12.6	24,104,002	64.7
1927	4	2,775,000	7.2	...	...	5,530,068	14.3	30,366,826	78.5	37,177,678	3,613,589	9.3	6,417,668	16.6	22,912,522	59.2
1928	4	3,300,000	7.9	...	...	7,398,759	17.7	31,004,479	74.4	38,671,894	4,072,927	9.8	5,820,754	13.9	24,169,112	57.9
1929	4	3,450,000	8.7	...	...	7,077,700	17.9	29,182,776	73.5	41,703,238	4,263,007	10.7	4,194,537	10.6	23,970,437	60.4
1930	4	3,475,000	9.5	...	...	6,414,745	17.5	26,790,315	73.0	39,710,476	3,794,203	10.3	6,081,262	16.6	20,131,124	54.9
1931	4	3,175,000	10.5	...	...	4,663,988	15.5	22,246,034	74.0	36,680,061	2,059,289	6.8	2,219,389	7.4	20,908,349	69.5
1932	4	2,425,000	11.7	...	...	3,413,679	16.4	14,907,214	71.9	20,745,893	2,262,439	10.9	2,737,529	13.2	11,879,072	57.2
1933	4	2,425,000	11.1	...	...	2,880,952	13.2	16,451,840	75.7	21,757,792	2,740,484	12.6	2,861,751	13.2	12,924,038	59.4
1934	4	3,165,000	22.5	...	...	2,757,272	19.6	8,132,052	57.9	14,054,324	4,121,418	29.3	2,748,714	19.6	3,664,703	26.1
1935	4	3,165,000	20.9	...	...	2,751,486	18.2	9,204,709	60.9	15,121,195	4,903,053	32.4	2,893,933	18.5	3,846,868	25.4
1936	4	3,165,000	19.3	...	...	3,026,456	18.4	10,231,978	62.3	16,423,434	5,886,031	35.9	2,893,239	18.1	3,712,600	22.4
1937	3	2,150,000	16.4	...	...	2,262,237	17.2	8,730,167	66.4	13,142,404	3,008,127	22.9	2,217,475	16.9	5,352,154	40.8
1938	3	2,100,000	15.5	...	...	2,647,737	19.5	8,816,909	65.0	13,564,646	3,139,641	23.2	2,637,975	18.7	4,937,050	36.4

JOINT STOCK BANKS OF SCOTLAND

Year	Banks	No. of Branches	Capital and Reserves	% of Liabilities	Deposits	% of Liabilities	Notes	% of Liabilities	Total Liabilities	Cash in Hand, and Money at Call	% of Liabilities	Investments	% of Liabilities	Discounts and Advances	% of Liabilities
			£		£		£		£	£		£		£	
1890	10	975	14,755,000	12.6	91,610,000	77.9	6,468,000	5.5	117,874,000	21,427,000	18.2	29,349,000	24.9	60,103,000	51.4
1895	10	1,013	15,090,000	12.3	94,592,000	77.8	7,264,000	5.9	122,525,000	22,795,000	18.6	30,770,000	25.3	62,241,000	51.1
1900	10	1,075	16,217,000	11.8	107,154,000	77.9	8,056,000	5.9	137,498,000	26,438,000	19.2	33,401,000	24.3	70,395,000	51.2
1905	11	1,159	17,246,000	13.0	100,643,000	76.1	7,545,000	5.7	132,261,000	23,937,000	18.1	31,396,000	23.7	68,714,000	51.9
1910	9	1,221	17,559,000	12.7	106,652,000	77.5	7,126,000	5.2	137,850,000	25,604,000	18.6	33,322,000	24.2	70,661,000	51.5
1915	9	1,253	16,205,000	9.1	140,569,000	82.0	12,555,000	7.1	177,004,000	36,730,000	20.7	67,019,000	37.9	64,621,000	36.5
1917	8	1,243	16,064,000	6.7	196,538,000	81.7	19,023,000	7.9	240,550,000	47,788,000	19.8	71,584,000	29.6	112,159,000	46.5
1918	8	1,242	16,577,000	6.6	222,055,000	81.1	25,141,000	9.2	273,658,000	57,250,000	20.9	93,889,000	34.3	113,961,000	41.6
1919	8	1,249	17,009,000	5.3	259,610,000	81.2	28,032,000	8.8	318,754,000	65,556,000	20.6	111,985,000	35.0	129,962,000	40.6
1920	8	1,264	17,911,000	5.3	279,228,000	82.1	29,363,000	8.7	339,167,000	72,974,000	21.5	102,968,000	30.4	153,122,000	45.0
1921	8	1,283	18,521,000	5.4	291,060,000	84.6	25,188,000	7.3	344,974,000	70,232,000	21.0	114,531,000	32.2	160,850,000	43.9
1922	8	1,352	19,731,000	6.1	267,791,000	83.2	23,321,000	7.3	321,781,000	63,814,000	19.8	126,025,000	39.2	122,366,000	38.1
1923	8	1,417	20,468,000	6.8	247,226,600	82.5	22,106,500	7.4	299,359,100	64,015,300	21.4	112,137,800	37.5	114,277,300	38.1
1924	8	1,468	22,632,000	7.6	242,572,000	81.3	22,181,000	7.4	298,693,000	61,330,000	20.5	103,927,000	34.8	122,977,000	41.2
1925	8	1,536	23,947,000	8.0	240,945,000	81.0	21,668,000	7.3	297,839,000	60,341,000	20.3	95,204,000	32.0	131,309,000	44.1
1926	8	1,565	24,578,200	8.4	238,821,400	81.4	20,716,800	7.1	293,678,000	59,592,900	20.3	91,208,300	31.1	133,057,000	45.3
1927	8	1,589	25,165,200	8.4	241,965,600	81.1	21,165,000	7.1	298,421,400	61,223,800	20.5	88,592,300	29.7	138,745,500	46.5
1928	8	1,614	25,884,288	8.4	248,800,347	80.7	21,053,087	6.8	308,091,180	63,322,077	20.5	83,378,875	27.0	149,622,489	48.5
1929	8	1,633	27,766,320	9.2	250,853,396	80.5	21,361,931	6.9	311,356,958	62,307,357	20.0	83,657,183	26.9	154,113,494	49.5
1930	8	1,659	30,099,368	9.5	256,083,505	80.6	21,405,253	6.7	317,490,148	63,804,561	20.1	98,092,554	30.9	146,104,641	46.1
1931	8	1,718	30,717,118	10.1	243,568,271	80.0	21,373,373	7.0	304,444,942	60,416,949	19.8	101,410,598	33.3	133,960,315	43.7
1932	8	1,663	30,777,118	9.1	276,463,502	81.9	21,018,222	6.2	337,605,909	68,065,589	20.2	136,749,832	40.5	122,939,694	36.4
1933	8	1,826	30,017,118	9.0	281,678,416	82.0	19,175,467	5.6	343,580,047	66,598,014	19.4	157,662,428	45.9	108,250,955	31.5
1934	8	1,852	31,017,118	8.8	286,687,897	81.3	21,373,931	6.1	352,617,287	70,503,482	20.0	161,109,262	45.7	106,317,853	30.2
1935	8	1,868	31,393,336	8.3	308,499,225	81.5	21,890,839	5.8	379,035,738	75,868,284	20.0	177,731,804	46.9	107,093,128	28.3
1936	8	1,880	31,630,364	8.1	317,313,052	81.2	23,113,387	5.9	392,268,373	76,014,643	19.4	186,258,000	47.5	105,293,560	26.9
1937	8	1,889	32,759,809	8.1	330,454,922	81.2	23,535,619	5.8	406,891,160	83,298,813	20.5	187,524,693	46.1	114,745,924	28.2
1938	8	1,902	33,532,157	8.3	325,253,984	80.2	23,814,379	5.9	404,928,196	80,045,531	19.8	184,331,338	45.5	113,698,602	28.1

ENGLISH JOINT STOCK BANKS

1 Name of Bank	Date	2 No. of Branches & Sub-branches	3 Capital Subscribed	4 Uncalled Capital		5 Capital Paid up	6 Reserve Funds	7 Dividend payable and undivided Profits	8 Notes in Circulation (*)	9 Drafts, etc.	10 Acceptances and Endorsements
				Callable	Reserved						
1 Barclays Bank	Dec. 31, '38	2,131	15,858,217	Nil	Nil	158,582,17	107,500,000	...	...	...	14,933,082
2 Baring Bros. & Co....	Dec. 31, '38	1	2,050,000	Nil	Nil	2,050,000	1,000,000	22,697	...	...	3,180,812
3 Brit. Mut. Bankg. Co.	Dec. 31, '38	None	300,000	120,000	Nil	180,000	140,800	25,614	...	...	...
4 Coutts and Co.	Dec. 31, '38	4	1,000,000	Un-limited	...	1,000,000	1,000,000	...	...	...	641,900
5 District Bank	Dec. 31, '38	569	10,560,428	1,264,000	6,320,000	2,976,428	2,976,428	476,157	...	...	9,027,586
6 Glyn Mills and Co....	Dec. 31, '38	3	1,060,000	Un-limited	...	1,060,000	830,000	...	...	...	3,203,545
7 Isle of Man Bank ...	Dec. 31, '38	10	300,000	Un-limited	200,000	100,000	264,000	21,004	96,339	10,087	...
8 Lloyds Bank	Dec. 31, '38	1,912	73,302,076	3,593,239	53,898,585	158,102,52	9,500,000	117,8730	6,701	...	40,542,400
9 London Merch. Bank	Dec. 31, '38	None	1,350,000	525,000	Nil	825,000	...	...	...	...	671,578
10 Martins Bank	Dec. 31, '38	584	20,602,272	5,167,558	11,274,672	4,160,042	3,550,000	640,733	20,297	...	8,198,181
11 Midland Bank	Dec. 31, '38	2,137	42,414,871	7,172,697	20,083,553	151,586,21	124,106,09	150,7515	...	...	17,217,848
12 National Provincial...	Dec. 31, '38	1,324	43,617,080	5,839,611	28,298,053	9,479,416	8,500,000	573,588	...	...	7,951,839
13 Union Bk. of Mchstr.	Dec. 31, '38	169	1,500,000	750,000	Nil	750,000	500,000	14,630	...	...	918,328
14 Westminster Bank...	Dec. 31, '38	1,098	30,533,127	7,070,990	14,141,980	9,320,157	9,320,157	108,9882	12,927	...	24,176,283
15 Williams Deacon's Bk	Dec. 31, '38	209	8,125,000	1,562,500	4,687,500	1,875,000	900,000	204,471	...	...	1,996,530
Totals		10,151	252,573,071	33,065,595	138,904,343	806,031,33	616,419,94	575,502,1	136,264	10,087	132,659,912

(*) In Isle of Man.

SCOTTISH BANKS

1 Bank of Scotland	Feb. 28, '39	263	2,400,000	750,000	Nil	2,400,000	2,100,000	256,318	3,414,725	358,543	4,448,119
2 British Linen Bank....	Jan. 14, '39	215	1,250,000	Nil	Nil	1,250,000	2,500,000	173,162	2,655,129	371,454	1,131,537
3 Clydesdale Bank	Dec. 31, '38	208	5,350,000	Nil	4,000,000	1,300,000	1,800,000	245,914	3,013,187	...	1,101,844
4 Com. Bank of Scotland	Oct. 31, '38	385	7,500,000	2,450,000	2,800,000	2,250,000	3,150,000	189,924	3,727,709	...	4,069,835
5 Nat. Bk. of Scotland	Nov. 1, '38	192	6,000,000	1,500,000	3,000,000	1,500,000	1,900,000	230,716	2,947,412	...	3,056,443
6 N. of Scotland Bank	Dec. 31, '38	161	3,260,000	163,000	1,956,000	1,500,000	1,900,000	1,141,000	1,335,000	...	...
7 Royal Bank of Scot.	Oct. 8, '38	258	3,780,192	Nil	Nil	3,780,192	4,125,965	232,954	3,101,688	662,263	4,110,834
8 Union Bank of Scot.	Apr. 1, '39	220	5,200,000	Nil	4,000,000	1,200,000	1,800,000	374,012	2,648,525	...	1,118,681
Totals		1,902	34,740,192	4,863,000	15,756,000	14,821,192	18,710,965	1,898,123	23,814,379	13,922,260	19,037,293

NORTHERN IRISH BANKS

1 Belfast Banking Co.	Dec. 31, '38	51	2,500,000	200,000	1,500,000	800,000	900,000	127,736	1,045,455	...	...
2 Northern Bank, Ltd.	Dec. 31, '38	93	3,500,000	700,000	2,100,000	800,000	900,000	69,473	1,218,567	...	263,905
3 Ulster Bank	Dec. 31, '38	115	3,000,000	Nil	2,000,000	1,000,000	1,000,000	68,298	1,675,997	42,947	...
Totals		259	9,000,000	900,000	5,600,000	2,500,000	2,400,000	265,507	3,940,019	42,947	263,905

PRIVATE BANKS

	Date	Partners' Capital and Reserve	Deposit and Current Accounts	Miscellaneous	Total Liabilities	Cash on Hand, etc., at Call and Short Notice	Investments	Advances, Bills, Loans, and Other Securities	Miscellaneous (Premises, etc.)	Total Assets
		1	2	3	4	5	6	7	8	
1 Blydenstein (B. W.) & Co.	1938 Sept. 30	100,000	3,113,794	2,010	3,215,804	382,563	832,567	1,976,421	24,253	3,215,804
2 Hoare (Chas.) & Co.	July 5	500,000	3,476,892	...	3,976,892	919,445	1,160,546	1,796,901	100,000	3,976,892
3 S. Japhet & Co.	Dec. 31	1,500,000	2,226,223	2,645,727	6,371,950	1,837,633	544,862	1,163,728	2,825,727	6,371,950
Totals.....		2,100,000	8,816,909	2,647,737	13,564,646	3,139,641	2,537,975	4,937,050	2,949,980	13,564,646

ENGLISH JOINT STOCK BANKS

11 Deposit and Current Accounts	12 TOTAL LIABILITIES AND ASSETS	13 Cash		14 Investments		15 Discounts and Advances		16 Premises and Sundries, including Cover for Acceptances	17 Name of Bank
		In Hand and at Bank of England	At Call and Short Notice	British Govt. Secs. Where Stated Separately	Bonds, Stocks and Other Investments	Discounts Where Stated Separately	Advances, Loans, etc.		
433,081,185	474,622,484	68,114,569	26,207,550	89,527,002	14,346,358	54,594,153	199,452,980	22,379,872	Barclays Bank.
16,747,847	23,001,356	4,556,987	...	7,938,357	1,984,787	2,376,629	...	6,144,596	Baring Bros. & Co.
1,104,805	1,451,219	108,279	...	40,916	715,155	...	570,334	16,535	Brit. Mut. Bankg. Co.
21,246,504	23,888,404	3,064,652	1,955,050	5,256,400	2,294,076	973,939	9,290,387	1,053,900	Coutts & Co.
83,468,809	98,925,408	11,592,993	8,629,718	26,717,389	2,550,914	6,201,704	32,583,941	10,648,749	District Bank.
35,809,496	40,903,041	7,635,034	8,587,600	8,980,095	1,178,827	1,074,304	9,503,636	3,943,545	Glyn Mills and Co.
3,243,466	3,734,896	408,768	...	1,916,779	916,999	...	462,350	30,000	Isle of Man Bank.
397,667,232	464,705,315	60,205,851	30,563,485	90,470,147	21,115,182	40,955,247	173,354,442	48,040,961	Lloyds Bank.
221,991	1,718,569	43,022	266,500	31,770	39,025	49,640	416,168	872,444	London Merch. Bank.
100,038,392	116,607,645	15,463,584	6,100,000	24,786,759	8,778,021	4,678,707	45,859,178	10,941,396	Martins Bank.
462,742,242	509,036,835	71,464,409	25,089,239	116,818,132	11,004,057	48,498,810	209,255,066	26,907,122	Midland Bank.
310,383,397	336,888,240	44,971,761	17,991,280	77,016,980	9,785,799	32,189,714	139,586,104	15,346,602	National Provincial.
18,455,833	20,638,791	7,996,287	...	1,466,193	469,428	258,426	9,082,926	1,365,531	Union Bk. of Mchstr.
346,220,783	390,140,189	49,853,025	20,803,191	110,252,251	4,926,382	40,942,785	134,129,844	29,232,711	Westminster Bank.
38,335,188	43,311,189	7,086,889	5,887,068	10,456,866	1,104,806	1,564,094	14,175,044	3,036,422	Williams Deacon's Bk.
226,876,710	254,957,358	352,566,110	152,080,681	571,676,036	81,209,816	234,358,152	977,722,400	179,960,386	Totals.

SCOTTISH BANKS

37,851,691	50,829,396	5,908,151	4,021,000	24,738,089	938,710	582,930	9,727,397	4,913,119	Bank of Scotland.
36,471,231	44,552,513	11,260,767	...	20,817,855	433,380	...	10,496,871	1,543,640	British Linen Bank.
35,645,422	43,106,367	6,255,779	2,205,000	13,521,518	5,849,672	458,085	13,101,566	1,714,747	Clydesdale Bank.
44,739,106	58,126,574	7,440,848	2,375,000	28,510,332	346,040	937,250	13,472,269	5,044,835	Com. Bank of Scot.
38,282,425	47,916,996	6,278,593	5,257,500	17,699,295	925,835	1,972,510	12,162,681	3,620,582	Nat. Bank of Scot.
29,123,507	34,100,634	4,904,448	932,500	19,809,433	732,584	136,226	7,410,635	174,808	N. of Scotland.
69,921,934	85,935,830	8,013,529	7,724,265	27,193,628	5,859,263	3,501,035	28,416,786	5,227,324	Royal Bank of Scot.
33,218,668	40,359,886	2,751,060	4,717,091	15,801,333	4,248,122	800,464	10,521,897	1,519,919	Union Bank of Scot.
325,253,984	404,928,196	52,813,175	27,232,356	168,091,483	16,239,855	8,388,500	105,310,102	23,758,974	Totals.

NORTHERN IRISH BANKS

13,518,847	16,392,038	1,776,215	148,288	7,011,368	627,915	221,835	6,563,636	42,781	Belfast Banking Co.
13,604,303	16,356,248	1,749,006	...	4,393,627	1,539,878	...	8,110,741	562,996	Northern Bank, Ltd.
20,710,753	24,497,995	2,367,920	...	11,010,601	1,359,598	...	9,463,520	296,356	Ulster Bank.
47,833,903	57,246,281	5,893,141	148,288	22,415,596	3,527,391	221,835	24,137,897	902,133	Totals.

DISCOUNT COMPANIES

	Date	Capital and Reserves	Loans, Deposits, etc. (inc. Undivided Profits)	Bills Rediscounted	Rebate, etc.	Total Liabilities	Cash at Bankers	Investments	Bills Discounted	Loans and Sundry Accounts	Total Assets
		1	2	3	4	5	6	7	8	9	10
Alexanders ...	1938 Dec. 31	2,000,000	31,479,966	1,291,163	163,131	34,934,260	674,171	9,755,503	24,066,578	438,008	34,934,260
National	Dec. 31	2,100,000	41,505,068	9,019,569	...	52,624,637	1,158,002	5,199,945	45,963,504	303,186	52,624,637
Union of Lond.	Dec. 31	3,750,000	51,879,536	9,083,245	361,212	65,073,993	1,502,848	6,365,053	53,632,246	3,573,846	65,073,993
Totals..		7,850,000	124,864,570	19,393,977	524,343	152,632,890	3,335,021	21,320,501	123,662,328	4,315,040	152,632,890

JOINT STOCK BANKS OF ENGLAND AND WALES

BARCLAYS BANK LIMITED

(Member of London Clearing)

ESTABLISHED AS A PRIVATE BANK PRIOR TO 1729. INCORPORATED 1896 AS BARCLAY AND COMPANY, LIMITED, NAME CHANGED AS ABOVE FEBRUARY, 1917.

1896—Formed by amalgamation of 20 private banks.
 1897—Absorbed Woods and Company
 1899—Swaledale and Wensleydale Banking Company, Limited, taken over.
 1900—Milbanke, Woodbridge and Company, Woodbridge, Lacy and Company, and Parsons, Thomson and Company absorbed.
 1902—York Union Banking Company, Limited, Marten Part and Company, J. and J. W. Pease, and Roper and Priestman absorbed.
 1904—Absorbed Thomas Ashby and Company, Staines, etc.
 1905—Absorbed Bolitho, Williams, Foster, Coode, Grylls and Company, Limited, Hammond and Company, Newmarket.
 1906—Absorbed Leatham, Tew and Company, Wakefield and Pontefract.
 1909—Wootton and Company, Oxford, absorbed.
 1911—Stamford, Spalding and Boston Banking Company, Limited, acquired.
 1913—Absorbed J. and C. Simonds and Company.
 1914—Neville Reid and Company acquired.
 1916—Absorbed United Counties Bank, Limited.
 1918—Absorbed London, Provincial and South Western Bank, Limited (see below).
 1919—Absorbed Gillett and Company, Oxford, etc.
 The Union Bank of Manchester Limited and The British Linen Bank affiliated to Barclays Bank Limited.
 1920—Absorbed Tubb and Company, Bicester.
 1922—Sole control secured of Cox and Company (France) Limited, and business now conducted under the title of Barclays Bank (France) Limited.
 1925—Barclays Bank S.A.I., Rome, established.

1925—Affiliation with Barclays Bank (Dominion, Colonial and Overseas), formerly the Colonial Bank, with which are amalgamated the Anglo-Egyptian Bank Limited, and the National Bank of South Africa Limited.
 1929—Barclays Bank (Canada), Montreal, established. A branch was afterwards opened at Toronto.
 1932—Barclays Trust Company of Canada, Montreal, established.
 1864—Provincial Banking Corporation, Limited, formed to take over the firm of Day, Nicholson and Stone and the East of England Bank.
 1865—Absorbed the Bank of Wales.
 1870—Reconstructed under the title of London and Provincial Bank, Limited.
 1871—Absorbed Fincham and Simpson, Diss and Eye.
 1873—Absorbed J. and J. W. Walters, Haverfordwest, &c.
 1878—Absorbed North Kent Bank.
 1918—Amalgamated with London and South Western Bank, Limited.

	Subscribed	Paid-up	Callable	Reserved
"A" Shares	3,430,356	3,430,356	Nil	Nil
"B" Shares	11,799,811	11,799,811	Nil	Nil
"C" Shares	667,050	667,050	Nil	Nil
Per Share	£4	£4	Nil	Nil
Share	£1	£1	Nil	Nil

PROFITS AND DIVIDENDS						
Year Ended Dec. 31	Net Profit	Per Cent. of Resources	Dividends Amount	Rate	Reserve, Investments, etc.	Carried Forward
1928.....	2,301,285	0.60	1,666,349	{ A Shs 10 B & C 14	650,000	537,291
1929.....	2,331,589	0.65	1,666,349	{ A Shs 10 B & C 14	650,000	552,432
1930.....	1,821,207	0.47	1,614,275	{ A Shs 10 B & C 14	200,000	559,364
1931.....	1,794,825	0.48	1,588,239	{ A Shs 10 B & C 14	200,000	565,950
1932.....	1,574,013	0.38	1,562,202	{ A Shs 10 B & C 14	...	577,761
1933.....	1,604,680	0.39	1,562,202	{ A Shs 10 B & C 14	50,000	570,238
1934.....	1,708,174	0.41	1,614,275	{ A Shs 10 B & C 14	100,000	564,137
1935.....	1,783,784	0.40	1,614,275	{ A Shs 10 B & C 14	150,000	583,645
1936.....	1,894,361	0.41	1,588,239	{ A Shs 10 B & C 14	250,000	639,768
1937.....	2,133,825	0.45	1,562,202	{ A Shs 10 B & C 14	700,000	511,391
1938.....	1,928,458	0.40	1,510,129	{ A Shs 10 B & C 14	400,000	527,720

Dec. 31	Number of Branches	LIABILITIES						Total Liabilities of Assets	ASSETS											
		Capital and Reserves	Per Cent.	Acceptances and Endorsements	Per Cent.	Deposit and Current Accounts (c)	Per Cent.		Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments (b)	Per Cent.	Discounts	Per Cent.	Advances	Per Cent.	Buildings and Sundries, including Cover for Acceptances	Per Cent.
1928 ...	1979	26,108,217	6.8	24,874,317	6.5	335,081,222	88.7	386,063,756	60,914,638	15.8	23,988,400	6.2	83,908,320	16.7	38,258,569	9.9	168,620,476	43.7	30,375,354	7.9
1929 ...	2032	26,108,217	6.8	21,991,928	5.7	337,439,214	87.5	385,539,359	62,668,721	16.3	23,582,200	6.1	80,010,605	15.6	36,966,668	9.6	174,454,652	45.2	27,856,512	7.2
1930 ...	2080	26,108,217	6.7	12,710,524	3.3	349,273,283	90.0	388,092,024	63,109,418	16.2	22,316,100	5.7	83,061,511	16.3	50,901,977	13.1	169,672,248	43.7	19,030,670	4.9
1931 ...	2080	26,108,217	7.0	10,796,794	2.9	335,565,144	90.1	372,470,155	56,910,345	15.3	21,766,450	5.8	83,257,960	17.0	40,791,393	10.9	172,197,631	46.3	10,670,375	2.8
1932 ...	2070	26,108,217	6.3	6,270,470	1.5	381,846,610	92.2	414,234,297	62,344,879	15.0	24,817,550	6.0	94,048,105	22.7	66,289,257	16.0	153,158,668	37.0	17,545,838	4.3
1933 ...	2080	26,108,217	6.3	7,191,741	1.7	378,759,772	92.0	412,059,730	62,249,186	15.1	21,383,300	5.2	104,849,668	25.5	59,953,329	14.5	148,835,468	36.1	14,788,579	3.6
1934 ...	2091	26,108,217	6.3	7,205,554	1.7	380,093,759	92.0	413,407,530	58,699,862	14.2	25,837,900	6.3	110,463,839	26.7	47,572,778	11.5	155,979,234	37.7	14,853,917	3.6
1935 ...	2116	26,108,217	5.9	7,857,821	1.8	406,782,270	92.3	440,748,308	65,904,917	14.8	25,604,250	5.8	113,134,893	25.7	60,695,872	13.8	160,549,222	36.4	15,459,154	3.6
1936 ...	2106	26,108,217	5.6	9,266,151	2.0	429,538,416	92.4	464,912,784	66,630,908	14.3	26,318,800	5.7	116,336,895	25.0	59,248,252	12.7	179,655,011	38.6	16,722,917	3.6
1937 ...	2122	26,608,217	5.7	8,532,516	1.8	434,645,323	92.5	469,786,058	70,783,320	15.1	27,068,850	5.8	109,991,938	23.3	50,362,681	10.7	196,264,896	41.7	15,914,371	3.6
1938 ...	2131	26,608,217	5.6	14,933,082	3.1	433,081,185	91.3	474,622,484	68,114,569	14.4	26,207,550	5.5	103,873,360	21.9	54,594,153	11.5	199,452,980	42.0	22,379,872	4.7
Weekly Averages April, 1939...		26,608,217	5.8	15,943,779	3.5	414,338,620	90.7	456,890,616	56,793,339	12.4	23,544,985	5.2	103,888,910	22.7	45,501,136	10.0	203,784,541	44.6	23,377,705	5.1

(a) Includes balances with, and charges in course of collection on, other banks in the United Kingdom, in account with subsidiary banks.

(b) Includes investments in affiliations.

(c) Including balances

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom, in account with subsidiary banks. (b) Includes investments in affiliations. (c) Including balances.

BRITISH MUTUAL BANKING COMPANY, LIMITED

ESTABLISHED 1857

	Subscribed	Paid-up	Callable	Reserved
	300,000	180,000	120,000	Nil
Per Share	£6	£3	£2	Nil

This Bank has no branches.

PROFITS AND DIVIDENDS						
Year Ended Dec. 31	Net Profit	Per cent. of Resources	Dividends Amount	Rate	Reserve, Investments, etc.	Carried Forward
1928.....	17,780	1.99	9,500	12	8,000	8,575
1929.....	20,292	1.93	14,400	12	8,000	8,467
1930.....	27,191	2.72	14,400	12	12,500	8,758
1931.....	24,315	2.44	14,400	12	10,000	8,673
1932.....	18,758	1.84	14,400	12	5,500	7,529
1933.....	20,081	2.57	14,400	12	5,500	7,710
1934.....	29,809	3.95	14,400	12	15,000	8,119
1935.....	38,524	1.54	14,400	12	21,500	10,743
1936.....	21,570	1.61	18,000	10	5,100	9,713
1937.....	22,461	1.69	18,000	10	5,100	9,079
1938.....	24,444		18,000	10	5,100	7,614

(Continued on page 26)

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

OVER 500 BRANCHES IN
 THE UNION OF SOUTH AFRICA
 KENYA . TANGANYIKA . UGANDA . NYASALAND
 NORTHERN & SOUTHERN RHODESIA . PORTUGUESE EAST AFRICA
 SOUTH-WEST AFRICA . BRITISH WEST AFRICA
 MALTA . GIBRALTAR . CYPRUS . EGYPT . SUDAN . PALESTINE
 MAURITIUS . BRITISH WEST INDIES . BRITISH GUIANA
 LONDON . LIVERPOOL . MANCHESTER . HAMBURG . NEW YORK

HEAD OFFICE:
 54 LOMBARD STREET, LONDON, E.C.3

BARCLAYS BANK (CANADA)
 Montreal and Toronto

OTTOMAN BANK

(INCORPORATED IN TURKEY WITH LIMITED LIABILITY)
 Founded 1863

Capital : £10,000,000

Paid-up : £5,000,000

Reserve : £1,250,000

General Committee

LONDON
 General the Hon. SIR HERBERT A. LAWRENCE, G.C.B.
 ALBERT G. GLADSTONE
 VISCOUNT GOSCHEN, G.C.S.I., G.C.I.E., C.B.E., V.D.
 SIR W. GUY GRANET, G.B.E.
 SIR JOHN P. HEWETT, G.C.S.I., K.B.E., G.I.E.
 LORD HILLINGDON
 A. G. A. JAMIESON
 SIR JOHN GORDON NAIRNE, Bart.
 Lieut.-Col. SIR ALBERT STERN, K.B.E., C.M.G.
PARIS
 CHARLES RIST
 RENÉ BECHMANN
 JEAN BOISSONNAS
 CHARLES DE CERJAT
 LE BARON HENRI HOTTINGUER
 PHILIPPE MALLET
 JACQUES DE NEUFLIZE
 LE COMTE FRÉDÉRIC PILLET-WILL
 PAUL DE THOMASSON
 EDOUARD VERNES

LONDON : 26 THROGMORTON STREET, E.C.2
 Manager: R. S. C. Pearoe
 Deputy Manager: F. Fisher
 Sub-Managers: A. Sampson, A. Brown, W. G. Perrin
 Secretary to the Committee: W. Stewart McKim

MANCHESTER : 56-60 Cross Street

PARIS : 7 RUE MEYERBEER

MARSEILLES :
38 rue St. FerréolNICE :
13 Place Masséna

ISTANBUL

Branches throughout the Near East

TURKEY EGYPT PALESTINE TRANSJORDANIA
 CYPRUS IRAQ IRAN

Affiliated Banks :
 SYRIA : Banque de Syrie & du Grand Liban
 ROUMANIA : Bank of Roumania, Ltd.
 YUGO-SLAVIA : Banque Franco-Serbe
 GREECE : British-French Discount Bank, Ltd.

Drafts and Telegraphic Transfers issued.
 Exchange and Insurance operations effected.
 Letters of Credit granted.

BRITISH MUTUAL BANKING COMPANY, LIMITED—continued from page 24

Year Ended December 31	LIABILITIES						Total Liabilities or Assets	ASSETS							
	Capital and Reserves	Per Cent.	Un- div- ided Profits	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bankers	Per Cent.	Invest- ments	Per Cent.	Loans and Advances	Per Cent.	Premises and Sundries	Per cent.
1928	£ 163,000	18.2	£ 18,175	2.1	£ 713,589	79.7	£ 894,774	£ 68,361	7.6	£ 110,482	12.6	£ 712,941	79.5	£ 2,990	0.3
1929	200,000	19.3	22,867	2.2	814,460	78.5	1,037,327	173,805	16.7	151,041	14.6	665,366	61.2	47,115	4.5
1930	212,500	21.3	23,158	2.3	759,625	76.4	995,283	108,014	10.8	126,199	12.7	712,634	71.6	48,436	4.9
1931	222,500	22.3	23,073	2.3	750,885	75.4	996,458	124,781	12.5	167,973	16.9	660,732	66.3	42,972	4.3
1932	222,500	21.8	21,929	2.2	773,022	76.0	1,017,451	152,336	14.9	219,368	21.6	627,012	61.7	18,735	1.8
1933	228,000	16.5	22,110	1.5	1,130,068	82.0	1,380,178	96,827	7.0	398,505	28.8	866,210	62.8	19,636	1.4
1934	243,000	21.0	22,519	1.9	895,464	77.1	1,160,983	108,064	9.3	367,848	31.7	662,272	57.0	22,799	2.0
1935	254,500	20.4	25,143	2.0	963,472	77.6	1,243,115	124,302	10.0	472,133	38.0	662,146	53.3	16,534	1.3
1936	310,600	21.8	27,213	1.8	1,083,367	76.4	1,421,180	107,037	7.5	608,294	42.7	689,316	48.4	16,534	1.4
1937	315,700	22.6	27,074	1.9	1,053,835	75.5	1,395,609	182,942	10.9	646,308	46.3	580,825	41.6	16,534	1.2
1938	320,800	22.1	25,614	1.8	1,104,805	76.1	1,451,219	108,279	7.5	756,071	52.1	570,333	39.3	16,534	1.1

BARING BROTHERS & CO., LIMITED

ESTABLISHED 1890

	CAPITAL				Total Liabilities or Assets
	Subscribed	Paid-up	Callable	Reserved	
Ordinary	50,000	50,000	Nil	Nil	
4% cum. 1st Pref.	1,000,000	1,000,000	Nil	Nil	
4½% non-cum. Red. Pref.	1,000,000	1,000,000	Nil	Nil	

Year Ended December 31	Number of Branches	LIABILITIES					Total Liabilities or Assets	ASSETS							
		Capital and Reserves	Per Cent.	Balance Carried Forward	Per Cent.	Acceptances		Cash in Hand and at Bankers	Per Cent.	Investments	Per Cent.	Bills Receivable	Per Cent.	Adv's & Liabilities of Customers on Acceptances	Per Cent.
1928	1	2,025,000	6.1	17,266	0.1	9,253,107	27.8	22,066,857	66.1	33,392,230	100.0	1,065,301	3.2	11,331,487	33.9
1929	1	2,025,000	7.0	18,440	0.1	6,895,344	23.2	20,069,156	69.7	28,807,940	100.0	1,420,502	4.9	9,426,284	32.7
1930	1	3,050,000	11.6	19,283	0.1	5,508,484	21.1	17,557,057	67.2	26,134,834	100.0	3,715,247	14.2	7,000,415	26.8
1931	1	3,050,000	13.0	20,540	0.1	2,735,714	11.7	17,640,574	75.2	23,446,828	100.0	2,915,224	12.4	8,968,210	38.3
1932	1	3,050,000	13.2	21,385	0.1	2,529,109	11.0	17,411,784	75.7	23,012,278	100.0	5,655,572	24.6	7,332,542	31.3
1933	1	3,050,000	12.5	21,598	0.1	1,795,521	7.4	19,540,425	80.0	24,407,544	100.0	5,394,166	22.1	6,197,177	25.4
1934	1	3,050,000	12.3	21,812	0.1	2,104,732	8.5	19,669,010	79.1	24,845,554	100.0	5,585,472	22.4	7,054,632	28.4
1935	1	3,050,000	12.2	22,030	0.1	2,696,813	10.7	19,312,257	77.0	25,081,100	100.0	5,892,942	23.5	6,978,996	28.1
1936	1	3,050,000	10.9	22,251	0.1	3,424,240	12.2	21,420,013	76.8	27,916,504	100.0	6,686,742	23.9	6,575,712	22.6
1937	1	3,050,000	12.0	22,473	0.1	3,158,659	12.4	19,257,111	75.5	25,488,243	100.0	5,329,951	20.9	6,177,543	22.2
1938	1	3,050,000	13.3	22,697	0.1	3,180,812	13.8	16,747,847	72.8	23,001,356	100.0	4,556,986	19.8	6,017,596	26.2

COUTTS AND COMPANY

440 Strand, W.C.

(Members of London Clearing.)
(Affiliated with National Provincial Bank, Limited.)

City Office: 15 Lombard Street (formerly Robarts, Lubbock, and Company). Branches: 1 Park Lane, 18 Cavendish Square; Sloane Street (1 Cadogan Place) and 1 Brook Gate, Park Lane.
Established 1692, and Incorporated 1892 as a Joint Stock company, with unlimited liability. The businesses of Coutts and Company and Robarts, Lubbock, and Company were amalgamated in 1914.

Year Ended Dec. 31	LIABILITIES						Total Liabilities or Assets	ASSETS									
	Capital and Reserve	Per Cent.	Accept- ances	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Discounts and Advances	Per Cent.	Buildings & Sundries, including Cover for Acceptance's	Per Cent.
1928...	2,000,000	9.9	463,613	2.3	17,715,988	87.8	20,179,601	2,938,070	14.6	1,717,000	8.5	3,774,434	18.7	10,914,484	54.0	835,613	4.1
1929...	2,000,000	9.0	400,020	1.8	19,801,165	89.2	22,201,185	3,098,242	14.0	2,103,050	9.5	3,787,454	17.0	12,440,419	56.0	772,020	3.5
1930...	2,000,000	9.1	534,018	2.4	19,487,171	88.5	22,020,189	2,951,895	13.4	3,525,920	16.0	3,758,115	17.2	10,871,741	49.3	915,518	4.6
1931...	2,000,000	10.2	497,316	2.5	17,030,426	87.3	19,527,742	2,445,055	12.5	2,213,000	11.3	3,901,796	20.0	10,091,075	51.7	876,816	4.3
1932...	2,000,000	8.8	590,262	2.6	20,084,621	88.6	22,674,883	2,911,156	12.8	1,840,900	8.1	6,082,901	26.8	10,837,664	47.9	1,002,262	4.9
1933...	2,000,000	8.6	769,189	3.3	20,512,016	88.1	23,281,205	3,288,189	14.2	1,880,400	8.1	7,334,488	31.4	9,596,939	41.2	1,181,189	5.8
1934...	2,000,000	8.5	709,493	3.0	20,741,995	88.5	23,451,488	2,760,659	11.8	2,410,300	10.3	7,870,748	33.4	9,288,289	39.6	1,212,492	5.9
1935...	2,000,000	7.8	798,456	3.1	22,751,748	89.1	25,550,204	2,991,532	11.7	2,839,700	11.1	8,195,163	33.6	9,989,353	39.1	1,210,456	5.8
1936...	2,000,000	7.6	500,745	1.9	23,441,396	89.6	26,185,569	3,187,199	12.2	2,244,650	8.6	8,900,917	34.0	11,670,844	44.2	912,745	4.3
1937...	2,000,000	7.6	744,173	2.8	23,441,396	89.6	26,185,569	3,187,199	12.2	2,244,650	8.6	8,900,917	34.0	11,670,844	44.2	912,745	4.3
1938...	2,000,000	8.4	641,900	2.7	21,246,504	88.9	23,888,404	3,064,652	12.8	1,955,050	8.2	7,550,476	31.6	10,264,326	43.0	1,053,900	4.4
Weekly Aves., April, 1939		8.1	845,000	3.4	21,833,000	88.5	24,683,000	2,564,000	10.4	1,520,000	6.2	7,330,000	29.7	12,012,000	48.2	1,057,000	4.3

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

DISTRICT BANK LIMITED

ESTABLISHED 1829—(Member of the London Bankers' Clearing House)
1863—Business of Loyd, Entwistle, Bury, and Jervis, of King Street, Manchester, acquired.
1891—Business of Wm. John and Thos. Brocklehurst, Macclesfield, taken over.
1907—Amalgamation with Lancaster Banking Company, Limited.
1916—Absorbed Bank of Whitehaven Limited.
1924—Title shortened from Manchester and Liverpool District Banking Company, Limited, to above.
1935—Amalgamation with County Bank Limited.

Year Ended Dec. 31	CAPITAL				Market Value, April 28, 1939	Per Share £4½
	Subscribed	Paid-up	Callable	Reserved		
1928	455,132	0.77	347,600	184	40,000	325,699
1929	502,727	0.85	579,200	184	60,000	189,225
1930	451,239	0.77	379,200	184	60,000	201,264
1931	424,238	0.75	347,600	184	60,000	217,903
1932	416,412	0.66	347,600	184	60,000	226,715
1933	418,529	0.66	347,600	184	60,000	237,845
1934	430,229	0.68	347,600	184	70,000	250,274
1935	419,589	0.49	318,759	184	90,000	261,103
1936	490,324	0.53	362,192	184	120,000	269,237
1937	519,255	0.54	372,881	184	130,000	285,611
1938	508,808	0.51	376,525	184	130,000	287,894

* Tax paid.
† Including capitalised bonus of £200,000.
‡ Net Profits for 1935, 1936, 1937 and 1938 are shown after payment of all tax.
§ Expenditure on bank properties, formerly charged against net profits, is now charged to Bank Property Account.

(Continued on page 27)

DISTRICT BANK LIMITED—continued

DISTRICT BANK LIMITED

Year ended December 31	Number of Branches	LIABILITIES					Total Liabilities or Assets	ASSETS							
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Acceptances		Cash in Hand and at Bank, etc.	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Bills of Exchange	Per Cent.
1928	387	3,896,000	4.6	499,499	0.8	2,464,878	4.2	52,254,949	88.4	59,115,325	100.0	8,043,480	13.6	4,724,125	8.0
1929	391	4,212,000	7.1	378,825	0.6	2,400,469	4.0	52,240,453	88.2	59,231,747	100.0	8,063,750	13.6	4,857,140	8.5
1930	396	4,212,000	7.2	390,864	0.7	1,071,945	1.8	52,443,952	90.3	58,118,791	100.0	7,839,197	13.5	4,409,670	7.6
1931	400	4,212,000	7.4	391,703	0.7	1,796,045	3.2	56,829,351	88.6	63,441,694	100.0	7,108,669	12.5	4,274,545	7.5
1932	400	4,212,000	6.6	400,516	0.6	1,999,827	3.2	56,829,351	88.6	63,441,694	100.0	8,476,608	13.5	5,441,095	8.6
1933	400	4,212,000	6.6	411,445	0.6	5,239,159	8.3	52,888,706	84.1	62,901,645	100.0	7,708,349	12.4	4,436,950	7.9
1934	408	4,212,000	6.7	424,074	0.7	5,376,885	8.5	52,888,706	84.1	62,901,645	100.0	7,605,511	12.4	4,408,730	7.9
1935	583	5,952,856	7.0	445,168	0.5	5,193,248	8.5	52,888,706	84.1	62,901,645	100.0	10,594,439	12.4	4,728,285	8.5
1936	555	5,952,856	6.8	450,332	0.5	7,282,048	9.7	52,888,706	84.1	62,901,645	100.0	11,693,311	12.4	5,283,458	9.5
1937	559	5,952,856	6.2	480,365	0.5	5,346,536	9.7	52,888,706	84.1	62,901,645	100.0	11,693,311	12.4	5,283,458	9.5
1938	569	5,952,856	6.0	476,157	0.5	9,027,886	12.9	52,888,706	84.1	62,901,645	100.0	11,693,311	12.4	5,283,458	9.5

Weekly Averages: April, 1939, 5,953,000 6.5 ... 7,525,000 8.2 777,857,000 85.3 91,335,000 100.0 11,000 11.0 8,193,000 9.0 29,175,000 32.0 4,427,000 4.8 30,309,000 33.2 9,146,000 10.0

(a) Includes balances with, and cheques in course of collection on, other banks in Great Britain and Ireland.

GLYN, MILLS AND CO.

(Member of London Clearing)

ESTABLISHED 1753. Incorporated as Unlimited Liability Company, 1835.
1923—Acquired Holt and Company.—1 Branch. 1924—Acquired Child and Company.—2 Branches.
Members of London Clearing

Year Ended Dec. 31	LIABILITIES				
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LLOYDS BANK LIMITED

(Member of the London Bankers' Clearing House)

Established as Lloyds and Company in 1765 and incorporated as a Joint Stock Company under the name of Lloyds Banking Company Limited in 1865, upon amalgamation with Messrs. Moilliet and Sons (established in 1766). Name changed to Lloyds Bank Limited in 1889.

Since 1865 the following Private and Joint Stock Banks have been absorbed:—

1865—Lloyds and Company, Birmingham Old Bank.
1865—Moilliet and Sons, Birmingham.
1865—P. and H. Williams, Wednesbury Old Bank.
1866—Stevenson, Salt and Company, Stafford Old Bank.
1866—Warwick and Leamington Banking Company.
1868—A. Butlin and Son, Rugby Old Bank.
1872—R. and W. F. Fryer, Wolverhampton Old Bank.
1874—Shropshire Banking Company.
1879—Coventry and Warwickshire Banking Company.
1880—Beck and Company, Shrewsbury and Welshpool Old Bank.
1884—Barnetts, Hoares and Company, London.
1884—Bosanquet, Salt and Company, London.
1888—Pritchard, Gordon and Company, Broseley and Bridgnorth.
1889—Birmingham Joint Stock Bank, Limited.
1889—Worcester City and County Banking Company, Limited.
1890—Wilkins and Company, Old Bank, Brecon, Cardiff, etc.
1890—Beechings and Company, Tunbridge Wells, Hastings, etc.
1891—Praeds and Company, London.
1891—Cobb and Company, Margate, etc.
1891—Hart, Fellows and Company, Nottingham.
1892—R. Twining and Company, London.
1892—Bristol and West of England Bank, Limited.
1893—Curteis, Pomfret and Company, Rye.
1893—Herries, Farquhar and Company, London.
1894—Bromage and Company, Old Bank, Monmouth.
1895—Paget and Company, Leicester Bank.
1897—County of Gloucester Bank, Limited.
1897—Williams and Company, Chester, etc.
1898—Jenner and Company, Sandgate and Shorncliffe Bank.
1899—Burton Union Bank, Limited.
1899—Stephens, Blandy and Company, Reading, etc.
1900—Vivian, Kitson and Company, Torquay Bank.
1900—Liverpool Union Bank, Limited.
1900—Cunliffe, Brooks and Company, Manchester, etc.
1900—Brooks and Company, London.
1900—William Williams Brown and Company, Leeds.

1900—Brown, Janson and Company, London.
1902—Bucks and Oxon Union Bank, Limited.
1902—Pomfret, Burra and Company, Ashford Bank.
1903—Hodgkin, Barnett and Company, Newcastle-upon-Tyne, etc.
1903—Grant and Maddison's Union Banking Company, Limited.
1905—Hedges, Wells and Company, Wallingford Bank.
1906—Devon and Cornwall Banking Company, Limited.
1908—Lambton and Company, Newcastle-upon-Tyne, etc.
1909—David Jones and Company, Llandoverly, etc.
1911—Hill and Sons, West Smithfield, E.C., etc.
1912—Peacock, Willson and Company, Sleaford, etc.
1914—Wilts and Dorset Banking Company, Limited.
1918—Capital and Counties Bank, Limited.
1919—West Yorkshire Bank, Limited.
1921—Fox, Fowler and Company, Wellington (Som.), etc.
1923—Cox and Company, London, etc.
1923—Henry S. King and Company, London, etc.

Year Ended Dec. 31	CAPITAL (December 31, 1937)				Market Value April 23, 1939
	Subscribed	Paid-up	Callable	Reserved	
"A" shares ...	71,864,780	14,372,956	3,533,239	53,889,585	£39,166,308
"B" shares ...	Nil	1,437,296	Nil	Nil	£1,868,483
Per Share	£5	£1	5s.	£3 15s.	£2 14s. 6d.
	£1	£1	Nil	Nil	£1 6s. 0d.
Year Ended Dec. 31	PROFITS AND DIVIDENDS				Carried Forward
	Net Profits	Per Cent. of Resources	Amount	Rate	
1928	2,528,143	0.58	1,973,886	"A" 16% "B" 5%	490,037
1929	2,542,084	0.59	1,973,886	"A" 16% "B" 5%	508,235
1930	2,129,516	0.49	1,726,551	"A" 15% "B" 5%	511,100
1931	1,826,904	0.49	1,516,048	"A" 13% "B" 5%	522,055
1932	1,550,511	0.35	1,357,820	"A" 12% "B" 5%	514,746
1933	1,438,822	0.33	1,347,465	"A" 12% "B" 5%	506,104
1934	1,651,506	0.37	1,392,380	"A" 12% "B" 5%	515,230
1935	1,642,785	0.36	1,392,380	"A" 12% "B" 5%	515,635
1936	1,743,955	0.37	1,369,922	"A" 12% "B" 5%	539,667
1937	1,832,501	0.39	1,347,465	"A" 12% "B" 5%	524,704
1938	1,705,300	0.37	1,302,549	"A" 12% "B" 5%	527,456

Year ended December 31	Number of Offices	LIABILITIES						Total Liabilities or Assets	ASSETS														
		Paid-up Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Accept- ances and Endorse- ments	Per Cent.		Current, Deposit and Other Accounts	Per Cent.	Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Bills of Ex- change	Per Cent.	Advances	Per Cent.	Buildings and Sundries, including Cover for Accept- ances	Per Cent.	
£		£		£		£		£		£		£		£		£		£		£			
1928	1,813	25,810,252	5.9	1,476,980	0.3	60,341,184	13.7	352,161,962	80.1	439,790,378	55,457,101	12.6	29,005,684	6.6	44,553,811	10.1	49,281,472	11.2	194,373,479	44.2	67,118,831	15.5	
1929	1,853	25,810,252	6.0	1,495,178	0.3	52,226,285	12.1	431,182,519	57,002,848	13.2	31,150,461	7.2	43,968,232	10.2	29,625,277	9.2	200,351,693	46.5	59,184,008	13.3	15,000,000	3.4	
1930	1,947	25,810,252	5.9	1,281,649	0.3	42,513,352	9.8	364,655,289	84.0	434,260,542	55,787,776	12.8	30,492,445	7.0	58,789,393	13.5	185,329,180	42.7	50,128,361	11.5	10,000,000	2.3	
1931	1,963	23,310,252	5.1	1,267,652	0.3	36,134,878	9.2	333,741,091	84.6	394,453,873	51,134,804	12.9	22,188,477	5.6	56,659,358	14.4	42,587,499	10.8	185,329,180	42.7	50,128,361	11.5	
1932	1,924	23,810,252	5.1	1,116,614	0.3	31,978,804	7.3	382,148,416	87.0	439,054,086	54,475,674	12.4	25,588,689	5.8	90,091,685	20.5	76,788,343	17.5	152,219,480	34.7	39,890,215	9.0	
1933	1,915	23,810,252	5.1	1,179,836	0.3	42,640,910	9.8	364,559,963	84.4	432,190,961	54,270,905	12.6	23,479,970	5.4	104,481,080	24.2	56,887,317	13.1	142,601,089	33.0	50,470,600	11.3	
1934	1,917	24,310,252	5.1	1,211,420	0.3	46,214,918	10.4	372,146,372	83.8	443,882,962	56,854,348	12.8	36,313,120	8.2	102,829,292	23.2	47,214,847	10.6	146,636,522	32.8	54,044,512	12.2	
1935	1,913	24,310,252	5.1	1,211,825	0.3	31,741,415	6.9	400,375,711	87.5	457,639,205	59,805,957	13.1	33,053,075	7.2	110,683,911	24.5	63,377,093	13.8	149,784,184	32.8	39,550,603	8.9	
1936	1,901	24,810,252	5.1	1,224,629	0.3	32,971,501	7.1	406,067,241	87.3	465,073,623	64,583,313	13.3	37,781,806	8.1	119,507,388	25.7	45,070,460	9.7	157,559,383	33.8	40,571,696	8.7	
1937	1,904	25,310,252	5.1	1,198,437	0.3	28,511,965	6.1	410,077,609	88.2	465,098,263	63,908,329	13.7	24,541,244	5.3	117,582,265	25.9	43,017,115	9.3	180,008,557	37.8	36,040,753	7.7	
1938	1,912	25,310,252	5.1	1,178,730	0.3	40,542,400	8.7	397,673,932	85.5	464,705,315	60,205,850	13.0	30,563,435	6.6	115,853,329	24.0	40,955,247	8.8	173,354,442	37.3	48,040,961	10.1	
Weekly Averages, April, 1939	25,310,000	5.7	...	...	38,056,000	8.7	377,396,000	85.6	440,762,000	52,551,000	11.9	27,335,000	6.2	111,406,000	25.3	33,095,000	7.5	170,818,000	38.8	45,557,000	9.6	10,000,000	2.3

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom, and balances with Banks abroad.
(b) Includes investments in affiliations. (c) Includes balances in account with subsidiary companies, items in transit, and other assets and accounts.

LONDON MERCHANT BANK, LIMITED
Late LONDON AND HANSEATIC BANK, LIMITED

ESTABLISHED 1873

The Bank has no Branches

CAPITAL			
Subscribed	Paid-up	Callable	Reserved
£	£	£	£
1,350,000	625,000	625,000	Nil
Per Share	Per Share	Per Share	Per Share
"A" £5	£5	Nil	Nil
"B" £7	£3 10s.	£3 10s.	Nil

Year Ended Dec. 31	PROFITS AND DIVIDENDS				Reserve, etc.	Carried Forward
	Net Profits	Per Cent. of Resources	Amount	Rate		
1928	71,845	1.26	47,250	"A" 7% "B" 5%	20,000	29,817
1929	74,410	1.35	47,250	"A" 7% "B" 5%	25,000	31,465
1930	50,888	1.05	42,000	"A" 7% "B" 4%	10,000	30,523
1931	42,799	1.78	Nil	Nil	78,122	Nil
1932	15,755	0.96	Nil	Nil	186,884 Dr. 175,189	Nil
1933	14,188	0.75	Nil	Nil	14,138 Dr. 175,189	Nil
1934	17,782	0.90	Nil	Nil	17,782 Dr. 175,189	Nil
1935	15,660	0.80	Nil	Nil	15,660 Dr. 175,189	Nil
1936	15,549	0.80	Nil	Nil	15,549 Dr. 175,189	Nil
1937	14,663	0.87	Nil	Nil	14,663 Dr. 175,189	Nil
1938	10,250	0.59	Nil	Nil	10,250 Dr. 175,189	Nil

* Of which £143,884 is provision for loss on debts.
Continued on page 30

NORTH BRITISH & MERCANTILE INSURANCE CO., LTD.



Security & Service

61 THREADNEEDLE STREET, LONDON, E.C.2

64 PRINCES STREET, EDINBURGH, 2

SECURITY!

Life has a sense of firm foundation to
those who have

SAFEGUARDED

the future

PROTECT

Your dependants and

PROVIDE

for retirement by a

REFUGE POLICY

Assets - - - £71,100,000

Claims Paid - - - £116,900,000

REFUGE ASSURANCE COMPANY LIMITED

OXFORD ST., MANCHESTER, 1

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.

LONDON MERCHANT BANK—continued from page 28

Year Ended Dec. 31	LIABILITIES							Total Liabilities or Assets	ASSETS						
	Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Accept- ances	Per Cent.	Deposit & Current Accounts (inc. Contingency Account)		Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Premises and Cover for Ac- ceptances
1928.....	825,000	14.5	45,066	0.8	3,377,291	59.4	1,437,214	25.3	5,684,571	74.544	1.3	705,000	12.4	162,753	2.9
1929.....	825,000	14.5	47,235	0.9	3,293,152	59.6	1,386,754	24.6	5,522,141	72.544	1.3	705,000	12.4	165,101	3.0
1930.....	825,000	17.0	40,823	0.8	2,924,903	60.2	1,067,939	22.0	4,857,485	58.267	1.2	714,588	15.3	157,413	3.2
1931.....	825,000	35.3	...	...	1,403,036	56.7	247,139	10.0	2,475,174	37.676	1.5	308,115	12.4	41,748	1.7
1932.....	825,000	43.0	...	...	895,555	46.9	193,604	10.1	1,918,159	30.295	1.6	292,000	15.2	74,244	3.9
1933.....	825,000	43.5	...	...	875,779	46.3	193,635	10.2	1,896,417	24,610	1.3	309,186	16.3	98,666	5.2
1934.....	825,000	41.5	...	...	941,192	47.2	226,361	11.3	1,992,553	26,180	1.3	316,000	17.4	88,163	4.4
1935.....	825,000	41.6	...	...	926,287	46.7	231,323	11.7	1,982,610	34,133	1.7	330,000	16.7	111,879	5.6
1936.....	825,000	42.4	...	...	899,339	45.8	229,243	11.8	1,943,583	33,452	1.7	370,000	19.0	113,438	5.9
1937.....	825,000	49.0	...	...	661,281	39.3	196,988	11.7	1,683,269	35,050	2.1	210,000	12.5	77,637	4.6
1938.....	825,000	48.0	...	...	671,578	39.1	221,991	12.9	1,718,569	43,022	2.5	266,500	15.5	70,799	4.1

MARTINS BANK LIMITED

Member of the London Bankers' Clearing House.

ESTABLISHED in 1831 as the Bank of Liverpool.

Absorbed:—

1883—Arthur Heywood Sons and Company, Liverpool.

1889—Liverpool Commercial Banking Company Limited.

1893—Wakefield Crewdson and Company, Kendal, etc.

1906—Craven Bank Limited.

1911—Carlisle and Cumberland Banking Company Limited.

1914—North Eastern Banking Company Limited.

1918—Martins Bank Limited, London (a sixteenth-century bank first registered as a private banking firm in 1890); and name changed to Bank of Liverpool and Martins Limited.

1919—Palatine Bank Limited Manchester.

1919—Cocks Biddulph and Company, London.

1920—Halifax Commercial Banking Company Limited.

1923—Cattle Trade Bank Limited, Birkenhead.

1927—Equitable Bank Limited.

1928—Amalgamated with Lancashire and Yorkshire Bank Limited; and name changed to Martins Bank Limited.

CAPITAL						Year ended Dec. 31	PROFITS AND DIVIDENDS				Reserve, Invest- ments, etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserved	Market Value, April 28, 1939	On completion of amalgamation with Lancashire and Yorkshire Bank Limited		Net Profits	Per Cent. of Resources	Dividends— Amount	Rate		
28,602,272	4,160,042	5,167,558	11,274,672	14,425,712	28,602,272	1928.....	825,434	0.68	665,607	16	150,000	111,499
...	...	...	...	...	...	1929.....	838,246	0.85	665,607	16	150,000	132,132
...	...	...	...	...	...	1930.....	793,551	0.86	665,607	16	150,000	110,076
...	...	...	...	...	...	1931.....	708,114	0.86	582,406	14	100,000	130,824
...	...	...	...	...	...	1932.....	636,850	0.65	582,406	14	...	185,368
...	...	...	...	...	...	1933.....	654,940	0.70	582,406	14	50,000	207,868
...	...	...	...	...	...	1934.....	672,258	0.71	582,406	14	75,000	222,756
...	...	...	...	...	...	1935.....	693,117	0.69	582,406	14	100,000	233,466
...	...	...	...	...	...	1936.....	769,988	0.70	582,406	14	125,000	296,048
...	...	...	...	...	...	1937.....	833,566	0.75	665,607	16	175,000	309,007
...	...	...	...	...	...	1938.....	872,929	0.80	603,206	14	250,000	328,730

Year ended December 31	LIABILITIES							Total Liabilities or Assets	ASSETS						
	Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Accept- ances	Per Cent.	Deposit & Current Accounts		Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Buildings & Sundries including Cover for Acceptances
1928.....	560,761,914	7.5	445,915	0.4	10,949,041	10.7	82,932,881	81.4	10,166,604	11.9	5,420,745	5.3	25,104,788	24.6	3,702,147
1929.....	564,767,914	7.8	464,935	0.4	7,184,167	7.4	82,620,494	84.4	13,309,171	13.6	6,274,861	6.4	17,807,868	18.7	2,732,087
1930.....	571,767,914	8.3	442,879	0.5	5,599,786	5.7	75,562,604	85.1	11,969,514	13.0	6,852,126	7.9	18,677,148	20.2	2,732,087
1931.....	576,767,914	8.8	422,027	0.5	4,750,674	5.4	75,227,392	86.1	11,166,374	12.7	7,094,814	8.0	18,947,309	21.3	2,732,087
1932.....	555,760,042	7.2	476,571	0.5	4,752,518	4.8	85,832,338	87.5	12,568,850	12.8	6,176,816	6.3	30,560,821	31.1	1,003,889
1933.....	555,760,042	7.2	499,106	0.5	4,714,439	5.0	81,578,545	86.8	12,323,624	13.1	5,291,182	5.6	32,181,908	34.6	893,785
1934.....	550,760,042	7.1	513,958	0.5	4,693,136	4.9	82,620,032	87.1	12,619,902	13.3	5,671,209	6.0	32,235,451	33.9	5,534,208
1935.....	550,760,042	7.1	524,669	0.5	5,695,696	5.6	87,287,563	86.6	13,178,457	13.7	4,945,000	4.9	34,905,292	34.6	8,368,960
1936.....	555,760,042	7.8	587,251	0.5	5,871,226	7.2	93,475,145	85.5	13,695,277	15.5	5,535,005	5.1	32,982,921	30.1	13,496,363
1937.....	562,760,042	7.7	683,411	0.6	5,839,580	8.6	95,508,182	84.1	14,528,656	12.8	7,275,518	8.4	31,392,230	27.6	8,950,442
1938.....	584,770,042	8.6	640,733	0.6	8,198,181	7.0	100,598,899	85.8	15,463,584	13.3	6,100,000	5.2	33,564,780	28.8	4,678,707

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

† Includes a distribution in lieu of a "1931 Centenary Bonus" of 2 per cent.

MIDLAND BANK LIMITED

Member of the London Bankers' Clearing House

ESTABLISHED 1836 as The Birmingham and Midland Bank.

Amalgamations and absorptions have been as follows:—

1851—Bate and Robins, Stourbridge.

1862—Nichols, Baker and Crane, Bewdley.

1883—Union Bank of Birmingham, Limited.

1889—Coventry Union Banking Company.

1889—Leamington Priors and Warwickshire Banking Company, Limited.

1890—Leeds and County Bank, Limited.

1890—Derby Commercial Bank, Limited.

1890—Exchange and Discount Bank, Limited, Leeds.

1891—Central Bank of London, Limited. New title—The London and Midland Bank Limited.

1891—Lacy, Hartland, Woodbridge and Company, West Smithfield.

1892—Manchester Joint Stock Bank, Limited.

1893—Bank of Westmorland, Limited.

1894—Preston Banking Company, Limited.

1896—Carlisle City and District Banking Company, Limited.

1897—Channel Islands Bank, Limited.

1897—Huddersfield Banking Company, Limited.

1897—North-Western Bank, Limited, Liverpool.

1898—Oldham Joint Stock Bank, Limited.

1898—City Bank Limited. New title—The London City and Midland Bank, Limited.

1899—City of Birmingham Bank, Limited.

1900—Leicestershire Banking Company, Limited.

1901—Sheffield Union Banking Company, Limited.

1901—Yorkshire Banking Company, Limited.

1905—Nottingham Joint Stock Bank, Limited.

1908—North and South Wales Bank, Limited.

1910—Bradford Banking Company, Limited.

1913—Sheffield and Hallamshire Bank, Limited.

1913—Lincoln and Lindsey Banking Company, Limited.

1914—Metropolitan Bank (of England and Wales), Limited.

1917—Belfast Banking Company, Limited. Purchase of share capital.

1918—London Joint Stock Bank Limited. New title—London Joint City and Midland Bank Limited.

1920—Clydesdale Bank Limited. Purchase of share capital.

1923—New title—Midland Bank Limited.

1924—North of Scotland Bank Limited. Purchase of share capital.

1893—London Joint Stock Bank amalgamated with Imperial Bank, Limited.

1909—London Joint Stock Bank amalgamated with York City and County Bank, Limited.

MIDLAND BANK—continued.

CAPITAL, May 1939						Market Value, April 28, 1939	PROFITS AND DIVIDENDS						
Authorised		Subscribed	Paid-up	Callable	Reserved		Year Ended Dec. 31	Net Profits, less tax—		Dividend, less tax—		Allocations to Reserve and other Funds £	Carried Forward
No. of Shares	Denomi- nation					Amount % of Resources at end of Year		Amount Rate %					
		£	£	£	£	£	1928.....	2,656,554	0.53	1,923,788	18	720,000	848,563
		£	£	£	£	£	1929.....	2,665,042	0.60	1,934,347	18	720,000	859,258
		£	£	£	£	£	1930.....	2,318,690	0.51	1,976,660	18	550,000	851,286
2,869,079	12	34,428,948	7,172,697	7,172,697	20,083,553	23,745,807	1931.....	2,056,986	0.51	1,738,257	16	320,000	850,016
2,000,000	2½	4,804,192	4,804,192	Nil	Nil	18,255,931	1932.....	2,019,143	0.44	1,709,762	16	300,000	859,397
		£	£	£	£	£	1933.....	2,266,846	0.50	1,709,762	16	550,000	866,489
5,771,052	1	3,181,731	3,181,731	Nil	Nil	12,886,010	1934.....	2,292,217	0.50	1,766,753	16	520,000	871,946
		£	£	£	£	£	1935.....	2,353,099	0.48	1,987,598†	18†	770,000	867,447
...	...	Per Share £12	Per Share £2 10s.	Per Share £2 10s.	Per Share £7	Per Share £8½	1936.....	2,467,894	0.46	1,738,257	16	650,000	874,084
...	...	£2 10s.	£2 10s.	Nil	Nil	£9½	1937.....	2,508,009	0.46	1,764,049	16	700,000	891,044
...	...	£1	£1	Nil	Nil	81/-	1938.....	2,445,671	0.48	1,758,400	16	650,000	928,315

† Includes 2 per cent. centenary bonus

† Includes 2 per cent. centenary bonus

December 31	Number of Offices, Dec. 31	LIABILITIES							Total Liabilities or Assets	ASSETS												
		Paid-up Capital and Reserve Fund	Per Cent.	Profit Balance and Dividend Payable	Per Cent.	Accept- ances, etc.	Per Cent.	Current, Deposit and Other Accounts		Per Cent.	Cash in Hand and at Bank of England	Per Cent.	Money at Call and Short Notice (a)	Per Cent.	Invest- ments	Per Cent.	Bills Dis- counted	Per Cent.	Ad- vances	Per Cent.	Premises, Equipment for Accept- ances, etc. and Invest- ment in Af- franchises	Per Cent.
1928	2,013	26,865,936	5.4	1,815,737	0.4	474,441	1.34	994,591,227	79.3	497,714,034	45,440,918	9.1	47,928,380	9.6	36,868,698	7.4	63,347,503	12.8	214,050,972	43.0	90,077,563	18.1
1929	2,044	26,865,936	6.0	1,826,432	0.4	437,476	1.29	939,622,758	85.1	445,789,492	46,918,243	10.5	40,046,111	9.0	32,928,890	7.4	58,783,657	13.2	212,338,747	47.6	54,773,916	12.3
1930	2,090	28,496,024	6.3	1,845,086	0.4	425,310	1.19	857,669,625	88.6	455,256,852	47,219,369	10.4	36,835,769	8.1	38,671,576	8.5	53,922,558	14.0	205,470,167	45.1	43,137,415	9.5
1931	2,128	25,748,012	5.6	1,704,897	0.4	419,222	1.19	789,622,966	90.5	406,922,686	38,505,989	9.4	31,335,676	7.7	42,940,262	10.6	57,132,250	14.0	199,685,856	49.1	37,322,653	9.2
1932	2,103	25,748,012	5.6	1,714,279	0.4	415,212	1.23	789,622,966	90.5	406,922,686	43,007,981	9.3	34,945,232	7.6	91,815,351	20.6	326,505,644	18.7	170,421,074	38.8	33,662,697	7.2
1933	2,137	25,748,012	5.6	1,721,363	0.4	415,833	1.23	789,622,966	90.5	406,922,686	43,007,981	9.3	34,945,232	7.6	91,815,351	20.6	326,505,644	18.7	170,421,074	38.8	33,662,697	7.2
1934	2,120	25,748,012	5.6	1,753,323	0.4	419,989	1.38	789,622,966	90.5	406,922,686	43,007,981	9.3	34,945,232	7.6	91,815,351	20.6	326,505,644	18.7	170,421,074	38.8	33,662,697	7.2
1935	2,133	25,748,012	5.6	1,571,668	0.3	417,052	1.21	789,622,966	90.5	406,922,686	43,007,981	9.3	34,945,232	7.6	91,815,351	20.6	326,505,644	18.7	170,421,074	38.8	33,662,697	7.2
1936	2,136	25,748,012	5.6	1,416,210	0.3	418,600	1.23	789,622,966	90.5	406,922,686	43,007,981	9.3	34,945,232	7.6	91,815,351	20.6	326,505,644	18.7	170,421,074	38.8	33,662,697	7.2
1937	2,137	25,757,610	5.6	1,500,210	0.3	420,729	1.23	789,622,966	90.5	406,922,686	43,007,981	9.3	34,945,232	7.6	91,815,351	20.6	326,505,644	18.7	170,421,074	38.8	33,662,697	7.2
1938	2,137	27,569,230	5.4	1,507,515	0.3	417,217	1.48	789,622,966	90.5	406,922,686	43,007,981	9.3	34,945,232	7.6	91,815,351	20.6	326,505,644	18.7	170,421,074	38.8	33,662,697	7.2
Weekly Averages, April, 1939		27,569,230	5.6	...	...	18,848,739	3.8	447,224,837	90.6	493,642,805	45,707,550	9.3	34,811,223	7.0	116,263,997	23.5	45,712,162	9.3	213,544,020	43.3	36,603,854	7.4

THE UNION BANK OF MANCHESTER LIMITED

ESTABLISHED 1836

1888—Sewell and Nephew absorbed.
 1904—E. W. Yates and Company Liverpool, absorbed.
 1906—Blackburn Bank, Limited, absorbed.
 1907—Downes & Co., of Nantwich, absorbed.
 1917—Halifax and District Permanent Banking Company, Limited, absorbed.
 1918—East Morley and Bradford Deposit Bank, Limited, acquired.
 1919—Associated with Barclays Bank, Limited.

CAPITAL										ASSETS									
Year Ended Dec. 31	Number of Branches	Subscribed £	Paid-up £	Callable £	Reserved £	Total Liabilities or Assets	Cash in Hand, at Call, and Short Notice	Per Cent.	Invest- ments	Per Cent.	Bills of Exchange	Per Cent.	Advances	Per Cent.	Buildings and Sundries, including Cover for Acceptances	Per Cent.			
		1,500,000 Per Share £5	750,000 Per Share £2 10s.	750,000 Per Share £2 10s.	Nil Per Share Nil												Per Cent.	Per Cent.	Per Cent.
1928 ...	165	1,425,000	7-0	11,874	0-1	20,219,419	6,557,651	32-4	2,637,658	12-0	£	19,913	3-1	9,258,142	45-8	1,146,054	5-7		
1929 ...	160	1,425,000	7-5	12,041	0-1	18,889,102	5,514,819	29-2	2,377,532	15-2	£	609,466	2-5	8,826,802	47-4	1,080,323	5-7		
1930 ...	160	1,425,000	7-3	12,358	0-1	19,817,127	7,267,869	36-6	2,268,130	11-4	£	428,417	2-2	8,325,515	44-5	963,136	4-9		
1931 ...	168	1,250,000	7-1	12,830	0-1	17,543,212	5,385,020	30-6	2,758,486	15-7	£	234,858	1-9	8,000,858	45-6	1,085,959	6-2		
1932 ...	168	1,250,000	6-0	13,165	0-1	20,834,525	7,828,614	37-5	2,271,487	10-7	£	1,363,416	6-6	7,491,713	35-8	949,285	4-5		
1933 ...	164	1,250,000	6-5	13,528	0-1	19,253,704	7,205,493	37-4	3,804,702	19-7	£	305,395	1-6	6,902,926	35-0	1,063,198	5-4		
1934 ...	164	1,250,000	6-4	13,333	0-1	19,511,879	7,201,394	36-9	3,810,807	18-5	£	271,480	1-4	7,190,520	36-9	1,228,678	6-3		
1935 ...	168	1,250,000	6-3	13,815	0-1	19,871,634	6,083,598	40-6	2,110,721	10-6	£	316,418	1-6	7,951,793	40-1	1,409,104	7-1		
1936 ...	169	1,250,000	6-5	14,513	0-1	19,676,760	6,593,550	33-6	2,091,907	10-6	£	380,933	1-8	8,918,032	45-3	1,711,937	8-7		
1937 ...	169	1,250,000	6-1	15,476	0-1	20,472,126	6,403,576	31-3	2,077,691	10-1	£	341,327	1-7	10,049,171	49-1	1,660,358	8-0		
1938 ...	169	1,250,000	6-4	14,630	0-1	20,638,791	7,996,287	38-7	1,935,621	9-4	£	258,426	1-3	9,082,926	44-0	1,365,531	6-6		

WESTMINSTER BANK LIMITED

ESTABLISHED 1836

Members of London Bankers' Clearing House.

1834—London and Westminster Bank established.
 1836—London and County Banking Company established.
 1864—Jones, Loyd and Company absorbed by London and Westminster Bank.
 1865—Parr's Banking Company established.
 1891—Fuller, Banbury and Company amalgamated with Parr's Banking Company, Limited.
 1892—Alliance Bank, Limited, amalgamated with Parr's Banking Company, Limited, under title of Parr's Banking Company and the Alliance Bank, Limited.
 1894—Sir Samuel Scott, Bart., and Company amalgamated with Parr's Banking Company and Alliance Bank, Limited.
 1896—Title changed to Parr's Bank, Limited, and amalgamated with Consolidated Bank, Limited.
 1909—Stuckey's Banking Company, Limited, amalgamated with Parr's Bank, Limited.

CAPITAL					Market Value, April 28, 1939
Authorized £	Paid-up £	Callable £	Reserved £	Per Share £1	
30,000,000	7,070,990	7,070,990	14,141,980	£2 3 0	29,344,607
3,000,000	2,249,167	Nil	Nil	£3 1 0	6,859,959

1909—London and Westminster Bank and London and County Banking Company amalgamated as London County and Westminster Bank, Limited.
 1913—Crompton and Evans' Union Bank, Limited, Derby, amalgamated with Parr's Bank, Limited.
 1917—Ulster Bank, Limited, affiliated with London County and Westminster Bank, Limited.
 1918—Parr's Bank, Limited (established 1865), amalgamated under combined title of London County Westminster and Parr's Bank, Limited.
 1919—Nottingham and Nottinghamshire Banking Company Limited, absorbed.
 1921—Beckett and Company absorbed.
 1923—Title changed to Westminster Bank, Limited.
 1923—Stilwell and Sons absorbed.
 1924—Guernsey Commercial Banking Company, Limited, absorbed.

Year Ended Dec. 31	Net Profits £	Per Cent. of Resources	Dividends		Reserves and other Appropria- tions £	Carried Forward £
			Amount £	Rate %		
1928	2,148,408	0-63	1,356,275	12	775,000	552,196
1929	2,160,384	0-65	1,356,275	12	850,000	506,305
1930	1,821,888	0-66	1,313,891	12	550,000	464,301
1931	1,601,882	0-52	1,184,967	12	450,000	431,258
1932	1,495,171	0-44	1,185,443	12	300,000	460,984
1933	1,464,955	0-43	1,165,443	12	300,000	460,496
1934	1,524,880	0-43	1,204,291	12	300,000	481,088
1935	1,402,656	0-38	1,313,891†	12	200,000	369,849
1936	1,731,955	0-42	1,184,967	12	400,000	516,937
1937	1,750,589	0-43	1,271,508†	12	500,000	496,018
1938	1,557,161	0-39	1,126,595	12	400,000	526,584

† Includes centenary bonus of 2 per cent. on the £4 shares.
 ‡ Includes bonus of 2 per cent. on the £4 shares.

Year ended Dec. 31	Number of Branches	LIABILITIES					Total Liabilities or Assets	ASSETS									
		Capital and Reserves	Per Cent. of Resources	Un- divided Profits	Per Cent. of Resources	Accept- ances and Endorse- ments		Cash in Hand and at Bank, etc. (a)	Per Cent. of Resources	Cash at Call and Short Notice	Per Cent. of Resources	Invest- ments	Per Cent. of Resources	Discounts and Advances	Per Cent. of Resources	Build- ings and Sundries, including Cover for Accept- ances	Per Cent. of Resources
1928	1,009	18,640,314	5-5	1,230,333	0-4	26,538,040	340,508,305	47,313,929	13-9	34,813,607	10-2	41,430,690	12-2	185,725,635	54-5	1,224,444	9-2
1929	1,050	18,640,314	5-6	1,184,442	0-4	27,599,579	332,592,440	45,980,673	13-8	33,169,823	10-0	40,915,352	12-3	179,851,909	54-1	1,327,683	9-8
1930	1,075	18,640,314	5-7	1,212,246	0-4	17,814,552	329,172,011	46,009,570	13-9	33,683,550	10-1	40,915,352	12-3	180,710,232	54-9	1,360,602	9-9
1931	1,083	16,820,157	5-4	1,013,977	0-3	18,561,389	308,817,359	40,857,454	13-2	33,683,550	10-1	40,915,352	12-3	180,710,232	54-9	1,360,602	9-9
1932	1,073	16,820,157	5-0	1,043,705	0-3	22,327,285	308,817,359	40,857,454	13-2	33,683,550	10-1	40,915,352	12-3	180,710,232	54-9	1,360,602	9-9
1933	1,072	16,820,157	4-9	1,043,217	0-3	31,847,225	308,817,359	40,857,454	13-2	33,683,550	10-1	40,915,352	12-3	180,710,232	54-9	1,360,602	9-9
1934	1,082	18,640,314	5-1	1,083,230	0-3	37,377,095	308,817,359	40,857,454	13-2	33,683,550	10-1	40,915,352	12-3	180,710,232	54-9	1,360,602	9-9
1935	1,090	18,640,314	5-1	1,081,595	0-3	22,460,265	308,817,359	40,857,454	13-2	33,683,550	10-1	40,915,352	12-3	180,710,232	54-9	1,360,602	9-9
1936	1,090	18,640,314	5-1	1,093,370	0-3	20,556,532	308,817,359	40,857,454	13-2	33,683,550	10-1	40,915,352	12-3	180,710,232	54-9	1,360,602	9-9
1937	1,094	18,640,314	5-1	1,184,805	0-3	20,945,433	308,817,359	40,857,454	13-2	33,683,550	10-1	40,915,352	12-3	180,710,232	54-9	1,360,602	9-9
1938	1,098	18,640,314	5-1	1,089,882	0-3	24,176,283	308,817,359	40,857,454	13-2	33,683,550	10-1	40,915,352	12-3	180,710,232	54-9	1,360,602	9-9

* In circulation in the Isle of Man.

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.
 (b) Includes investments in affiliations.

B. W. BLYDENSTEIN & Co.

54-55-56 Threadneedle Street,
 London, E.C.2.

BANKERS

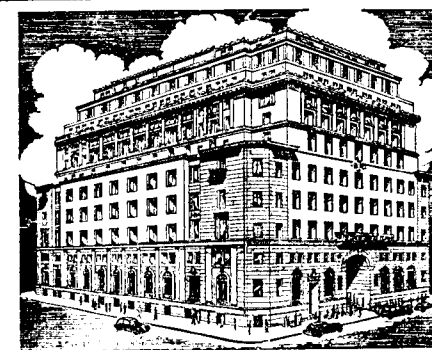
ALL BANKING AND DISCOUNT
 BUSINESS TRANSACTED.

Dealers in British Treasury
 Bills of any Maturity.

Deposits received for short and
 longer periods at rates to be obtained
 on application.

Special Facilities for Business
 with Holland.

FORWARD CONTRACTS IN FOREIGN
 CURRENCIES.



Head Office Liverpool

Every Banking Service

Total Assets £116,607,645

Over 590 Branches
 Correspondents throughout the world

MARTINS
BANK
LIMITED

LONDON DISTRICT HEAD OFFICE :
 68 LOMBARD STREET, E.C.3

HEAD OFFICE : WATER STREET, LIVERPOOL, 2

To have all
 your insurances
 with the 'Royal'
 is a convenience
 with the basic
 essential of
 Security



Head Offices :

LIVERPOOL :
 North John Street

LONDON
 Lombard Street

Trading Abroad

Few traders can remain unaffected
 to-day by the constantly changing
 restrictions now adopted by so
 many countries abroad in the settle-
 ment of international indebtedness.
 The Westminster Bank has there-
 fore 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

WILLIAMS DEACON'S BANK, LIMITED

ESTABLISHED 1836.—Member of London Clearing

1874—Absorbed Heywood Brothers and Company, Manchester.

1878—Absorbed Hardcastle, Cross, and Company, Bolton.

1882—Absorbed Clement Roys and Company, Rochdale.

1890—Manchester and Salford Bank amalgamated with Williams, Deacon and Company. New title—Williams Deacon and Manchester and Salford Bank, Limited.

1901—Title changed to Williams Deacon's Bank, Limited.

1907—Sheffield and Rotherham Joint Stock Banking Company, Limited, absorbed.

1930—Associated with the Royal Bank of Scotland.

Williams Deacon and Manchester and Salford Bank, Limited.										Year Ended Dec. 31	Net Profits £	Profits and Dividends Per Cent. of Resources	Dividends Amount	Rate %	Reserves, etc. £	Carried Forward	
CAPITAL																	
Subscribed	Paid-up	Callable	Reserved														
£	£	£	£														
8,125,000	1,875,000	1,562,500	4,687,500														
Per Share A £5 B £1	Per Share A £1 B £1	Per Share A £1 B nil	Per Share A £3 B nil														
1928																	
1929																	
1930																	
1931																	
1932																	
1933																	
1934																	
1935																	
1936																	
1937																	
1938																	

Year ended Dec. 31	Number of Branches	LIABILITIES								Total Liabilities or Assets	ASSETS									
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Acceptances, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bank, etc.	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Discounts and Advances	Per Cent.	Buildings and Sundries, including Cover for Acceptances	Per Cent.
1928	200	3,225,000	8.7	156,696	0.4	1,520,117	4.1	32,221,395	86.8	37,123,208	5,219,565	14.1	2,871,374	7.7	5,349,678	14.4	21,194,159	57.1	2,488,432	6.7
1929	200	2,875,000	8.0	151,123	0.4	1,023,094	2.9	31,792,589	88.7	35,842,006	5,208,318	14.5	3,412,190	9.5	6,017,161	16.8	19,199,898	53.6	2,004,439	5.6
1930	202	2,875,000	8.0	144,565	0.4	1,023,094	2.9	31,792,589	88.7	35,842,006	5,208,318	14.5	3,412,190	9.5	6,017,161	16.8	19,199,898	53.6	2,004,439	5.6
1931	202	2,875,000	8.0	145,405	0.4	1,023,094	2.9	31,792,589	88.7	35,842,006	5,208,318	14.5	3,412,190	9.5	6,017,161	16.8	19,199,898	53.6	2,004,439	5.6
1932	202	2,875,000	7.1	154,035	0.4	1,164,066	3.7	29,043,586	86.9	33,425,489	4,211,102	12.6	3,274,807	9.8	4,088,886	22.2	15,923,271	47.6	2,607,422	7.8
1933	202	2,675,000	6.9	167,654	0.4	2,430,036	6.2	33,498,484	89.4	37,905,544	5,961,067	15.8	4,816,463	12.7	7,753,892	25.8	13,028,118	39.8	2,188,024	5.8
1934	203	2,675,000	6.8	177,459	0.5	2,068,097	5.3	33,742,876	87.3	38,663,432	6,003,721	15.6	5,116,738	15.8	9,575,350	24.8	13,881,376	34.5	3,440,598	8.8
1935	205	2,675,000	6.6	191,820	0.5	2,047,759	5.1	35,429,629	87.8	40,344,008	6,172,435	17.3	3,287,359	18.1	9,703,386	24.1	14,105,960	34.9	3,079,888	7.6
1936	205	2,675,000	6.4	220,882	0.5	1,360,678	3.3	37,577,981	89.8	41,834,541	6,458,137	15.4	5,006,269	13.4	12,873,342	30.8	14,454,651	34.6	2,443,161	5.8
1937	206	2,675,000	6.2	267,428	0.6	1,526,551	3.5	38,564,411	89.7	43,033,390	6,455,589	15.0	6,036,683	14.0	11,504,635	26.8	16,442,422	38.2	2,594,041	6.0
1938	209	2,775,000	6.4	204,471	0.5	1,996,530	4.6	38,335,188	89.5	43,311,189	7,086,888	16.4	5,887,068	13.6	11,561,672	28.7	15,739,138	36.3	3,036,422	7.0
Weekly Averages, April, 1939		2,775,000	6.8	...	...	1,940,000	4.8	36,109,000	88.4	40,824,000	5,664,000	13.9	5,833,000	13.8	11,315,000	27.7	15,227,000	37.3	2,985,000	7.3

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

ERLANGERS, LIMITED

LIABILITIES					ASSETS							
December 31	Capital and Reserves	Current, Deposit and Other Accounts, etc.	Current Accounts of Sub-sidiary Companies	Acceptances on Account of Customers	Cash in Hand and with Bankers	Cash at Call and Short Notice	British Govt. Treasury Bills	Bills Receivable	British Govt. Securities	Dominion and Col. Govt. and British Corp. Stocks and Bonds	Other Investments	Advances, etc.
1934	£ 1,925,000	£ 2,015,657	£ 10,546	£ 3,678,318	£ 201,468	£ 745,000	£ 429,608	£ 158,842	£ 380,489	£ 217,742		£
1935	1,925,000	2,481,949	9,481	3,773,550	147,716	800,000	459,521	177,627	393,975	245,885	480,057	1,396,198
1936	1,925,000	3,784,789	6,677	4,847,606	275,468	1,080,000	554,372	223,778	400,485	306,927	537,931	1,781,075
1937	1,925,000	5,054,265	8,815	4,730,099	1,300,661	935,000	619,255	283,405	321,047	212,700	576,866	2,426,574
1938	1,925,000	4,967,394	8,611	4,448,957	467,690	890,000	524,145	226,689	310,980	154,105	469,578	3,078,487
											465,836	3,887,651

YORKSHIRE PENNY BANK, LIMITED

LIABILITIES				ASSETS					
December 31	Capital and Reserves	Deposits and other Accounts, etc.	Uncalled Capital	Cash in Hand, at Bank of England, and at Short Notice	British Govt. Securities	Colonial Govt. and English Corp. Stocks	Loans to Local Authorities	Loans on Security and Other Accounts	Premises
1934	£ 2,000,000	£ 33,363,019	£ 500,000	£ 9,167,873	£ 21,659,087	293,103	£ 1,629,231	£ 2,063,725	£ 550,000
1935	2,000,000	35,400,246	500,000	9,607,552	23,334,204	260,413	1,261,083	2,386,995	550,000
1936	2,500,000	37,036,692	500,000	9,267,022	25,562,627	105,663	...	4,051,380	550,000
1937	2,500,000	38,119,733	500,000	9,331,099	27,469,529	35,698	...	3,233,408	550,000
1938	2,500,000	39,251,804	500,000	8,089,656	29,998,293	...	...	3,113,855	550,000

PRIVATE BANKS OF ENGLAND AND WALES
B. W. BLYDENSTEIN AND COMPANY, LONDON

Year ended Dec. 31	LIABILITIES						ASSETS									
	Partners' Capital and Reserves	Per Cent.	Miscellaneous	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand and at Bank	Per Cent.	Investments	Per Cent.	Advances, Loans, Bills, etc.*	Per Cent.	Premises, etc.	Per Cent.	Carried Forward
1928	700,000	5.1	92,387	0.7	12,872,105	94.2	13,664,492	200,049	1.5	1,869,054	13.7	11,563,789	84.6	31,800	0.2	215,644
1929	700,000	5.7	113,228	0.9	11,490,770	93.4	12,303,998	114,951	0.9	306,247	2.5	11,852,385	96.4	30,415	0.2	211,842
1930	700,000	6.5	62,665	0.5	9,999,817	93.0	10,752,482	105,437	0.9	2,552,173	23.8	8,065,598	75.0	29,274	0.3	176,188
1931	700,000	8.1	99,922	1.2	7,851,622	90.7	8,651,544	119,913	1.4	...	...	8,503,454	98.3	28,177	0.3	172,306
1932	1,100,000	3.8	12,631	0.5	2,506,176	85.7	2,618,807	186,937	7.1	308,937	11.8	2,095,778	80.1	27,255	1.0	175,790
1933	1,100,000	3.4	14,457	0.5	2,839,286	96.1	2,953,743	242,194	8.2	578,854	19.6	2,106,388	71.3	26,307	0.9	178,008
1934	1,100,000	3.7	3,298	0.1	2,580,927	96.2	2,684,223	1,370,559	51.4	553,642	20.8	713,441	26.8	26,581	1.0	188,941
1935	1,100,000	3.2	5,173	0.2	3,053,209	97.6	3,158,382	1,926,350	61.0	397,069	12.6	899,034	25.6	25,929	0.8	209,390
1936	1,100,000	2.7	3,020	0.1	3,557,078	96.2	3,680,098	2,133,759	58.2	475,368	13.0	1,025,459	28.0	25,512	0.8	216,763
1937	1,100,000	3.7	2,463	0.1	2,596,391	96.2	2,698,854	189,643	7.0	298,132	11.0	2,186,205	81.1	24,874	0.9	217,572
1938	1,100,000	3.1	2,010	0.1	3,113,793	96.8	3,215,804	382,363	11.9	832,567	25.9	1,976,421	61.4	24,252	0.8	...

* Provided by the Twente Bank (London) Ltd., which has an authorised and subscribed capital of £1,000,000.
† Nine months ended Sept. 30.

** Year ended Sept. 30.

* Includes Treasury Bills.

HOARE (CHAS.) AND COMPANY

Year Ended July 5	LIABILITIES				Total Liabilities or Assets	ASSETS									
	Partners' Capital and Reserves	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand, at Bank, and at Call and Short Notice	Per Cent.	British Government Securities	Per Cent.	Other Securities and Investments	Per Cent.	Discounts and Advances	Per Cent.	Premises, etc.	Per Cent.
1928	£ 500,000	13.9	3,093,254	86.1	£ 3,593,254	1,097,214	30.5	972,632	32.5	£ 258,746	1.8	1,161,662	32.4	£ 100,000	2.8
1929	500,000	14.3	2,994,121	85.7	3,494,121	1,018,670	29.1	995,521	28.5	181,001	5.2	1,198,929	34.3	100,000	2.9
1930	500,000	15.5	2,718,857	84.5	3,218,857	720,808	22.4	850,004	26.4	136,457	5.8	1,361,588	42.3	100,000	3.1
1931	500,000	15.9	2,629,718	84.1	3,129,718	825,430	26.4	647,550	20.7	121,778	3.9	1,434,910	45.8	100,000	3.2
1932	500,000	16.9	2,463,636	83.1	2,963,636	858,682	28.9	588,830	19.9	162,688	5.5	1,253,416	42.3	100,000	3.4
1933	500,000	12.2	3,592,297	87.8	4,092,297	1,179,430	28.9	894,483	21.9	271,719	6.6	1,646,645	40.2	100,000	2.4
1934	500,000	13.2	3,288,995	86.8	3,788,995	1,022,367	27.1	1,159,200	30.6	205,741	5.4	1,391,687	34.3	100,000	2.6
1935	500,000	11.9	3,711,318	88.1	4,211,318	1,122,347	26.7	1,341,086	31.8	200,467	4.8	1,447,418	34.3	100,000	2.4
1936	500,000	11.4	3,853,504	88.6	4,353,504	1,176,466	27.0	1,291,210	29.6	261,397	6.1	1,524,432	35.0	100,000	2.3
1937	500,000	11.9	3,686,793	88.1	4,186,793	977,761	23.1	833,951	19.9	341,169	10.8	1,824,913	43.6	100,000	2.4
1938	500,000	12.6	3,476,892	87.4	3,976,892	919,445	23.1	812,499	20.4	348,047	8.8	1,796,901	45.2	100,000	2.5

NATIONAL DISCOUNT COMPANY, LIMITED—Continued

Year Ended Dec. 31	LIABILITIES								Total Liabilities or Assets	ASSETS											
	Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Deposits and Sundry Balances	Per Cent.	Bills Re-dis- counted	Per Cent.		Rebate	Per Cent.	Cash at Bankers	Per Cent.	Securi- ties	Per Cent.	Loans at Call, Short and Fixed Dates	Per Cent.	Bills Dis- counted	Per Cent.	Build- ings and Sundries	Per Cent.
1928	£ 1,865,000	4.1	297,164	0.7	25,182,037	55.5	17,526,606	38.6	521,966	1.1	45,392,773	602,311	1.3	3,205,021	7.1	£ 1,225,388	2.7	40,239,735	88.6	120,318	0.3
1929	1,890,000	3.6	297,976	0.6	26,570,013	50.8	23,001,203	44.1	443,890	0.9	52,203,082	659,417	1.3	2,911,915	5.6	1,360,007	2.6	47,141,632	90.3	130,111	0.2
1930	2,000,000	4.0	259,629	0.5	26,858,039	53.2	20,883,210	41.4	429,855	0.9	50,430,483	694,907	1.4	4,038,844	8.0	719,346	1.4	44,813,614	88.9	183,774	0.3
1931	2,000,000	4.0	251,085	0.5	26,011,337	52.5	20,801,933	42.0	497,442	1.0	49,561,797	713,099	1.4	2,533,104	5.1	131,805	0.3	46,053,915	92.9	129,874	0.3
1932	2,000,000	3.9	256,541	0.5	26,944,346	53.1	21,230,923	41.9	336,297	0.7	50,788,107	733,297	1.5	3,518,457	6.9	28,049	0.1	46,365,840	91.2	142,464	0.3
1933	2,000,000	3.7	258,756	0.5	30,252,464	56.0	21,154,907	39.2	332,275	0.6	53,998,402	789,099	1.5	6,453,505	12.0	587,799	1.0	46,008,365	85.2	179,334	0.3
1934	2,000,000	4.4	272,382	0.6	30,387,614	66.3	12,888,748	28.1	287,774	0.6	45,836,518	815,218	1.8	8,696,263	18.9	557,377	1.2	35,633,675	77.7	163,985	0.4
1935	2,000,000	3.9	301,770	0.6	31,679,076	61.2	17,525,346	33.8	286,336	0.5	51,792,528	874,501	1.7	8,681,745	16.8	437,912	0.8	41,610,156	80.3	185,214	0.4
1936	2,000,000	3.5	322,891	0.6	36,348,796	63.8	18,472,103	32.1	258,191	0.4	57,401,981	1,033,418	1.8	11,186,620	19.5	486,292	0.9	44,484,008	77.4	211,644	0.4
1937	2,050,000	3.6	306,163	0.5	37,408,746	65.8	16,769,534	29.5	355,645	0.6	56,890,088	1,041,597	1.8	12,000,070	21.8	251,037	0.4	43,057,739	75.8	139,645	0.3
1938	2,100,000	4.0	303,992	0.6	41,201,076	78.3	9,019,569	17.1	...	...	52,624,637	1,138,002	2.2	5,199,943	9.9	151,000	0.3	43,963,304	87.3	152,186	0.3

* Excluding Treasury Bills.

UNION DISCOUNT COMPANY OF LONDON, LIMITED

ESTABLISHED 1885

Year Ended Dec. 31	CAPITAL*				Year Ended Dec. 31	Net Profit	PROFITS AND DIVIDENDS				Allocations to			
	Authorised and Issued	Reserve	Market Value, April 28, 1939	Per Cent.			Per Cent.	Dividend of Amount	Rate	Reserves, etc.	Carried Forward	Per Cent.	Dividend of Amount	Rate
1928	£ 2,750,000	Nil	5,843,750	21.1	1928	245,365	0.36	196,980	20**	30,000	241,607	0.42	196,980	20**
1929					1929	260,188	0.40	212,500	20**	20,000	260,292	0.42	212,500	20**
1930					1930	268,177	0.40	207,813	20**	30,000	299,656	0.42	207,813	20**
1931					1931	203,856	0.42	189,843	20**	10,000	303,889	0.42	189,843	20**
1932					1932	225,828	0.36	187,500	20†	15,000	326,997	0.36	187,500	20†
1933					1933	228,016	0.37	187,500	20†	15,000	352,514	0.37	187,500	20†
1934					1934	230,833	0.38	193,750	20†	15,000	374,597	0.38	193,750	20†
1935					1935	233,840	0.33	193,750	20†	15,000	399,687	0.33	193,750	20†
1936					1936	243,576	0.35	204,286	20*	265,000	173,976	0.35	204,286	20*
1937					1937	250,538	0.35	206,250	20***	15,000	203,284	0.35	206,250	20***
1938					1938	261,158	0.41	199,375	10	15,000	250,047	0.41	199,375	10

* As at 31st December, 1938.

† For 6 months ended 30th June, 1936, dividend of 15 per cent. per annum on shares of £5 each, £2 10s. paid, and 2 per cent. interest on instalments on new shares. For 6 months ended 31st December, 1936, dividend of 7½ per cent. per annum and bonus of 6d. per £1 unit (equal to 2½ per cent. per annum on £1 units of stock fully paid). (All less tax.)

** Dividend of 15 per cent. + bonus of 6 per cent., both less tax.

*** Bonus of 5 per cent., free of tax.

†† The equivalent to the 1938 dividends and bonus.

Year Ended Dec. 31	LIABILITIES								Total Liabilities or Assets	ASSETS											
	Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Loans and Deposits	Per Cent.	Bills Redis- counted	Per Cent.		Rebate	Per Cent.	Cash at Bankers	Per Cent.	Securi- ties	Per Cent.	Loans at Call and Short Date, and Other Accounts	Per Cent.	Bills Dis- counted, etc.	Per Cent.	Buildings and Sundries	Per Cent.
1928	3,000,000	4.6	371,086	0.6	£ 45,875,810	70.0	£ 15,634,655	23.9	£ 585,005	0.9											
1929	3,000,000	4.8	406,792	0.7	45,591,128	73.6	12,310,529	19.9	634,034	1.0	65,466,556	1,339,129	2.0	8,963,231	13.8	123,231	0.2	54,842,540	83.7	198,425	0.3
1930	3,000,000	4.5	434,812	0.6	47,521,063	70.8	15,527,441	23.1	678,184	1.0	61,942,482	1,328,877	2.1	7,629,621	12.3	208,768	0.3	52,574,107	85.0	201,109	0.3
1931	3,000,000	4.0	420,856	0.8	36,300,272	72.8	9,480,539	19.2	600,586	1.2	67,161,500	1,350,871	2.0	8,601,576	12.8	516,522	0.8	56,595,142	84.3	97,389	0.1
1932	3,000,000	4.8	469,701	0.8	55,455,138	88.9	6,323,839	10.1	405,205	0.7	49,802,238	1,096,835	2.2	5,992,401	12.0	212,007	0.4	42,311,352	85.0	199,640	0.3
1933	3,000,000	5.0	495,690	0.8	52,224,719	88.6	5,105,948	5.0	305,494	0.5	62,610,899	1,330,616	2.1	11,615,857	18.6	2,132,895	3.4	47,367,354	75.6	164,417	0.3
1934	3,000,000	4.3	520,780	0.7	59,240,040	85.1	6,646,842	9.5	300,355	0.5	62,336,261	1,335,526	2.1	11,777,185	18.9	351,945	0.6	47,367,354	75.6	164,417	0.3
1935	3,000,000	5.4	905,030	0.5	57,285,704	82.0	8,164,125	11.7	346,593	0.4	60,265,783	1,455,421	2.4	14,174,895	23.5	1,558,953	2.3	48,734,912	74.2	138,715	0.2
1936	3,750,000	5.3	950,599	0.4	56,152,939	79.4	10,167,314	14.4	358,454	0.5	69,711,328	1,497,306	2.1	16,165,070	23.2	3,834,336	5.5	48,078,922	71.3	97,608	0.1
1937	3,750,000	5.8	974,556	0.6	51,504,880	79.1	9,083,245	14.0	361,212	0.5	69,651,432	1,525,948	2.2	16,125,831	23.0	1,450,557	2.1	50,506,115	72.2	243,004	0.4
1938	3,750,000	5.8	974,556	0.6	51,504,880	79.1	9,083,245	14.0	361,212	0.5	70,760,877	1,562,630	2.2	9,542,486	13.5	2,206,039	8.1	57,011,308	80.7	438,419	0.6
											65,073,993	1,502,948	2.3	6,365,053	9.8	3,268,767	5.0	53,632,246	82.4	438,419	0.6

GILLET BROTHERS DISCOUNT COMPANY, LIMITED

January 31	LIABILITIES				ASSETS			
	Capital and Reserves	Deposits, Loans, Rediscounts, and Sundry Accounts	Cash at Bankers and in Hand	British, Indian, and Dominion Govt. Securities and Brit. Corp. Stock	Bills discounted including Rediscounts	Loans on Security and Sundry Accounts		
1935	325,000	11,339,238	211,821	2,200,000	8,741,218	511,197		
1936	345,000	12,668,512	228,985	1,425,000	11,004,566	352,982		
1937	345,000	12,361,148	219,874	1,600,000	10,276,116	610,158		
1938	345,000	12,230,412	220,269	1,580,000	10,302,147	472,906		
1939	345,000	11,211,293	226,348	2,405,000	8,406,076	518,869		

JOINT STOCK BANKS OF SCOTLAND

BANK OF SCOTLAND

ESTABLISHED 1695

1868—Acquired the business of the Central Bank of Scotland | 1907—Absorbed Caledonian Banking Company, Limited

Year Ended Feb. 28	CAPITAL				Year Ended Feb. 28	Net Profit	PROFITS AND DIVIDENDS				Reserves, Invest- ments, etc.			
	Authorised	Issued	Paid-up	Reserved			Per Cent.	Dividend of Amount	Rate	Reserves, etc.	Carried Forward	Per Cent.	Dividend of Amount	Rate
1928	£ 4,500,000	2,400,000	2,400,000	Nil	1928	372,335	0.95	204,000	17	155,000	166,801	0.95	204,000	17
1929					1929	374,283	0.95	216,000	18	155,000	170,984	0.95	216,000	18
1930					1930	365,872	0.91	216,000	18	147,500	172,456	0.91	216,000	18
1931					1931	366,870	0.90	209,250	18	130,000	200,077	0.90	209,250	18
1932					1932	268,180	0.70	202,500	18	50,000	215,757	0.70	202,500	18
1933					1933	312,900	0.71	202,500	18	100,000	226,157	0.71	202,500	18
1934					1934	307,022	0.70	202,500	18	80,000	256,679	0.70	202,500	18
1935					1935	310,887	0.66	209,250	18	100,000	252,316	0.66	209,250	18
1936					1936	316,092	0.64	209,250	18	105,000	254,158	0.64	209,250	18
1937					1937	317,713	0.66	205,875	18	110,000	255,965	0.66	205,875	18
1938					1938	313,253	0.61	204,164	12	105,000	150,085	0.61	204,164	12
1939					1939	305,634	0.60	208,800	12	95,000	151,918	0.60	208,800	12

(Continued on page 38)

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.) - £12,000,000

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. HELY-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.

BANK OF SCOTLAND—continued from page 36

Year Ended Feb. 28	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS									
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Accept- ances	Per Cent.	Miscel- laneous Credits, etc.	Per Cent.		Deposit and Current Accounts	Per Cent.	Cash in Hand and at Bank	Per Cent.	Invest- ments and Money at Call	Per Cent.	Discounts and Advances	Per Cent.	Buildings and Sundries, including Cover for Accept- ances	Per Cent.
1929	238	3,352,500	8.5	278,084	0.7	2,776,147	7.0	834,124	2.1	266,951	0.7	32,968,386	81.0	39,806,182	4,896,234	12.4	13,372,478	33.8	20,043,356	50.5	1,294,124	3.3
1930	237	3,500,000	8.7	280,456	0.7	3,040,542	7.5	802,408	2.0	470,720	1.2	33,055,034	5,138,225	12.7	14,025,388	34.8	18,795,013	49.4	1,232,408	3.1	1,072,408	2.9
1931	240	3,600,000	8.8	304,702	0.7	2,995,337	7.4	622,408	1.6	604,167	1.6	32,968,386	81.0	40,729,082	5,203,048	12.8	15,768,428	38.6	18,795,013	49.4	1,232,408	2.9
1932	243	3,600,000	8.8	317,067	0.8	2,983,722	6.9	500,094	1.3	235,434	0.6	30,828,204	50.0	35,541,521	4,511,078	11.8	16,242,286	42.7	20,621,083	43.7	1,009,094	2.5
1933	249	3,600,000	8.8	327,407	0.7	3,040,873	6.9	831,707	1.9	381,280	0.9	36,470,095	81.4	44,220,362	5,020,224	11.8	15,259,989	39.0	17,939,732	29.2	1,231,707	2.8
1934	251	3,750,000	8.8	351,929	0.8	2,980,601	6.9	835,424	1.4	413,352	1.0	35,470,014	81.4	43,541,320	5,355,031	12.3	15,251,101	58.4	17,025,281	27.7	1,025,424	2.6
1935	252	3,750,000	8.8	358,942	0.9	3,053,577	6.8	535,346	1.2	164,805	0.4	36,653,815	82.7	44,514,484	4,918,107	11.2	15,254,948	58.3	17,126,843	28.5	935,346	2.4
1936	258	3,800,000	7.7	358,783	0.7	3,128,569	6.4	855,968	1.8	337,158	1.1	39,518,184	89.9	49,198,392	5,381,274	11.0	15,284,038	55.7	17,138,701	26.7	2,535,967	6.1
1937	262	3,850,000	8.0	358,933	0.7	3,239,247	6.7	451,934	1.1	665,602	1.6	38,653,608	78.2	49,011,601	5,322,384	10.7	15,294,344	232.69	18,651,363	22.1	2,535,967	6.1
1938	264	4,450,000	8.7	352,990	0.5	3,363,767	6.5	3,712,583	7.2	358,512	0.7	39,298,450	76.4	51,466,313	5,627,777	11.1	16,309,895	70.60	10,751,474	20.9	4,177,815	8.2
1939	263	4,500,000	8.9	256,318	0.5	3,414,725	6.7	4,448,119	8.7	358,543	0.7	37,351,691	74.5	50,829,395	5,908,151	11.6	16,309,895	70.60	10,751,474	20.9	4,177,815	8.2

THE BRITISH LINEN BANK

ESTABLISHED 1746. 1919—AFFILIATED WITH BARCLAYS BANK LIMITED

CAPITAL				Year Ended Jan. 15	Net Profits of £	PROFITS AND DIVIDENDS			Reserves, Investments, etc.	Carried forward
Subscribed	Paid-up.	Callable	Reserved			Per Cent.	Dividends— Amount	Rate		
£	£	£	£							
1,250,000	1,250,000	Nil	Nil	1929.....	330,040	0.94	160,000	7½	150,000	74,772
				1930.....	325,954	0.96	180,000	16	150,000	90,728
				1931.....	327,420	0.94	155,000	16	200,000	63,148
				1932.....	293,530	0.88	150,000	16	120,000	86,677
				1933.....	292,045	0.77	150,000	16	130,000	98,722
				1934.....	272,861	0.71	150,000	16	125,000	96,584
				1935.....	286,310	0.76	155,000	16	130,000	97,894
				1936.....	299,963	0.71	155,000	16	150,000	82,857
				1937.....	293,388	0.76	152,500	16	125,000	98,745
				1938.....	290,203	0.63	150,000	16	140,000	98,948
				1939.....	276,713	0.62	145,000	16	130,000	100,661
Note issue, £438,024.										

THE CLYDESDALE BANK LIMITED

ESTABLISHED 1838

AFFILIATED WITH MIDLAND BANK LIMITED, 1920

CAPITAL			PROFITS AND DIVIDENDS			To		Carried Forward
Subscribed	Paid-up	Reserved	Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends Amount	Reserve etc.	
£		£				£	%	£
5,350,000	1,300,000	4,000,000	1928.....	340,136	0.91	225,000	18	105,000
			1929.....	331,634	0.93	234,000	18	100,000
			1930.....	336,488	0.80	234,000	18	100,000
			1931.....	330,930	0.93	208,000	16	125,000
			1932.....	310,010	0.79	208,000	16	90,000
			1933.....	301,365	0.79	208,000	16	90,000
			1934.....	304,195	0.81	208,000	16	100,000
			1935.....	312,472	0.75	208,000	16	100,000
			1936.....	315,518	0.75	208,000	16	100,000
			1937.....	320,249	0.72	208,000	16	105,000
			1938.....	316,941	0.73	229,000*	16	105,000
100,000 shares of £50	Per Share £10	Per Share £40						
30,000 shares of £10	£10	Nil						
Authorised note issue, £274,321.								

* Includes Centenary Bonus to staff and pensioners of £21,000.

COMMERCIAL BANK OF SCOTLAND, LIMITED

ESTABLISHED 1810

					PROFITS AND DIVIDENDS					Reserves, etc. £	Carried Forward £	
					Year Ended Oct. 31	Net Profits £	Per Cent. of Resources	Dividends— Amount £	Rate			
CAPITAL					Market Value, April 28, 1939	1928	344,600	0.81	200,000.	{ "A " 16 " B " 10 }	175,000	51,570
Subscribed	Paid-up	Callable	Reserved		1929	367,983	0.81	232,000	{ "A " 16 " B " 10 }	125,000	62,552	
				£	1930	389,857	0.90	255,750	{ "A " 16 " B " 10 }	125,000	71,659	
"A" 7,000,000	1,750,000	2,450,000	2,800,000		1931	385,736	0.93	251,825	{ "A " 16 " B " 10 }	130,000	75,770	
"B" 500,000	500,000	Nil	Nil	8,465,625	1932	377,081	0.82	247,500	{ "A " 16 " B " 10 }	130,000	75,331	
					1933	356,630	0.83	247,500	{ "A " 16 " B " 10 }	130,000	84,161	
Per Share	Per Share	Per Share	Per Share	Per Share	1934	379,337	0.77	255,750	{ "A " 16 " B " 10 }	130,000	78,047	
"A" £4	£1	£1½	£1½	82/-	1935	396,950	0.77	282,875*	{ "A " 16 " B " 10 }	130,000	62,122	
"B" £1	£1	Nil	Nil	51/7½	1936	399,733	0.73	251,625	{ "A " 16 " B " 10 }	145,000	65,230	
					1937	395,684	0.67	247,500	{ "A " 16 " B " 10 }	145,000	68,394	
					1938	381,155	0.66	239,250	{ "A " 16 " B " 10 }	140,000	70,299	
Authorised issue, £374,880.												

NORTH OF SCOTLAND BANK LIMITED—Continued

Year Ended Dec. 31	Number of Branches	LIABILITIES							Total Liabilities or Assets	ASSETS						
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Deposit and Current Accounts		Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Build- ings and Sundries
1928	158	2,206,000	8.4	206,162	0.8	2,174,254	8.3	21,811,626	82.5	26,398,042	3.574,531	13.5	...	9,754,281	37.0	184,322
1929	158	2,258,000	8.7	203,345	0.8	2,186,879	8.4	21,277,613	82.1	25,903,837	3,168,390	13.4	...	9,914,320	38.2	184,285
1930	158	2,306,000	9.1	204,438	0.8	2,198,772	8.5	20,882,403	81.6	25,359,613	3,728,555	14.7	...	9,926,538	39.8	200,922
1931	158	2,306,000	9.5	158,472	0.6	2,159,647	8.9	19,704,992	81.0	24,329,111	4,353,390	17.9	...	9,856,311	40.6	201,810
1932	159	2,306,000	8.7	161,673	0.6	2,085,462	7.8	22,036,822	82.9	26,589,757	5,547,763	20.8	...	10,776,707	40.6	199,245
1933	159	2,306,000	8.0	162,963	0.6	2,093,769	7.3	24,130,254	84.1	28,692,991	3,440,044	12.0	1,500,000	15,383,837	53.6	195,001
1934	161	2,306,000	7.9	165,824	0.6	2,148,078	7.3	24,835,948	84.2	29,253,850	4,011,288	13.7	...	17,180,906	53.7	195,248
1935	161	2,356,000	7.0	172,792	0.5	2,182,225	6.4	29,159,287	86.1	33,870,304	5,009,710	14.2	...	20,171,128	58.8	188,407
1936	161	2,406,000	6.8	182,018	0.5	2,210,833	6.5	30,554,156	86.2	35,452,807	5,895,625	11.5	1,360,150	20,542,017	60.2	175,345
1937	161	2,441,000	7.1	190,606	0.5	2,302,208	6.7	29,432,825	85.7	34,366,639	4,148,602	12.9	1,877,500	20,542,017	60.2	174,808
1938	161	2,476,000	7.2	193,123	0.6	2,306,004	6.8	29,123,507	85.4	34,100,634	4,904,448	14.4	...	20,542,017	60.2	174,808

ROYAL BANK OF SCOTLAND

ESTABLISHED 1727

1864—Acquired Dundee Banking Company.
1924—Acquired Messrs Drummonds Bank.
1930—Acquired Williams Deacon's Bank, Limited (shares).
1930—Acquired banking business of Bank of England at their western branch, Burlington Gardens.

Subscribed	Paid-up	Callable	Reserved	Market Value
£3,780,192	£3,780,192	Nil	Nil	£15,876,806

Fully-paid stock. Market price on April 28, 1939, £420

Year Ended October	Number of Branches	LIABILITIES							Total Liabilities or Assets	ASSETS						
		Capital and Reserves	Per Cent.	Notes	Per Cent.	Accept- ances	Per Cent.	Drafts Out- standing		Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Build- ings and Sundries, including Cover for Accept- ances
1928	230	5,295,788	9.8	2,685,251	4.9	1,766,599	3.2	746,607	1.4	44,674,152	80.6	55,348,397	4,984,471	11.9	12,383,155	22.4
1929	236	5,410,320	9.6	2,758,043	4.9	1,777,823	3.0	736,557	1.3	46,235,129	81.8	56,487,872	5,172,858	12.9	12,383,155	22.4
1930	242	6,942,368	11.2	2,773,277	4.5	1,788,814	1.3	428,428	0.7	50,387,090	81.8	61,581,346	5,454,105	14.7	12,383,155	22.4
1931	247	7,561,118	12.2	2,780,755	4.5	1,833,148	1.5	402,028	0.7	49,416,138	80.6	61,334,172	5,124,865	14.7	12,383,155	22.4
1932	249	7,561,118	12.2	2,780,755	4.5	1,833,148	1.5	402,028	0.7	49,416,138	80.6	61,334,172	5,124,865	14.7	12,383,155	22.4
1933	250	7,561,118	12.2	2,780,755	4.5	1,833,148	1.5	402,028	0.7	49,416,138	80.6	61,334,172	5,124,865	14.7	12,383,155	22.4
1934	253	7,561,118	12.2	2,780,755	4.5	1,833,148	1.5	402,028	0.7	49,416,138	80.6	61,334,172	5,124,865	14.7	12,383,155	22.4
1935	257	7,561,118	12.2	2,780,755	4.5	1,833,148	1.5	402,028	0.7	49,416,138	80.6	61,334,172	5,124,865	14.7	12,383,155	22.4
1936	257	7,561,118	12.2	2,780,755	4.5	1,833,148	1.5	402,028	0.7	49,416,138	80.6	61,334,172	5,124,865	14.7	12,383,155	22.4
1937	257	7,561,118	12.2	2,780,755	4.5	1,833,148	1.5	402,028	0.7	49,416,138	80.6	61,334,172	5,124,865	14.7	12,383,155	22.4
1938	258	7,906,157	9.2	3,101,688	6.4	1,110,834	4.8	662,263	0.8	69,921,933	81.4	85,935,830	8,013,529	9.3	7,724,265	9.3

UNION BANK OF SCOTLAND, LIMITED

ESTABLISHED 1830

Subscribed	Paid-up	Callable	Reserved	Market Value
£5,200,000	£1,200,000	Nil	£4,000,000	£4,900,000

Per Share £1 "A" Shares
Per Share £1 "B" Shares
Per Share £1 Nil
Per Share £4 Nil
Authorised note issue, £454,346

Year Ended April	Number of Branches	LIABILITIES							Total Liabilities or Assets	ASSETS						
		Capital and Reserves	Per Cent.	Notes	Per Cent.	Accept- ances	Per Cent.	Drafts on London		Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Build- ings and Sundries, including Cover for Accept- ances
1928	195	2,500,000	7.4	2,478,485	7.3	1,221,092	3.6	17,461	...	27,280,188	80.6	33,802,970	2,957,433	8.8	3,826,396	10.7
1929	200	2,550,000	7.4	2,414,224	7.0	1,071,314	3.1	41,014	...	28,262,507	81.5	34,679,113	2,856,075	8.2	3,111,022	9.0
1930	210	3,000,000	8.4	2,406,826	8.0	606,995	1.7	56,380	...	29,133,282	82.0	34,539,037	2,822,001	7.4	3,953,403	11.1
1931	210	3,000,000	8.7	2,343,089	8.0	528,037	1.5	8,101	...	28,305,208	82.0	34,539,037	2,822,001	7.4	3,953,403	11.1
1932	212	3,000,000	8.6	2,398,015	6.9	389,973	1.1	...	...	28,546,761	82.3	34,724,715	2,862,629	7.6	4,818,208	13.4
1933	212	3,000,000	8.3	2,494,221	6.9	447,292	1.2	...	...	28,558,337	82.3	34,699,048	2,468,704	7.1	4,164,551	12.0
1934	212	3,000,000	8.3	2,536,788	6.4	1,899,128	4.8	...	...	29,944,043	82.5	36,240,740	2,817,071	7.8	4,012,598	11.6
1935	212	3,000,000	7.4	2,640,729	6.5	1,593,747	3.9	...	...	31,936,543	80.5	39,753,164	2,762,238	7.0	4,196,340	11.6
1936	215	3,000,000	7.4	2,682,235	6.1	1,025,347	2.5	...	...	33,436,818	82.7	40,439,541	3,051,401	7.3	4,849,231	12.2
1937	215	3,000,000	7.4	2,648,525	6.0	1,118,681	2.8	...	...	33,218,668	82.3	40,359,886	2,751,080	6.8	4,717,091	11.7

THE YOKOHAMA SPECIE BANK

LIMITED

Established 1880

Incorporated in Japan

Subscribed and paid-up Capital Yen 100,000,000

Reserve Fund - - - - - „ 138,400,000

Head Office - YOKOHAMA.

BRANCHES IN ALL
PRINCIPAL PARTS
OF THE WORLD.

London Office: 7 BISHOPSGATE, E.C.2

H. KANO, London Manager

SWISS BANK CORPORATION

(A COMPANY LIMITED BY SHARES, INCORPORATED IN SWITZERLAND)

1872

BASLE, ZURICH, ST. GALL,
GENEVA, LAUSANNE,
LA CHAUX-DE-FONDS,
NEUCHÂTEL, SCHAFFHOUSECapital 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 TransactedCorrespondents in all
Parts of the World

BANK OF INDIA

LIMITED

ESTABLISHED 7th SEPTEMBER, 1906

CAPITAL SUBSCRIBED ... Rs. 2,00,00,000
CAPITAL PAID UP ... „ 1,00,00,000
RESERVE FUND ... „ 1,10,50,000

HEAD OFFICE:—ORIENTAL BUILDINGS, BOMBAY

LOCAL BRANCHES:

Bullion Exchange, Shaikh Menon Street
Malabar Hill, Hughes Road
Kalbadevi, Princess Street
Colaba, Cusrow Baug
Andheri, 47 Ghodbunder Road

BRANCHES:

Ahmedabad, Ahmedabad (Station Branch), Bandra, Calcutta (Clive Street), Calcutta (Bara Bazar), Jamshedpur, Nagpur (Civil Lines), Nagpur City, Poona, Poona City, Rajkot, Surat.

LONDON AGENTS:

The Westminster Bank Ltd.

DIRECTORS:

Sir Chunilal V. Mehta, K.C.S.I. (Chairman)
Mr Ambalal Sarabhai
Sir Joseph Kay, Knight
Mr A. Geddis
Sir Cowasjee Jehangir, Baronet, K.C.I.E., O.B.E.
Mr Dinsha K. Daji
Mr Ramnivas Ramnarin

Current Deposit Accounts.—Interest is allowed on daily balances from Rs. 300 to Rs. 1,00,000 at 4 per cent. per annum. Interest on balances in excess of Rs. 1,00,000 allowed only by special arrangement. No credit will be given in account for interest amounting to less than Rs. 5 per half year.

Fixed Deposits.—Deposits are received fixed for one year or for shorter periods at rates of interest which can be ascertained on application.

Savings Bank.—Accounts opened on favourable terms. Rules on application.

The Bank undertakes Executor and Trustee Business.—Rules may be obtained on application.

General Banking Business transacted, rules for which can be obtained upon application.

A. G. GRAY, Manager.

BANK of ADELAIDE

(Incorporated, with Limited Liability, in Australia)

ESTABLISHED 1866

LONDON OFFICE: 11 LEADENHALL STREET, E.C.3

MELBOURNE OFFICE: 267 Collins Street
SYDNEY OFFICE: 279 George Street
PERTH (W.A.) OFFICE: St. George's Terrace
BRISBANE OFFICE: 305 Queen Street
FREMANTLE OFFICE: 78-80 High Street

HEAD OFFICE: ADELAIDE, SOUTH AUSTRALIA

Branches and Agencies throughout South Australia

Bills on Australasia purchased or collected. Drafts and Letters of Credit issued and Remittances cabled. Accounts opened in Australia for Overseas Banks, and every other description of Banking and Exchange business transacted. Enquiries regarding Australian trade invited.

A. BUTTERWORTH, Manager

CREDIT FONCIER D'ALGERIE ET DE TUNISIE

Limited Liability company incorporated in France in 1880

Telegraphic Address: 'Phone (5 lines):
FONCALUT, LONDON NAT. 9291

CAPITAL: Fracs. 150 MILLIONS

OVER 130 BRANCHES IN

ALGERIA, TUNIS, MOROCCO & NEAR EAST

62 BISHOPSGATE, LONDON, E.C.2

JOINT STOCK BANKS OF NORTHERN IRELAND

BELFAST BANKING COMPANY, LIMITED

ESTABLISHED 1827

(Affiliated with Midland Bank, Limited)

CAPITAL				PROFITS AND DIVIDENDS					
Subscribed	Paid-up	Callible	Reserved	Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends Amount	Rate	Carried Forward
£2,500,000	£800,000	£200,000	£1,500,000	1928.....	110,800	0.59	£1,500	11	92,981
				1929.....	116,727	0.63	£1,800	11	143,108
				1930.....	118,054	0.67	£1,800	11	97,962
				1931.....	111,394	0.64	£1,800	11	43,358
				1932.....	97,530	0.56	£1,800	11	74,886
				1933.....	96,192	0.58	£1,800	11	105,078
				1934.....	102,173	0.59	£1,800	11	39,051
				1935.....	105,182	0.61	£1,800	11	76,033
				1936.....	106,056	0.63	£1,800	11	114,589
				1937.....	106,718	0.64	£1,800	11	55,707
				1938.....	103,929	0.63	£1,800	11	95,836

Authorised note issue, £350,000.

* Including £100,000 used to increase amount paid-up on ordinary shares.

Year ended Dec. 31		Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS							
			Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Notes	Per Cent.	Bills for Collection	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Call	Per Cent.	Investments	Per Cent.	Discounts and Advances	Per Cent.	Buildings	Per Cent.
1928	50	1,300,000	6.9	92,981	0.5	£28,535	4.9	£1,800,000	9.5	£14,779,530	78.2	£18,901,096	£3,327,480	17.6	£1,129,071	27.2	£10,388,948	54.9	£55,597	0.3	
1929	50	1,300,000	7.3	178,508	1.0	823,640	4.6	£1,800,000	10.1	£13,728,292	77.0	£17,830,840	£1,613,180	9.1	£5,428,031	30.4	£10,739,309	60.2	£49,829	0.3	
1930	50	1,400,000	7.9	132,062	0.7	783,809	4.4	£1,800,000	10.2	£13,593,171	76.7	£17,709,012	£1,810,651	10.2	£5,777,241	32.6	£10,071,431	56.8	£49,718	0.3	
1931	50	1,500,000	8.6	75,256	0.4	735,721	4.2	£1,800,000*	10.3	£13,288,883	76.5	£17,400,860	£1,587,440	9.1	£5,366,946	30.9	£10,396,003	59.7	£50,471	0.3	
1932	51	1,500,000	8.5	107,886	0.6	749,872	4.3	£1,800,000	10.3	£13,288,883	76.5	£17,400,860	£1,587,440	9.1	£5,366,946	30.9	£10,396,003	59.7	£50,471	0.3	
1933	51	1,500,000	9.0	138,078	0.8	748,873	4.5	£1,800,000	10.3	£13,288,883	76.5	£17,400,860	£1,587,440	9.1	£5,366,946	30.9	£10,396,003	59.7	£50,471	0.3	
1934	51	1,600,000	9.2	73,151	0.4	791,821	4.6	£1,800,000	10.3	£13,288,883	76.5	£17,400,860	£1,587,440	9.1	£5,366,946	30.9	£10,396,003	59.7	£50,471	0.3	
1935	51	1,600,000	9.3	110,132	0.6	860,997	5.0	£1,800,000	10.3	£13,288,883	76.5	£17,400,860	£1,587,440	9.1	£5,366,946	30.9	£10,396,003	59.7	£50,471	0.3	
1936	51	1,600,000	9.5	148,539	0.9	942,675	5.6	£1,800,000	10.3	£13,288,883	76.5	£17,400,860	£1,587,440	9.1	£5,366,946	30.9	£10,396,003	59.7	£50,471	0.3	
1937	51	1,700,000	10.3	88,707	0.5	1,006,618	6.1	£1,800,000	10.3	£13,288,883	76.5	£17,400,860	£1,587,440	9.1	£5,366,946	30.9	£10,396,003	59.7	£50,471	0.3	
1938	51	1,700,000	10.4	127,736	0.8	1,045,455	6.4	£1,800,000	10.3	£13,288,883	76.5	£17,400,860	£1,587,440	9.1	£5,366,946	30.9	£10,396,003	59.7	£50,471	0.3	

* Midland Bank Limited (Government of Northern Ireland Guaranteed Loans Account).

NORTHERN BANK, LIMITED

ESTABLISHED 1824

1888—Absorbed Ball and Company, Dublin

CAPITAL				PROFITS AND DIVIDENDS					
Subscribed	Paid-up	Callible	Reserved	Year Ended Aug. 31	Net Profits	Per Cent. of Resources	Dividends Amount	Rate	Carried Forward
£3,500,000	£700,000	£700,000	£2,100,000	1928.....	134,922	0.80	£7,500	17	55,088
				1929.....	128,729	0.78	£7,500	17	46,001
				1930.....	129,107	0.75	£7,500	17	48,402
				1931.....	129,253	0.75	£7,500	17	47,064
				1932.....	110,257	0.62	£7,500	17	47,557
				1933.....	97,972	0.57	£7,500	17	49,162
				1934.....	97,866	0.59	£7,500	17	53,317
				1935.....	98,601	0.58	£7,500	17	58,141
				1936.....	98,017	0.58	£7,500	17	64,352
				1937.....	82,251	0.50	£7,500	17	66,685
				1938.....	79,813	0.49	£7,500	17	68,738

* For four months ended Dec. 31.

† Rate per annum.

LIABILITIES											ASSETS										
Year Ended Aug. 31	Number of Branches.	Capital and Re- serves	Per Cent.	Un- divided Profits Carried Forw'd.	Per Cent.	Notes	Per Cent.	Staff Funds	Per Cent.	Deposit and Current Accounts, etc.	Per Cent.	Total Liabilities or Assets	Cash in Hand and at Bankers	Per Cent.	Invest- ments	Per Cent.	Discounts and Advances	Per Cent.	†Premises	Per Cent.	
1928	91	£1,500,000	8.8	£46,156	0.3	£1,445,857	8.5	£62,976	0.4	£13,907,790	82.0	£16,962,781	£1,591,621	9.4	£4,001,165	23.6	£10,994,369	64.8	£375,826	2.2	
1929	91	£1,500,000	8.7	£46,391	0.3	£1,492,946	8.6	£64,291	0.4	£14,200,841	82.0	£17,304,079	£1,688,956	11.4	£4,301,131	24.9	£10,688,383	61.7	£347,409	2.0	
1930	91	£1,500,000	8.7	£48,402	0.3	£1,413,272	8.2	£65,821	0.4	£14,122,157	82.4	£17,149,632	£1,722,625	10.1	£4,457,254	25.9	£10,608,065	61.7	£361,708	2.1	
1931	92	£1,500,000	8.9	£47,064	0.3	£1,399,945	7.8	£63,945	0.4	£14,146,286	83.4	£17,149,632	£1,699,738	9.9	£4,529,955	26.8	£10,447,941	61.7	£349,945	2.1	
1932	92	£1,200,000	7.1	£47,557	0.3	£1,157,120	6.8	£42,270	0.3	£14,317,975	84.5	£16,499,738	£1,471,345	8.7	£4,796,416	28.3	£10,137,391	59.8	£444,038	2.3	
1933	93	£1,200,000	6.8	£50,058	0.3	£1,163,167	6.7	£47,549	0.4	£14,317,975	84.5	£16,499,738	£1,302,288	7.7	£4,829,955	28.5	£10,447,941	61.7	£349,945	2.1	
1934	93	£1,200,000	7.0	£53,317	0.4	£1,155,507	6.7	£51,534	0.4	£14,317,975	84.5	£16,499,738	£1,302,288	7.7	£4,829,955	28.5	£10,447,941	61.7	£349,945	2.1	
1935	93	£1,200,000	7.0	£58,141	0.4	£1,183,272	7.1	£114,315	0.8	£14,317,975	84.5	£16,499,738	£1,302,288	7.7	£4,829,955	28.5	£10,447,941	61.7	£349,945	2.1	
1936	93	£1,200,000	7.2	£66,665	0.4	£1,237,466	7.2	£108,565	0.6	£14,317,975	84.5	£16,499,738	£1,302,288	7.7	£4,829,955	28.5	£10,447,941	61.7	£349,945	2.1	
1937	93	£1,200,000	7.3	£68,738	0.4	£1,188,210	7.1	£145,270	0.9	£14,317,975	84.5	£16,499,738	£1,302,288	7.7	£4,829,955	28.5	£10,447,941	61.7	£349,945	2.1	
1938*	93	£1,200,000	7.3	£69,473	0.4	£1,219,567	7.6	£149,079	0.9	£13,668,799	83.4	£16,356,248	£1,561,142	9.6	£3,137,736	36.3	£8,181,616	52.0	£449,079	2.7	
													£1,749,006	10.7	£5,933,505	36.3	£8,110,741	49.6	£562,997	3.3	

* Excluding agencies.

† Includes cover for acceptances.

‡ December.

* Excluding agencies.

† Includes cover for acceptances.

‡ December 31.

§ Endorsements.

ULSTER BANK, LIMITED

ESTABLISHED 1836

Affiliated to Westminster Bank, Limited, in October, 1917

CAPITAL				PROFITS AND DIVIDENDS					
Subscribed	Paid-up	Callible	Reserved	Year Ended Nov. 30	Net Profits	Per Cent. of Resources	Dividends Amount	Rate	Carried Forward
£3,000,000	£1,000,000	£Nil	£2,000,000	1928.....	224,775	0.92	£128,000	21	72,215
				1929.....	215,435	0.96	£128,000	21	62,650
				1930.....	198,981	0.87	£128,000	21	60,122
				1931.....	189,108	0.80	£128,000	21	60,436
				1932.....	170,470	0.70	£128,000	21	81,544
				1933.....	175,341	0.70	£128,000	21	74,014
				1934.....	180,514	0.71	£128,000	21	71,358
				1935.....	182,602	0.71	£128,000	21	84,470
				1936.....	183,873	0.72	£128,000	21	78,343
				1937.....	178,954	0.73	£128,000	21	68,298

* Free of income tax.

† Thirteen months ended Dec. 31.

Continued on page 43

ULSTER BANK, LIMITED—continued

LIABILITIES												ASSETS								
Year Ended Nov. 30	Number of Branches*	Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Bills for Collec- tion	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabi- lities or Assets	Cash in Hand and at Bankers	Per Cent.	Invest- ments	Per Cent.	Dis- counts, Advances and Short Loans	Per Cent.	Premises	Per Cent.
1928.....	114	£1,700,000	7.0	£72,215	0.3	£1,535,367	6.3	£44,600	0.2	£21,037,705	86.2	£24,389,996	£2,387,110	9.8	£10,508,694	43.1	£11,270,589	46.2	£233,585	0.9
1929.....	115	1,700,000	7.1	62,650	0.3	1,548,926	6.3	52,702	0.2	21,588,158	87.0	24,800,436	2,645,010	10.7	10,742,505	43.4	11,179,336	45.0	233,585	0.9
1930.....	115	1,800,000	7.3	60,122	0.3	1,589,716	5.6	46,654	0.2	21,444,824	86.7	24,741,316	2,293,351	9.3	11,328,912	45.8	10,887,488	44.0	135,042	0.5
1931.....	116	1,850,000	7.5	70,436	0.3	1,300,219	5.3	46,536	0.2	21,467,434	86.7	24,743,825	2,716,570	11.0	11,313,634	45.8	10,445,891	42.2	256,530	1.0
1932.....	116	1,900,000	7.1	81,544	0.3	1,308,784	4.8	54,817	0.2	23,466,141	87.6	26,811,516	3,726,942	13.9	12,229,563	45.7	10,568,896	39.3	286,008	1.1
1933.....	116	1,950,000	7.6	74,014	0.3	1,345,053	5.2	44,437	0.2	23,379,482	86.7	25,793,006	2,274,158	8.8	13,720,663	53.2	9,494,952	36.3	203,233	1.2
1934.....	116	2,000,000	8.0	71,355	0.3	1,431,917	5.7	50,222	0.2	21,364,253	85.8	25,117,749	2,680,750	10.7	12,774,980	50.8	9,344,512	37.2	217,507	1.2
1935.....	116	2,000,000	7.8	76,369	0.3	1,515,191	6.0	53,584	0.2	21,694,129	85.5	25,339,770	2,503,163	9.9	12,922,071	52.4	9,237,924	36.5	317,507	1.2
1936.....	115	2,000,000	7.9	76,369	0.3	1,515,191	6.2	66,984	0.3	21,769,436	85.4	25,498,258	2,627,375	10.3	13,340,409	52.4	9,347,567	36.3	282,507	1.1
1937.....	115	2,000,000	7.8	84,470	0.3	1,577,358	6.0	53,581	0.2	21,641,750	85.2	25,394,738	2,476,712	9.7	13,919,939	50.8	9,710,551	38.3	287,567	1.1
1938.....	115	2,000,000	8.2	79,343	0.3	1,659,713	6.4	49,492	0.2	20,710,753	84.5	24,497,995	2,367,920	9.7	12,776,199	50.8	9,463,520	38.6	298,336	1.2
1938†	115	2,000,000	8.2	68,288	0.3	1,675,897	6.8	42,947	0.2	20,710,753	84.5	24,497,995	2,367,920	9.7	12,776,199	50.8	9,463,520	38.6	298,336	1.2

† December 31.

NATIONAL BANK LIMITED—continued

December 31	LIABILITIES			ASSETS						
	Capital and Reserves	Notes in Circulation	Deposit and Current Accounts, etc.	Cash in Hand	Money at Call and Short Notice	Govt. Securities	Other Investments	Advances on Securities and Current Accounts	Bills discounted	Premises
1934	£ 2,570,000	£ 1,290,494	£ 37,575,719	£ 4,192,239	£ 3,494,267	£ 15,345,043	£ 1,346,621	£ 14,747,625	£ 1,698,494	£ 757,869
1935	2,590,000	1,276,203	37,225,166	4,641,879	3,158,601	14,563,200	1,318,919	15,186,137	1,629,377	739,567
1936	2,610,000	1,318,809	38,062,298	4,780,853	4,181,801	14,072,799	1,307,309	15,551,990	1,549,676	715,340
1937	2,630,000	1,339,864	37,144,732	4,790,088	3,369,171	13,123,270	1,191,498	16,631,853	1,490,680	666,869
1938	2,650,000	1,342,287	36,168,326	4,682,351	2,079,836	12,987,724	1,261,231	17,273,931	1,406,938	613,559

PROVINCIAL BANK OF IRELAND, LIMITED

The directors' statement for the half-year ending December 31, 1938, states that, including £40,171 brought forward from last account, there remains a profit of £77,715. Out of this the directors have declared a dividend for the half-year at the rate of 12½ per cent. per annum, less income tax, which will require £24,469. They have added to reserve fund £5,000, written off bank premises account £8,000, and carried forward £40,246.

LIABILITIES				ASSETS					
December 31	Capital and Reserves	Notes in Circulation	Deposits and Current Accounts, etc.	Cash in Hand at Branches and in London	Money at Call and Short Notice	Investments	Advances to Customers, etc.	Bills discounted	Premises
	£	£	£	£	£	£	£	£	£
1934	1,030,000	915,884	15,069,180	728,037	1,000,000	7,963,766	6,045,025	1,125,889	211,928
1935	1,040,000	956,818	15,180,857	717,542	1,064,000	7,905,351	5,770,819	927,739	205,142
1936	1,050,000	1,008,152	15,072,549	827,630	1,156,365	8,408,502	5,632,889	965,247	199,806
1937	1,060,000	1,034,118	15,260,503	891,109	1,000,000	8,089,056	6,267,650	977,007	193,357
1938	1,070,000	1,046,544	14,904,319	1,003,111	1,000,000	7,691,722	6,242,821	937,413	210,510

THE ROYAL BANK OF IRELAND LIMITED

The directors have to report that the net profits of the bank for the year ended December 31, 1938, after making provision for bad and doubtful debts, amounted to £37,527, which, with the amount brought forward from last year of £11,014, make together £48,541. From this an interim dividend at the rate of 8 per cent. per annum (less tax) for the first six months of the year, has been distributed to the shareholders, £9,300, leaving a balance of £39,241, out of which the board have appropriated to reserve fund, officers' superannuation, and other contingencies £20,000, leaving available a balance of £19,241, which they recommend should be appropriated as follows: A further dividend at the rate of 8 per cent. per annum (less tax) for the six months ended December 31 last, £9,300; the balance to be carried forward to the credit of next year's account, £9,941.

December 31	LIABILITIES			ASSETS				
	Capital and Reserves	Consolidated Notes outstanding	Deposit and Current Accounts, etc.	Bankers' Balances and Cash in hand and at Call	Investments	Bills discounted	Advances	Premises
1934	£ 590,000	£ 233,355	£ 6,243,379	£ 574,593	£ 2,260,209	£ 92,280	£ 3,913,022	£ 250,000
1935	600,000	229,623	6,415,156	671,234	2,509,611	89,631	3,747,323	250,000
1936	605,000	238,347	6,432,826	649,417	2,397,780	88,960	3,913,922	250,000
1937	610,000	239,313	6,465,817	587,338	2,415,907	88,178	3,996,347	250,000
1938	615,000	244,237	6,544,565	671,955	2,403,025	79,885	4,018,178	250,000

AFRICAN BANKS

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

The directors report that after payment of all charges, provision having been made for income tax, bad and doubtful debts and contingencies, the net profit for the year ended September 30, 1938, amounted to the sum of £439,245, to which has to be added the sum of £134,320 brought forward from September 30, 1937, making a total of £573,565, which has been appropriated as follows: To contingency account £100,000; to reserve fund, £75,000; to interim dividends paid June 17, 1938, at the rate of 8 per cent. per annum on the cumulative preference shares, and at the rate of 6 per cent. per annum on the "A" and "B" shares, less income tax, £121,216; to final dividend at the rate of 8 per cent. per annum on the cumulative preference shares of £1 each, fully paid, less income tax, £51,997; to final dividend at the rate of 7 per cent. per annum on the "A" shares of £1 each fully paid, and the "B" shares of £5 each, £1 paid, less income tax, £80,756; balance to be carried forward, £144,595; making a total of £573,565.

September 30	LIABILITIES			ASSETS						
	Capital and Reserves	Deposit and Current Accounts, etc.	Notes in Circulation	Acceptances and Other Liabilities on account of Customers	Cash in Hand and Gold Bullion	Money at Call and Short Notice	Remittances in Transit	Bills discounted	Investments	Advances
1934	£ 6,725,500	£ 82,865,855	£ 770,978	£ 4,311,672	£ 16,958,336	£ 3,373,812	£ 1,216,313	£ 13,764,506	£ 25,778,119	£ 26,740,295
1935	6,825,500	87,781,143	850,448	3,982,457	24,409,002	2,029,994	1,366,221	12,494,916	23,445,438	29,178,051
1936	6,800,500	86,992,504	930,389	4,946,848	25,514,644	2,082,200	1,570,455	13,102,287	27,843,485	32,205,050
1937	7,000,500	96,209,544	1,083,980	5,712,899	22,758,161	1,761,000	1,884,984	11,108,285	28,334,085	35,917,728
1938	7,075,500	99,543,348	1,230,955	5,023,609	26,579,278	1,020,000	1,998,246	9,860,321	32,651,955	33,175,393

NETHERLANDS BANK OF SOUTH AFRICA

The directors' report for the year ended September 30, 1938, states that after making provision for bad and doubtful debts, etc., the accounts show a net profit of £100,514, to which has to be added the profit of £1,620 brought forward from last year, making a total of £102,133, which they recommend should be applied as follows: Writing down bank premises, £6,965; reserved for erection of new premises, £33,965; reserve for taxes, £15,284; 6 per cent. dividend to shareholders, £38,194; tantièmes to directors and staff, £5,499; balance carried forward to next account, £2,225.

Sept. 30	LIABILITIES			ASSETS						
	Capital and Reserves	Deposit and Current Accounts	Acceptances	Bills Payable	Bills for Collection	Cash in Hand	Treasury Bills and Dutch Treasury Bonds	Bills Discounted	Forward Exchange	Loans and Advances
1934	£ 1,105,756	£ 1,895,763	£ 50,263	£ 40,081	£ 10,243	£ 766,594	£ 333,974	£ 722,794	£ 380,292	£ 1,060,092
1935	1,120,402	2,661,747	57,598	...	...	1,284,933	64,736	1,210,531	1,075,815	1,072,956
1936	929,629	2,769,291	169,603	51,987	...	1,309,366	291,396	864,170	618,401	1,236,702
1937	948,213	3,088,126	149,082	68,059	...	1,003,551	57,794	1,134,059	494,364	1,713,148
1938	953,580	3,694,473	100,471	46,328	...	1,976,269	64,872	993,991	714,976	1,649,339

* S.A. £'s (converted from guilders at the rate ruling at the end of the bank's financial year).

THE STANDARD BANK OF SOUTH AFRICA, LIMITED

Sept. 30	LIABILITIES			ASSETS						
	Capital and Reserves	Notes in Circulation	Deposit and Current Accounts	Drafts Outstanding and Acceptances	Customers' Bills for Collection	Cash in Hand and with Bankers	Cash at Call and Short Notice	Investments	Bills Purchased	Discounts and Advances, etc.
1934	£ 5,000,000	£ 499,014	£ 58,710,437	£ 1,129,930	£ 7,681,053	£ 13,151,735	£ 2,650,000	£ 11,999,295	£ 4,363,983	£ 29,274,700
1935	5,000,000	583,702	58,369,371	1,084,713	8,031,482	13,628,482	2,116,393	12,718,849	3,955,861	29,092,820
1936	5,000,000	692,404	61,636,933	1,394,288	8,967,433	9,974,861	2,050,000	14,597,184	4,485,197	34,301,099
1937	5,000,000	828,302	68,455,679	1,355,431	10,880,137	10,931,471	1,850,000	15,357,802	4,925,911	38,644,050
1938	5,500,000	965,064	68,294,109	1,176,709	11,248,117	13,546,730	1,900,000	16,310,092	3,258,226	36,509,375

BANK OF BRITISH WEST AFRICA, LIMITED

The directors' statement of accounts for the year ended March 31, 1938, states that after providing for current charges (including contributions to the staff profit sharing fund and the provident fund), rebate on bills and appropriations to contingency accounts, out of which accounts provision has been made for all bad and doubtful debts, there remains a balance of profit for the year of £60,106. To this must be added £55,608 brought forward from last year, making a total amount available of £115,714. Of this sum £24,000, being an interim dividend of 2 per cent., has already been distributed, less income tax, and the directors now recommend the payment of a final dividend of 3 per cent., absorbing a further sum of £36,000, less income tax, making a total distribution for the year of 5 per cent., less income tax. This distribution will leave a balance of £55,714 to be carried forward.

March 31	LIABILITIES			ASSETS						
	Capital and Reserve	Deposit and Current Accounts, etc.	Drafts Issued	Bills for Collection	Acceptances	Cash in Hand and in Transit	Investments	Bills of Exchange	Loans and Advances, etc.	Premises
1934	£ 1,600,000	£ 6,130,770	£ 141,605	£ 620,042	£ 65,030	£ 769,313	£ 3,697,105	£ 937,628	£ 2,214,117	£ 334,116
1935	1,600,000	6,670,090	157,615	695,378	86,034	770,688	4,428,187	670,596	2,320,552	319,489
1936	1,600,000	7,372,929	128,980	708,630	122,197	1,738,854	3,894,380	714,194	2,558,889	294,879
1937	1,600,000	8,695,295	285,001	648,717	61,032	2,325,229	3,123,280	612,536	4,348,112	264,259
1938	1,600,000	9,851,769	157,061	769,212	67,855	5,865,566	2,500,603	539,275	2,539,667	262,373

AUSTRALASIAN BANKS

THE BANK OF ADELAIDE

The directors' report states that the balance of profit and loss for the year ended March 28, 1938 (including the balance brought forward from the previous year, £42,057) amounts to £107,845, out of which an interim dividend at the rate of 5 per cent. per annum was paid in November, £31,250, leaving available £76,595, out of which the directors have declared a dividend for the half-year ended March 28, 1938, at the rate of 5 per cent. per annum, payable after the general meeting on May 4, 1938, £31,250, leaving a balance to carry forward of £45,345.

March 30	LIABILITIES			ASSETS						
	Capital and Reserve	Notes in Circulation	Bills in Circulation, etc.	Deposits	Cash in Hand including Bullion	Money at Call and Short Notice	Government Securities	Bills Receivable in London and Remittances in Transit	Discounts and Advances	Premises
1934	£ 2,250,000	£ 6,597	£ 46,660	£ 6,197,483	£ 1,020,461	£ 715,000	£ 703,671	£ 812,795	£ 5,075,518	£ 349,344
1935	2,250,000	6,592	79,496	6,372,697	1,020,597	595,700	972,699	606,394	5,252,802	352,837
1936	2,250,000	6,576	74,244	6,713,968	615,111	835,000	855,668	657,645	5,680,001	358,511
1937	2,250,000	6,574	83,536	7,066,114	625,336	1,000,000	701,784	1,286,256	5,631,010	352,382
1938	2,250,000	6,574	83,231	6,971,877	664,138	696,000	904,137	767,483	6,075,864	405,125

THE BANK OF AUSTRALASIA

The directors state that, after providing for rebate on bills current, for British, Australian and New Zealand rates and taxes, and making a transfer to the credit of Contingencies Account, out of which account provision for all bad and doubtful debts has been made, the net profit for the year ended October 10th last amounted to £310,049. To this has to be added £205,830 last brought forward from the previous year's account, making a total of £515,879. From this, £126,000 was paid as an interim dividend on September 30th last, and the directors have now appropriated a further sum of £162,000 to pay a final dividend of 4s. 6d. per share, less income tax at 4s. in the £, making, in all £288,000, equal to 8s. per share, less tax, and representing for the year a distribution at the rate of 8 per cent., less tax. There will remain £227,879 to be carried forward to the next account.

[Continued on page 46]

The Clydesdale Bank Limited

ESTABLISHED 1838

HEAD OFFICE: 30 ST. VINCENT PLACE, GLASGOW

ANDREW MITCHELL - GENERAL MANAGER

Foreign Exchange Branch: 91 Buchanan St., Glasgow.

Edinburgh Office: 29 George St., Edinburgh

London Offices: { City: 30 Lombard St., E.C.3
West End: 31 Regent St., S.W.1

CAPITAL ISSUED £5,300,000
CAPITAL PAID UP £1,300,000

RESERVE SURPLUS FUND £1,800,000
DEPOSITS [31st Dec. 1938] £35,645,422

Money received on Deposit at call and short notice at current rates of interest and for longer periods at Special Terms.

TRUSTEE AND EXECUTOR BUSINESS UNDERTAKEN

AFFILIATED TO MIDLAND BANK LIMITED WITH OVER 2,100 BRANCHES

LIABILITIES

LIABILITIES						ASSETS					
Date	Capital and Reserves	Deposits at Interest	Current Accounts	Bills Payable, Drafts in Transit, etc.	Acceptances	Cash in Hand	Loans at Call and Short Notice	Securities	Bills receivable and Remittances in Transit	Advances on Securities, etc.	Premises
Oct. 15, 1934	£ 8,975,000	26,748,140	12,853,667	4,542,477							
" 14, 1935	8,975,000	23,895,133	13,182,970	4,610,493	230,941	9,356,504	25,000	10,306,126	2,426,692	31,045,284	503,252
" 12, 1936	8,975,000	23,612,110	13,553,470	4,338,965	237,151	5,035,420	...	10,566,078	2,476,286	32,391,472	530,962
" 11, 1937	8,975,000	25,174,224	15,601,240	5,317,750	280,943	4,899,823	...	9,478,927	2,598,641	33,300,768	567,316
" 10, 1938	8,975,000	24,574,637	14,989,103	5,568,657	403,059	10,055,805	...	8,402,412	2,917,107	33,460,837	607,718
					301,202	5,378,808	...	8,661,639	2,673,088	37,047,137	739,349

at the rate of 6s. per share (Australian currency) for quarters ended December 31, 1937, March 31, 1938, and June 30, 1938, paid out of the year's profits, in terms of Clause 105 of deed of settlement, £395,100, leaving a balance of £298,677, which the directors recommend to be dealt with as follows: To quarter's dividend to September 30, 1938, at the rate of 6s. per share Australian currency, £131,700; to balance carried forward, £166,977—£298,677.

September 30	LIABILITIES					ASSETS						
	Capital and Reserves	Notes in Circulation	Deposits, Accrued Interest and Rebate	Bills Payable, etc.	Out-standing Credits, etc.	Cash in Hand	Money at Short Call in London	Treasury Bills	Invest-ments	Bills Receivable in London and Remitances in Transit	Discounts and Advances	Premises
1934	£ 14,930,000	£ 297,491	£ 91,840,970	£ 5,687,257	£ 4,014,119	£ 14,396,166	£ 490,000	£ 6,455,000	£ 16,926,496	£ 4,852,486	£ 66,982,897	£ 2,400,000
1935	14,930,000	140,968	90,403,981	6,468,117	3,386,698	10,179,566	1,280,000	5,535,000	5,128,186	5,128,186	75,122,458	2,500,000
1936	14,930,000	81,450	89,145,169	7,139,652	3,592,971	11,274,935	1,470,000	7,235,000	3,952,897	7,361,895	76,592,248	2,600,000
1937	14,930,000	81,418	85,876,747	8,322,177	3,657,503	16,646,228	2,070,000	2,830,000	7,965,110	90,577,457	82,747,010	2,900,000
1938	14,930,000	81,326	100,257,842	8,154,482	3,341,674	14,376,076	715,000	1,155,000	5,827,075	8,137,352		

interim dividend on ordinary shares, £187,500, leaving available for distribution, £654,740. This the directors propose should be disposed of as follows: Dividend on C long-term mortgage shares at 6 per cent. per annum, £7,031; dividend on D long-term mortgage shares at $7\frac{1}{2}$ per cent. per annum, £17,578; dividend on preference B shares (making £100,000 for the year), £68,750; dividend at rate of 5 per cent. on ordinary shares (making £375,000 for the year, equal to 10 per cent.), £187,500, leaving balance to be carried forward £33,880.

LIABILITIES					ASSETS								
March 31	Capital and Reserves	Notes in Circulation	Deposits	Bills Payable, etc.	Coin, Cash Balances, etc.	Money at Call and Short Notice	Bills Receivable in London and in Transit	Investments	Discounts	Remittances in Transit between Branches	Advances, Securities, Debts, Due to Bank, etc.	Long-term Mortgage Dept.	Premises
1934	£ 10,433,114	£ 4,256,149	£ 34,328,004	£ 3,355,784	£ 7,765,367	£ 4,163,347	£ 2,483,957	£ 14,119,390	£ 408,187	£ 1,439,410	£ 21,962,154	£ 1,310,175	£ 667,490
1935	9,903,125	503,778	33,198,614	3,777,295	7,077,791	7,585,498	1,475,538	8,299,157	519,341	1,369,451	20,971,391	1,310,175	673,678
1936	9,908,125	324,452	35,740,430	8,789,175	7,176,654	8,172,420	2,274,871	8,303,217	495,697	1,784,411	21,683,676	1,310,175	673,143
1937	9,903,125	628	35,636,112	4,084,806	8,105,857	7,122,420	1,338,925	7,957,020	801,729	1,584,679	22,862,219	1,310,175	684,961
1938	9,903,125	627	34,731,532	4,582,271	6,270,176	5,554,518	1,223,430	7,905,557	614,198	1,940,743	25,803,124	1,310,175	733,938

AUSTRALIA, LIMITED
February, 1938, £66,667—£139,014; leaving a balance of £226,708 which it is proposed to apportion as follows: To dividend for six months on the preference shares at 4 per cent. per annum in Australian currency, £42,347; to dividend for six months on the ordinary shares at 7½ per cent. per annum in Australian currency, £75,000; to carry forward to next year, £109,361.

June 30	LIABILITIES						ASSETS						
	Capital and Reserve	Profit and Loss	Notes in Circulation	Bills and Other Liabilities	Deposits	Contingent Liabilities offset by equivalent Assets	Cash in Hand	Money at Call and Short Notice	Commonwealth and New Zealand Short-dated Treasury Bills	Other Investments	Bills Receivable in London, and Remittances in Transit	Discounts and Advances	Other Assets (excluding premises)
1934	£ 6,367,350	£ 176,059	£ 175,988	£ 1,170,409	£ 24,554,505	£ 854,398	£ 3,682,890	£ 20,000	£ 2,141,812	£ 1,981,453	£ 1,412,368	£ 21,725,548	£ 321,683
1935	6,367,350	199,823	19,780	1,192,315	24,853,164	881,364	3,299,966	150,000	1,755,000	2,627,822	1,242,083	22,100,326	292,921
1936	6,367,350	207,943	14,980	1,291,292	25,863,666	898,334	3,437,657	...	2,580,277	1,240,803	1,450,113	22,211,474	56,418
1937	6,367,350	212,351	6,195	1,354,453	29,293,777	1,003,766	5,499,537	125,000	2,440,000	3,798,042	1,980,714	22,124,707	179,911
1938	6,367,350	226,708	6,188	1,587,678	30,052,875	1,371,805	4,241,912	...	2,770,000	4,053,497	2,087,543	24,684,517	221,679

directors have made the following appropriations: To interim dividend for the half-year ended December 31, 1937, at the rate of 7 per cent. per annum paid on January 28, 1938, £165,865, bank premises account £35,000, leaving a balance of £284,341, and now recommend payment of a dividend for the half-year ended June 30, 1938, at the rate of 7 per cent. per annum, £165,865, leaving the amount to be carried forward £118,476.

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COMMERCIAL BANKING COMPANY OF SYDNEY—continued

June 30	LIABILITIES				ASSETS						
	Paid Up Capital and Reserve	Notes in Circulation	Bills in Circulation	Deposits and Other Liabilities	Cash in Hand	Money at Call and Short Notice	Treasury Bills	Government Stocks and Other Securities	Bills Receivable in London and Remittances in Transit	Discounts, etc.	Premises
1934	£ 9,039,013	£ 13,759	£ 1,240,483	£ 48,629,115	£ 7,697,536	£ 960,000	£ 4,640,000	£ 5,654,059	£ 2,070,620	£ 35,888,549	£ 1,269,690
1935	9,039,013	13,703	1,173,911	49,191,296	7,892,626	1,150,000	3,865,000	5,985,759	2,111,077	36,940,268	1,247,813
1936	9,039,013	13,669	1,121,006	49,777,559	7,410,342	1,085,000	4,550,000	5,409,699	2,143,034	37,853,871	1,231,789
1937	9,039,013	13,658	1,198,743	53,854,165	10,208,338	1,370,000	5,450,000	5,408,025	2,487,321	37,744,226	1,209,641
1938	9,039,013	13,621	1,349,094	54,659,194	6,440,568	1,440,000	6,000,000	5,393,894	2,523,920	41,795,388	1,204,965

ENGLISH, SCOTTISH AND AUSTRALIAN BANK, LIMITED

The directors' report for the year ended June 30, 1938, shows that the gross profits amount to £1,268,612, less expenses of management, £823,860, income and other taxes, £164,158—£988,018; leaving a net profit of £280,594. From this the following appropriations have been made: An interim dividend of 3½ per cent. less United Kingdom income tax, at 4s. 3d. in £, £82,687; reserve fund, £15,000; balance of unappropriated profits for the year, £182,906; brought forward from June 30,

1937, £305,978—£488,885; and it is proposed to make further appropriations as follows: To the officers' provident fund, £10,000; to a further dividend of 3½ per cent. less United Kingdom income tax at 3s. 7d. in £, making 7 per cent. for the year, £86,187; to contingencies reserves, £50,000; to reduction in bank premises account, £35,000—£181,187; leaving a balance to be carried forward of £307,697.

June 30	LIABILITIES				ASSETS						
	Capital and Reserves	Deposits at Interest	Current Accounts	Bills Payable, etc.	Cash in Hand	Investments	Bills Receivable and Remittances in Transit	Advances, etc.	Premises		
1934	£ 8,107,866	£ 20,131,519	£ 11,899,829	£ 1,869,723	£ 9,232,191	£ 1,881,589	£ 4,378,925	£ 26,217,746	£ 725,279		
1935	8,122,969	19,576,954	12,832,399	1,843,675	6,167,833	2,214,727	4,378,250	23,813,047	753,855		
1936	8,137,966	19,710,035	13,183,214	2,010,587	8,412,215	2,146,493	3,127,621	29,112,249	733,780		
1937	8,152,966	20,937,315	14,345,344	2,741,282	11,324,780	2,867,438	4,380,274	27,350,619	761,464		
1938	8,167,966	20,552,478	14,636,133	2,796,034	8,400,900	3,799,602	4,004,971	29,689,100	744,886		

COMMONWEALTH BANK OF AUSTRALIA

December 31	LIABILITIES				ASSETS						
	Capital and Reserves	Rural Credits, Capital, Reserve, Development Fund	Deposits, etc.	Bills Payable, etc.	Cash in Hand	Money at Call in London	Australian Notes	Short-term Loans in Australia	Investments	Bills Receivable in London and Remittances in Transit	Discounts, Loans, Advances, etc.
1934	£ 5,925,342	£ 2,291,654	£ 74,916,100	£ 3,595,314	£ 672,127	£ 18,393,539	£ 5,228,130	£ 12,948,492	£ 37,069,932	£ 1,521,720	£ 9,818,823
1935	6,137,822	2,300,105	62,355,187	4,470,282	677,745	12,779,999	5,184,485	6,945,397	36,318,926	2,087,990	10,195,333
1936	6,828,267	2,316,859	71,401,801	6,020,706	1,181,700	20,397,123	3,511,301	11,129,425	35,882,885	2,056,880	10,923,031
1937	6,501,375	2,330,327	90,508,890	5,843,841	1,013,480	34,478,275	4,405,984	...	47,991,439	2,221,706	14,101,609
1938	6,669,661	2,330,544	87,152,106	6,824,703	1,105,224	22,615,373	4,185,677	...	54,331,270	2,210,983	17,598,899

THE NATIONAL BANK OF AUSTRALASIA, LIMITED

According to the report of the directors for the year ended March 31, 1938, the net profit, after deduction of all expenses, etc., including £139,427 for income, land and note taxes, amounted to £347,401, add balance brought forward from previous year £157,540, making available £504,941. From this sum the following appropriations have been made: Interim dividend at the rate of 6 per cent. per annum on the £10 and the

£8 shares, paid in November, 1937, for the half-year ended September 30, 1937, £150,000; reduction of bank premises account £50,000, and it was recommended that a dividend be paid on the £10 and £8 shares for the half-year ended March 31, 1938, at the rate of 6 per cent. per annum £150,000, and to carry forward £154,941—£504,941. (All the figures given are in Australian currency.)

March 31	LIABILITIES				ASSETS						
	Capital and Reserves	Notes in Circulation	Bills in Circulation	Deposits, etc.	Cash in Hand and at Short Call in London	Commonwealth Treasury Bills	Investments	Bills and Remittances in Transit	Discounts and Advances, etc.	Premises	
1934	£ 8,300,000	£ 47,599	£ 418,761	£ 36,212,880	£ 4,262,253	£ 2,835,000	£ 2,942,877	£ 3,709,588	£ 30,671,114	£ 1,229,792	
1935	8,300,000	47,590	623,948	37,049,415	5,437,415	3,225,000	3,095,561	2,584,871	31,182,973	1,213,986	
1936	8,300,000	47,579	623,564	37,789,620	5,567,068	2,670,000	1,661,791	3,575,415	32,446,662	1,194,215	
1937	8,300,000	47,564	623,881	42,220,269	5,961,565	3,600,000	2,787,774	4,506,811	33,060,788	1,217,672	
1938	8,300,000	47,556	1,678,789	43,054,982	5,979,379	2,485,000	4,302,998	4,130,723	34,836,414	1,263,424	

THE QUEENSLAND NATIONAL BANK, LIMITED

The directors submit a report showing that the net profit for the year ended June 30th last, after allowing for rebate on bills current, interest accrued on deposits and interminable inscribed deposit stock, all assessments of income, land and other taxes payable during that period, reducing bank premises and furniture accounts £2,500, making provision for bad and doubtful debts and all known contingencies and including recoveries, amounts to £79,171, to which is to be added amount brought forward

from year ended June 30, 1937, £20,381, making a total of £99,552; out of which an interim dividend was paid at the rate of 4½ per cent. per annum for the half-year ended December 31, 1937, amounting to £39,375, leaving for distribution £60,177; which it is proposed to deal with as follows: Dividend at the rate of 4½ per cent. per annum for the half-year ended June 30, 1938, £39,375 (free of Queensland income tax and unemployment relief tax); balance to be carried forward, £20,802.

June 30	LIABILITIES				ASSETS						
	Capital and Reserves	Interminable Inscribed Deposit Stock	Bills Payable, etc.	Deposits	Cash in Hand and Cash Balances	Money at Call in London	Commonwealth Loans and Treasury Bills	Bills Remitted and in Transit	Discounts and Advances, etc.	Premises	
1934	£ 2,610,000	£ 2,854,478	£ 289,042	£ 7,941,295	£ 1,762,007	£ 25,000	£ 2,146,388	£ 567,166	£ 8,701,368	£ 546,983	
1935	2,610,000	2,814,989	305,362	8,451,035	1,865,689	15,000	2,376,561	570,202	8,880,449	547,273	
1936	2,610,000	2,750,842	349,041	8,646,021	1,404,238	15,000	2,295,409	570,355	9,578,297	547,542	
1937	2,610,000	2,750,842	356,843	9,110,747	1,665,177	15,000	2,206,614	656,652	9,897,975	556,771	
1938	2,610,000	2,727,586	370,816	8,992,762	1,772,027	...	2,229,893	636,858	9,583,813	558,549	

THE NATIONAL BANK OF NEW ZEALAND, LIMITED

The directors' statement of the bank's affairs as on March 31, 1938, states that the net profit for the year, after appropriations to contingency accounts, out of which full provision has been made for bad and doubtful debts, exchange, N.D.C., etc., amounts to £105,727; to be added £112,797 brought forward, making an available total of £218,524. The interim dividend at the rate of 4 per cent. per annum, free of income tax, paid in January, 1938, absorbed £40,000, £14,000 has been placed to

pension and gratuity funds, and £10,000 has been transferred to premises account, leaving £154,524 available for distribution. The directors propose to allocate this amount as follows:—In payment of a dividend at the rate of 5 per cent. per annum for the half-year ended March 31, 1938, making 4½ per cent. for the year, less United Kingdom income tax (at the rate of 3s. 8d. in the £, after allowing relief for Dominion income tax), £40,833; balance to be carried forward, £113,690.

March 31	LIABILITIES				ASSETS						
	Capital and Reserves	Notes in Circulation	Deposit and Current Accounts	Bills Payable and Other Liabilities	Cash in Hand	Cash at Bankers and at Call	Investments	N.Z. Treasury Bills and Special Loan to N.Z. Govt.	Bills Receivable in London and in Transit	Discounts	Advances, etc.
1934	£ 4,000,000	£ 1,111,225	£ 15,595,886	£ 1,313,405	£ 692,945	£ 733,090	£ 2,505,648	£ 6,503,171	£ 1,551,789	£ 323,302	£ 8,924,944
1935	3,500,000	1,111,783	13,554,859	1,368,853	723,369	1,945,953	4,194,477	...	1,163,715	427,580	9,422,430
1936	3,500,000	99,821	13,655,182	1,559,812	695,187	2,612,231	2,697,211	...	1,323,114	340,220	10,381,255
1937	3,500,000	...	13,751,541	1,488,645	835,679	1,530,265	3,336,851	200,000	483,214	454,483	10,976,756
1938	3,500,000	...	13,908,667	1,334,170	669,810	1,467,909	2,229,727	...	463,921	414,437	12,702,613

THE UNION BANK OF AUSTRALIA, LIMITED

The directors' report for the year ended August 31, 1938, shows that after making provision for bad and doubtful debts and other contingencies, there is a net profit for the year of £244,683, to which is added £145,914 brought forward, making £390,597. The interim dividend paid in July last of 3 per cent., less income tax, having absorbed £98,000, the amount

now available is £292,597. From this the directors have declared a final dividend of 4 per cent., less income tax at 3s. 1d. in the £, making 7 per cent. for the year, less income tax. The final dividend will absorb £135,333, and leave £157,264 to be carried forward.

Aug. 31	LIABILITIES				ASSETS						
	Capital and Reserves	Deposits	Bills Payable, etc.	Cash in Hand	Bullion and Advances on Bullion	Money at Call in London	Investments	Remittances and Drafts in Transit, etc.	Commonwealth Treasury Bills	Discounts, Loans, etc.	Premises
1934	£ 8,850,000	£ 36,460,479	£ 760,429	£ 8,705,818	£ 96,529	£ 330,000	£ 2,906,942	£ 1,839,224	£ 1,685,000	£ 32,417,658	£ 376,386
1935	8,850,000	33,429,249	1,116,666	4,599,246	81,329	330,000	3,101,251	2,030,246	1,515,000	31,472,830	374,486
1936	8,850,000	34,410,690	1,197,913	4,845,205	91,370	340,000	3,111,586	2,333,953	1,515,000	32,129,341	356,578
1937	8,850,000	37,828,084	1,549,562	6,842,656	114,488	360,000	3,475,650	2,991,804	1,870,000	31,923,727	438,124
1938	8,850,000	36,986,969	1,521,063	4,980,692	114,453	340,000	3,534,297	2,175,862	1,780,000	34,275,684	457,200

CANADIAN AND W.I. BANKS

BANK OF CANADA

The directors' report for the year ended December 31, 1938, shows a net profit of \$2,033,101, after making provision for contingencies and reserves. This has been appropriated as follows: Dividend No. 7, payable July 2, 1938, at 4½ per cent. per annum on \$10,100,000 for six months to June 30, 1938, \$226,240; Dividend No. 8, payable August 15, 1938, at 4½ per

cent. on \$10,100,000 for the period July 1, 1938, to August 15, 1938, \$56,560; Dividend No. 9, payable January 3, 1939, at 4½ per cent. per annum on \$5,000,000 for the period August 16, 1938, to December 31, 1938, \$85,000; transferred to rest fund, \$555,100; for credit of Receiver General of Canada, account Consolidated Revenue Fund, \$1,110,200.

	BALANCE SHEET—December 31		ASSETS	
	1937	1938	1937	1938
LIABILITIES	\$	\$		
Capital	10,100,000	5,000,000	Gold coin and bullion	179,763,763
Rest fund	1,348,414	1,903,515	Silver bullion	2,992,623
Notes in circulation	165,330,405	175,259,572	Storing funds and U.S.A. funds	14,884,810
Deposits:			Other currencies of countries on a gold standard	382
Dominion Government	12,292,382	17,783,300	Subsidiary coin	220,152
Chartered banks	196,039,737	200,645,826	Investments:	
Other banks	3,456,935	3,086,373	Dominion Government short-term securities	82,343,729
Dividend payable	228,260	85,000	Other Dominion Government securities	91,864,710
Other liabilities	1,634,083	1,172,016	Other securities	12,212,437
			Bank premises	1,167,563
			Other assets	5,457,210
	390,430,216	404,935,602		390,430,216

BANK OF MONTREAL

The annual report shows the following result of the bank's business for the year ended October 30, 1938: Balance of profit and loss account, October 31, 1937, \$1,164,863; profits for the year ended October 30, 1938, after making appropriations for the year ended October 30, 1938, after making provision for contingent reserve fund, out of which full provision for bad and doubtful debts has been made, less Dominion and Provincial Government taxes, \$1,152,618—\$3,398,391; making a

total of \$4,563,254; quarterly dividend 2 per cent. paid March 1, 1938, \$720,000; quarterly dividend 2 per cent. paid June 1, 1938, \$720,000; quarterly dividend 2 per cent. paid September 1, 1938, \$720,000; quarterly dividend 2 per cent. payable December 1, 1938, \$720,000; written off bank premises, \$500,000; balance of profit and loss carried forward, \$1,183,254.

LIABILITIES								ASSETS							
Oct. 31	Capital and Rest	Notes in Circulation	Deposits not bearing Interest	Deposits bearing Interest	Advances under the Finance Act	Balances due to other Banks	Letters of Credit out-standing	Cash in Hand	Cheques on other Banks	Due by Banks Abroad	Invest-ments	Call and Short Loans	Other Loans and Discounts	Premises	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
1934	74,000,000	35,255,876	98,958,738	476,551,846	9,000,000	8,008,963	6,522,750	86,847,110	26,269,902	16,790,917	318,040,703	40,533,502	243,477,041	14,500,000	
1935	74,000,000	29,959,128	151,209,828	490,122,270	...	10,610,883	7,066,426	82,353,490	26,229,389	37,902,358	361,373,721	32,270,974	234,461,311	14,500,000	
1936	75,000,000	27,749,972	189,401,980	463,579,972	...	8,408,899	7,168,979	78,805,708	27,725,906	20,624,328	443,811,395	35,570,156	174,141,012	14,000,000	
1937	75,000,000	24,428,895	192,452,352	438,540,703	...	12,080,698	7,759,143	85,765,455	26,217,466	29,701,296	437,668,061	26,736,645	204,760,812	13,700,000	
1938	75,000,000	22,542,921	219,117,887	506,696,835	...	12,274,843	8,377,375	87,763,735	28,683,865	33,973,643	440,896,472	26,867,986	227,703,450	13,900,000	

BANK OF NOVA SCOTIA—continued

LIABILITIES								ASSETS						
Dec. 31	Capital and Reserve	Notes in Circulation	Deposits not bearing Interest	Deposits bearing Interest	Advances under Finance Act	Balances Due to other Banks	Letters of Credit Out standing	Cash in Hand	Cheques on other Banks	Due by Banks Abroad	Investments	Call and Short Loans	Other Loans and Discounts	Premises
1934	\$ 36,000,000	12,322,202	\$ 31,320,632	\$ 180,427,902	\$ 3,214,000	\$ 6,165,042	\$ 5,973,315	\$ 32,361,899	\$ 13,505,788	\$ 7,659,415	\$ 94,527,147	\$ 14,423,292	\$ 99,555,714	\$ 7,376,119
1935	36,000,000	9,714,396	46,867,438	183,235,959	...	4,304,754	5,583,112	32,211,359	11,397,463	7,781,615	113,245,043	8,361,651	99,835,735	7,008,924
1936	36,000,000	9,415,911	53,077,948	178,833,026	...	4,839,418	6,699,896	30,206,778	11,894,928	7,808,971	117,821,099	16,849,510	95,661,452	6,853,837
1937	36,000,000	8,660,249	60,769,188	180,358,264	...	5,419,401	5,339,180	31,788,847	10,739,169	9,374,243	121,689,040	10,712,388	100,180,572	6,389,861
1938	36,000,000	8,674,540	69,237,865	181,231,486	...	4,497,371	5,095,262	33,010,247	9,916,055	11,352,912	127,092,097	9,450,383	103,371,067	6,309,032

The directors' statement for the year ended December 31, 1938, shows balance of profit and loss account, December 31, 1937, \$770,816. The profits for the year ended December 31, 1938, after making appropriations to contingency accounts, out of which accounts full provision for bad and doubtful debts has been made, and after deducting Dominion and Provincial

THE DOMINION BANK

Government taxes, \$259,526, amounted to \$960,121; making a total of \$1,730,937. Dividends (quarterly) at 10 per cent. per annum, \$700,000; contribution to officers' pension fund, \$75,000; written off bank premises, \$150,000; balance of profit and loss account carried forward, \$805,937.

Common and Provincial														
LIABILITIES								ASSETS						
Dec. 31	Capital Reserves	Notes in Circulation	Deposits not bearing Interest	Deposits bearing Interest	Advances under Finance Act	Due to other Banks	Letters of Credit Out-standing	Cash in Hand	Cheques on other Banks	Due by Banks Abroad	Investments	Call and Short Loans	Other Loans and Discounts	Premises
1934	\$ 14,000,000	\$ 6,683,623	\$ 17,047,553	\$ 79,279,904	\$ 1,500,000	\$ 2,145,193	\$ 2,116,778	\$ 11,946,261	\$ 7,019,090	\$ 1,975,288	\$ 34,317,606	\$ 10,094,822	\$ 50,994,877	\$ 5,900,000
1935	14,000,000	5,802,232	21,084,857	83,446,559	...	3,041,956	4,022,279	12,467,129	9,154,475	2,756,278	39,315,879	10,538,326	48,620,525	5,855,000
1936	14,000,000	5,570,702	32,977,965	78,617,908	...	2,780,311	2,942,098	15,586,670	8,738,755	1,531,804	51,538,902	15,190,290	38,573,363	5,760,000
1937	14,000,000	5,528,741	36,286,541	80,630,033	...	3,319,146	2,066,695	17,300,677	8,213,578	1,636,068	54,048,742	9,494,941	44,541,177	5,685,000
1938	14,000,000	5,260,489	38,053,214	82,649,949	...	2,361,012	2,975,521	17,943,223	6,216,539	1,651,298	55,424,072	7,774,239	50,115,290	5,667,000

According to the directors' report on the results of the bank's operations for the eleven months ending October 31, 1938, the balance of profit and loss account, brought forward from last year, was \$739,326; net profit for the year, after making appropriation to contingent reserve fund, out of which fund full provision for bad and doubtful debts has been made and after deducting Dominion and Provincial Government taxes

THE CANADIAN BANK OF COMMERCE

amounting to \$919,677, was \$2,648,975, making a total of \$3,388,301. These profits have been appropriated as follows: Dividends for eleven months Nos. 204, 205, 206 and 207, at 8 per cent. per annum, \$2,200,000; transferred to pension fund, \$237,218; written off bank premises, \$200,000; leaving a balance to be carried forward, \$751,082.

Financial Government taxes														
LIABILITIES								ASSETS						
November 30	Capital and Reserves	Notes in Circulation	Deposits not Bearing Interest	Deposits Bearing Interest	Deposits of Dominion and Provincial Governments	Due to other Banks	Letters of Credit Out-standing	Cash in Hand	Cheques on other Banks	Due by Banks Abroad	Investments	Call and Short Loans	Other Loans and Discounts	Premises
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1934	50,000,000	25,972,960	98,976,439	356,926,553	14,568,376	7,819,613	12,716,950	51,851,407	19,286,968	16,461,815	173,498,463	57,897,807	219,991,980	14,705,147
1935	50,000,000	26,729,072	134,020,893	360,768,426	23,686,192	15,912,931	17,077,600	61,414,460	17,771,315	28,436,595	219,645,670	35,872,428	224,654,019	14,415,205
1936	50,000,000	24,559,751	173,806,029	345,534,082	10,651,925	13,016,236	19,000,109	67,671,969	21,353,893	29,966,061	222,295,128	52,141,387	200,839,871	14,791,584
1937	50,000,000	21,678,861	163,725,738	356,893,812	27,288,823	12,767,529	17,139,196	67,329,852	18,290,078	24,905,311	262,857,139	32,396,781	203,836,797	14,721,780
1938*	50,000,000	18,093,838	182,718,778	366,768,804	14,841,524	13,686,131	17,753,617	71,294,688	17,881,738	27,882,058	259,592,510	31,320,902	215,745,685	14,683,745

*October 31

ROYAL BANK OF CANADA

The directors' report for the year ended November 30, 1938, states that the balance of profit and loss account, November 30, 1937, was \$2,325,176, and the profits for the year ended November 30, 1938, after making appropriations to contingency reserves, out of which reserves provision for all bad and doubtful debts has been made and after providing for Dominions and Provincial Government taxes amounting to \$1,201,765 were \$3,696,234, making a total of \$6,021,410 which was appropriated

as follows: Dividend No. 202 at 8 per cent. per annum \$700,000; dividend No. 203 at 8 per cent. per annum, \$700,000; dividend No. 204 at 8 per cent. per annum, \$700,000; dividend No. 205 at 8 per cent. per annum, \$700,000; contribution to the pension fund society, \$300,000; appropriation for bank premises, \$200,000; leaving a balance to be carried forward of \$2,721,410.

LIABILITIES															ASSETS						
November 30	Capital and Reserve	Notes in Circulation	Deposits not Bearing Interest	Deposits bearing Interest	Advances under Finance Act	Due to other Banks	Letters of Credit Out-standing	Cash in Hand	Cheques on other Banks	Due by Banks Abroad	Investments	Call and Short Loans	Other Loans and Discounts	Premises							
1934	\$ 55,000,000	\$ 33,221,807	124,452,971	\$ 488,126,483	\$ 9,000,000	10,167,485	\$ 20,763,758	95,777,139	21,994,944	46,037,403	163,151,556	53,337,699	326,782,535	16,833,331							
1935	55,000,000	32,568,426	194,257,143	461,268,434	...	9,491,319	22,026,377	90,244,515	20,376,178	47,007,220	220,498,302	45,545,537	328,821,416	16,043,798							
1936	55,000,000	29,524,612	310,384,198	416,164,055	...	11,299,395	21,130,089	91,486,880	26,239,244	61,552,182	283,170,821	40,778,474	296,765,358	15,662,057							
1937	55,000,000	28,644,831	305,179,752	420,402,616	...	13,677,911	26,055,370	93,410,197	28,076,674	47,149,388	316,568,917	29,463,490	304,697,354	14,965,187							
1938	55,000,000	26,396,639	356,526,650	422,500,482	...	14,633,785	18,532,001	101,997,039	26,394,959	71,891,265	322,334,087	20,616,049	322,545,200	14,756,029							

INDIAN BANKS

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

The directors' report for the year ended December 31st last showed a net profit, after providing for all bad and doubtful debts and including a transfer from contingencies account to meet depreciation on holdings of Government securities, of £514,094, inclusive of £178,785 brought forward from the previous year. The interim dividend at the rate of 10 per cent. per annum paid in September last absorbed £150,000. The

amount now available is therefore £364,094, and the directors propose to pay a final dividend at the rate of 10 per cent. per annum, less income tax; to add £35,000 to the officers' pension fund and to carry forward the balance of £179,094. A contract has been entered into for the purchase of the undertaking of the P. and O. Banking Corporation Ltd., with effect from February 1, 1939.

LIABILITIES							ASSETS						
Dec. 31	Capital and Reserves	Notes in Circulation	Current and Other Accounts	Fixed Deposits	Bills Payable	Loans Payable against Security	Cash in Hand and at Bankers	Bullion on Hand and in Transit	Government and Other Securities	P. and O. Banking Corporation Shares	Bills of Exchange including Treasury Bills	Bills Discounted and Loans	Premises
1934	£ 6,000,000	£ 1,851,106	£ 26,854,135	£ 19,694,289	£ 1,720,525	£ 3,670,942							
1935	6,000,000	1,685,152	26,710,563	19,275,548	1,699,134	3,670,942	5,692,100	1,372,403	17,359,970	2,306,140	9,610,828	21,646,286	1,574,292
1936	6,000,000	1,609,224	29,851,350	18,352,905	1,992,449	4,128,417	4,421,593	249,862	19,439,188	2,313,168	8,945,844	21,117,077	1,584,611
1937	6,000,000	1,688,980	34,188,152	15,553,198	2,641,039	4,641,667	4,834,863	1,230,535	23,140,467	2,315,613	8,239,390	20,599,361	1,552,451
1938	6,000,000	1,579,699	31,496,583	14,695,385	1,703,958	3,824,625	6,385,795	226,290	21,294,065	2,316,746	10,159,417	20,795,843	1,554,611
							5,475,780	1,595,667	23,438,764	2,319,359	7,945,845	16,538,710	1,586,517

THE EASTERN BANK, LIMITED

The directors state that the net profit to December 31, 1938, after providing for income tax and national defence contribution, and after appropriations to the credit of contingency account, out of which account full provision for bad and doubtful debts has been made, and including the balance brought forward from the last account, amounts to £192,792. An interim dividend at the rate of 3s. a share was paid

in September, absorbing £30,000, and the directors now recommend a final dividend of 4s. a share, less income tax at the rate of 3s. 9.551. (after allowing for relief in respect of Dominion income tax). They propose to set aside £40,000 on account of contingencies, leaving a balance of £82,792 to be carried forward to the next account.

LIABILITIES						ASSETS				
December 31	Capital and Reserves	Current and Deposit Accounts	Bills Payable	Acceptances on Account of Customers	Loans payable against Bills and Securities	Cash in Hand and at Banks	Government and Other Securities	Bills Receivable	Advances, etc.	Premises
	£	£	£	£	£	£	£	£	£	£
1934	1,500,000	6,450,187	217,767	789,788	1,543,763	1,165,012	5,600,016	652,668	2,195,829	190,331
1935	1,500,000	6,299,954	199,410	782,580	1,165,000	1,202,691	5,611,561	514,337	2,268,705	192,579
1936	1,500,000	7,771,769	176,196	773,698	1,470,000	1,123,248	6,084,238	949,896	2,756,907	167,934
1937	1,500,000	7,717,024	252,929	776,637	1,462,409	1,107,066	5,363,332	1,164,742	3,304,357	155,693
1938	1,500,000	7,499,725	238,278	768,953	1,314,092	1,232,536	5,900,656	810,111	2,598,611	155,868

IMPERIAL BANK OF INDIA

The report shows that, after making the usual and necessary provisions, the net profit of the bank for the half-year ended December 31, 1938, amounted to Rs. 39,35,096 which, with Rs. 30,49,947 brought forward from the half-year ended June 30, 1938, makes a total of Rs. 69,85,043. This sum the directors of the bank have disposed of as follows: In payment of a divi-

dend to the shareholders at the rate of 12 per cent. per annum free of income tax, Rs. 33,75,000; transferred to premises account, Rs. 2,50,000; transferred to pension funds, Rs. 70,000; transferred to the reserve fund Rs. 2,50,000; carried forward to the profit and loss account of the current half-year, Rs. 30,40,043—total, Rs. 69,85,043.

LIABILITIES					ASSETS								
Dec. 31	Capital and Reserves	Public Deposits	Other Deposits	Sundries	Cash	Govt. Securities	Other Authorised Securities	Ways and Means Advances to Govt. of India	Loans	Cash Credits	Bills Discounted and Purchased	Balances with Other Banks	Sundries
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1934	10,97,50,000	6,72,19,793	74,27,94,823	93,47,907	18,97,37,908	41,55,69,581	46,82,053	5,00,00,000	5,83,04,399	15,59,39,760	2,59,32,373	5,24,950	85,13,087
1935	10,97,50,000	•	79,09,16,810	66,69,478	19,42,28,012	46,40,90,765	•	•	3,69,82,412	14,87,64,501	3,00,37,513	16,36,401	54,62,673
1936	11,10,00,000	•	78,79,50,117	66,15,747	7,83,96,368	52,31,37,365	27,20,384	•	5,72,99,554	16,24,12,672	4,78,80,869	72,44,714	44,41,874
1937	11,12,50,000	•	81,08,06,708	72,58,880	10,84,27,353	45,37,31,719	2,26,36,091	•	6,50,58,416	16,86,98,971	5,99,32,240	258,91,768	44,23,932
1938	11,17,50,000	•	81,50,94,831	71,17,219	5,63,96,316	41,72,09,478	2,01,43,396	•	10,98,28,317	21,76,40,679	5,55,50,922	335,01,524	44,31,515

* Gone to Reserve Bank.

ANGLO-INTERNATIONAL BANK, LIMITED

24-28 Lombard Street, London, E.C.3

Telephones: MANSION HOUSE 6543 (9 lines).

MERCANTILE BANK OF INDIA

The directors' report for the year ended December 31, 1938, shows that the balance of profit and loss account for the year amounts to £192,443, and the amount available, after adding £173,327 brought forward from last account, is £365,770. From this sum has to be deducted £63,000, being the interim dividend of 6 per cent., less income tax, on the "A," "B" and "C" shares paid in September last. The directors have added

£12,000 to the officers' pension fund, written £20,000 off freehold banking premises, and made an additional allocation of £30,000 to contingencies account. They now recommend a final dividend on the "A," "B" and "C" shares of 6 per cent., less income tax (making 12 per cent. for the year), leaving a balance of £177,770 to be carried forward.

LIABILITIES						ASSETS					
December 31	Capital and Reserves	Notes in Circulation	Current and Deposit Accounts, etc.	Bills Payable	Acceptances on Account of Customers	Cash in Hand and at Bankers, including Bullion	Government and other Securities	Bills Receivable	Bills Discounted	Loans Receivable and Advances	Premises
1934.....	2,125,000	155,837	12,974,356	537,745	214,212	1,760,773	6,107,952	1,837,611	28,667	5,902,092	351,461
1935.....	2,125,000	160,412	13,918,615	512,018	171,383	2,024,631	6,630,425	2,179,899	19,163	5,107,638	341,461
1936.....	2,125,000	254,572	14,875,061	621,406	268,957	1,847,224	6,599,752	2,751,841	22,981	5,866,405	336,954
1937.....	2,125,000	326,858	16,025,388	608,779	308,319	2,232,768	6,763,984	2,283,076	15,741	6,887,963	321,036
1938.....	2,125,000	276,652	14,852,169	539,959	187,793	2,706,484	7,705,209	1,350,935	28,150	5,416,015	304,725

P. & O. BANKING CORPORATION, LIMITED

The directors report that the net profits for the year ended March 31, 1938, after providing for taxation, bad and doubtful debts and valuing investments at or below market rates, amount to £85,228 which, with £52,971 brought forward from last year, gives an available balance for disposal of £138,199. The

directors have transferred £5,000 to the Officers' Pension Fund. Out of the balance of £133,199 they propose to pay a dividend of 4 per cent. less income tax, absorbing £81,284, carrying £51,916 to next account. The bank was absorbed by the Chartered Bank of India, Australia and China on January 31, 1939.

LIABILITIES						ASSETS					
March 31	Capital and Reserves	Current, Deposit and Other Accounts, etc.	Loans Payable against Security	Acceptances, Endorsements, etc.	Bills for Collection, etc.	Cash at Bankers and in Hand, including Bullion	Bills Receivable	Investments	Loans Receivable against Security	Advances to Customers, etc.	Premises
1934.....	2,774,160	6,433,239	5,165,763	118,683	281,844	1,957,897	2,134,364	6,807,975	805,824	2,714,907	138,000
1935.....	2,774,160	7,169,970	5,918,250	130,622	307,896	1,266,275	3,709,699	5,445,763	1,815,823	3,128,466	127,262
1936.....	2,774,160	6,818,404	4,475,000	126,645	337,238	1,487,355	3,200,943	4,561,751	1,945,824	2,938,111	116,000
1937.....	2,774,160	7,370,489	5,231,250	146,655	400,845	1,196,957	3,426,311	4,834,884	2,335,821	3,637,239	114,401
1938.....	2,774,160	6,761,724	6,762,500	168,923	405,615	888,123*	3,687,387	4,975,295	1,916,024	4,862,741	114,476

* Including money at call.

THE NATIONAL BANK OF INDIA, LIMITED

The directors' report for the year ended December 31, 1938, shows that the net profits, after providing for all bad and doubtful debts, amount to £444,063 and, adding £249,817 brought forward from the previous year, the available total is £693,880. An *ad interim* dividend at the rate of 16 per cent. per

annum was paid on September 22nd last, absorbing £160,000, and the directors now recommend a further dividend at the same rate less income tax. They propose to add £50,000 to the staff pension funds and to write £75,000 off house property account, leaving a balance of £248,880 to be carried forward.

LIABILITIES					ASSETS					
December 31	Capital and Reserves	Current, Deposit and Other Accounts, etc.	Bills Payable	Acceptances for Customers	Cash on Hand, at Call, and at Bankers	Indian Government Rupee Securities	Other Securities	Bills of Exchange	Discounts, Loans, etc.	Premises
1934.....	4,200,000	28,703,042	756,190	351,156	3,990,939	5,109,765	9,522,179	4,280,728	10,515,597	691,574
1935.....	4,200,000	29,382,941	660,259	408,110	4,427,753	5,021,262	9,789,005	4,427,068	10,283,643	641,574
1936.....	4,200,000	30,027,681	645,844	330,830	5,411,234	5,264,652	9,259,332	4,809,434	10,004,846	647,964
1937.....	4,200,000	30,468,946	662,936	472,330	5,303,152	5,303,684	10,000,378	4,525,843	10,073,728	652,914
1938.....	4,200,000	27,856,726	477,691	326,722	4,861,444	5,335,140	8,183,684	3,637,770	10,118,561	931,698

FOREIGN BANKS HAVING LONDON OFFICES AND BRITISH BANKS TRADING ABROAD

ANGLO-CZECHOSLOVAK AND PRAGUE CREDIT BANK

LIABILITIES						ASSETS					
Dec 31	Capital and Reserves	Staff Pension Fund	Deposit Accounts	Current Accounts	Acceptances on account of Clients	Items in Transit	Cash in Hand and with Banks	Balances with Banks Abroad	Bills receivable	Investments	Premises
1934	Kc. 138,104,783	Kc. 62,329,600	Kc. 974,898,895	Kc. 1,722,268,458	Kc. 28,525,008	Kc. 23,248,982	Kc. 238,965,057	Kc. 49,719,832	Kc. 145,255,742	Kc. 416,321,891	Kc. 73,000,000
1935	Kc. 138,137,894	Kc. 62,329,600	Kc. 1,034,541,007	Kc. 1,757,416,820	Kc. 24,057,253	Kc. 23,149,015	Kc. 290,882,425	Kc. 94,910,648	Kc. 155,485,055	Kc. 447,524,538	Kc. 73,000,000
1936	Kc. 138,201,091	Kc. 62,329,600	Kc. 1,055,814,607	Kc. 1,916,037,360	Kc. 24,082,087	Kc. 23,149,015	Kc. 281,461,696	Kc. 94,124,174	Kc. 163,072,221	Kc. 498,887,574	Kc. 73,000,000
1937	Kc. 138,257,465	Kc. 62,329,600	Kc. 1,094,418,818	Kc. 2,059,755,674	Kc. 40,697,966	Kc. 29,219,545	Kc. 287,924,999	Kc. 199,660,002	Kc. 223,239,173	Kc. 514,317,563	Kc. 73,000,000
1938	Kc. 138,380,885	Kc. 62,329,600	Kc. 810,414,074	Kc. 1,883,265,303	Kc. 13,557,912	Kc. 21,851,430	Kc. 271,894,727	Kc. 184,309,626	Kc. 168,166,910	Kc. 529,810,061	Kc. 73,000,000

ANGLO-INTERNATIONAL BANK, LIMITED

The directors submit a report for the year ending December 31, 1938, which states that the net losses on the realisation of assets and sundry provisions amounted to £28,681; from this sum has been deducted the surplus of interest, dividends, commissions,

etc., over general expenses and directors' fees, £6,949, leaving a debit balance for the year of £21,731, which, added to the balance brought forward from the previous year, £528,794, makes a total debit balance of £550,525.

LIABILITIES						ASSETS					
Dec. 31	Capital	Current, Deposit and other Accounts	Acceptances and Guarantees for Account of Customers	Cash with Bankers and in Hand	Money at Call	Balances with Bankers Abroad	Bills Receivable	Securities and Investments	Notes and Treasury Bills, etc.	Advances, etc.	Premises Abroad
1934.....	£ 1,960,008	£ 442,310	£ 1,176,116	£ 39,468	£ 225,000	£ 38,649	£ 64,079	£ 882,482	£ 128,655	£ 612,619	£ 171,939
1935.....	1,960,008	505,242	1,084,465	39,734	425,000	42,510	61,372	759,624	128,939	414,341	171,923
1936.....	1,960,008	569,084	907,980	50,759	245,000	16,503	75,656	1,125,568	128,331	230,253	170,000
1937.....	1,960,008	627,760	436,560	47,423	230,000	34,403	52,317	795,129	124,004	564,944	170,000
1938.....	1,960,008	371,396	399,646	37,916	185,000	40,674	12,182	482,290	111,557	393,422	170,000

ANGLO-PORTUGUESE COLONIAL AND OVERSEAS BANK, LIMITED

The report of the directors for the year ended January 31, 1939, states that the net profits, after making provision for bad and doubtful debts, national defence contribution, income

tax and depreciation of investments, amount to £227, which, with the balance of £65,581 brought forward from last year, make a total of £65,808; this it is proposed to carry forward.

LIABILITIES				ASSETS					
January 31	Capital and Reserves	Current, Deposit and Other Accounts	Acceptances and Confirmed Credits	Cash at Bankers in Hand and at Call	Balances with Banks abroad	Bills discounted	Investments	Advances, etc.	Banco Nacional Ultramarino, Lisbon and Branches, Accounts
	£	£	£	£	£	£	£	£	£
1935.....	1,000,000	734,661	632,684	350,999	175,007	444,799	365,175	234,631	134,275
1936.....	1,000,000	838,995	535,822	379,349	202,046	691,770	234,018	235,425	83,668
1937.....	1,000,000	985,217	787,666	378,528	62,854	712,599	277,932	399,069	158,749
1938.....	1,050,000	1,339,193	803,891	590,214	50,716	874,025	540,497	304,322	...
1939.....	1,050,000	1,897,471	786,374	814,438	104,395	1,028,467	469,796	509,983	...

BANK OF AMERICA

N.T. & S.A.

LIABILITIES				ASSETS			
December 31	Capital, Surplus and Profit and Reserves	Liabilities for Letters of Credit, Acceptances, etc.	Deposits	Circulation	Cash and due from Banks	Investments and Securities	Stock in Federal Reserve Bank
* 1934.....	\$ 105,977,315	\$ 17,554,907	\$ 997,695,995	\$ 45,500,000	\$ 130,915,752	\$ 485,160,617	\$ 3,934,790†
1935.....	104,107,653	18,046,264	1,155,265,465	...	134,939,706	620,219,559	2,475,000
1936.....	108,139,177	23,221,264	1,289,976,759	...	204,171,712	623,304,982	2,505,000
1937.....	111,995,831	23,998,508	1,357,378,756	...	244,970,758	550,551,379	2,580,000
1938.....	116,830,362	20,863,817	1,437,027,491	...	280,169,293	554,932,428	2,700,000

* Includes figures of Bank of America State Bank.

† Includes investments in Federal Deposit Insurance Corporation.

BANCA COMMERCIALE ITALIANA

The net profit for the year ended December 31, 1938, was 35,800,435 lire.

LIABILITIES						ASSETS					
Dec. 31	Capital and Reserves	Bills Payable	Commercial Acceptances	Deposits and Current Accounts	Guarantees	Rebate on Bills	Securities Deposited	Cash in Hand	Bills Receivable, Govt. Securities and Money at Call	Contango and Loans	Participations in Affiliated Banks
1934	Lire 844,244,493	Lire 159,587,424	Lire 191,881,548	Lire 7,840,409,929	Lire 293,125,070	Lire 4,213,065	Lire 8,936,653,558	Lire 460,641,261	Lire 5,164,446,833	Lire 132,843,392	Lire 254,465,901
1935	844,785,576	199,914,293	24,329,912	6,960,026,565	207,295,021	7,293,737	7,991,987,875	364,779,826	4,657,177,195	118,236,284	252,687,964
1936	845,769,054	206,239,123	29,484,872	6,900,421,209	199,189,203	5,393,536	6,832,915,038	640,014,933	4,688,231,768	93,402,047	251,794,095
1937	847,596,198	242,083,149	205,202,793	7,477,990,829	316,613,061	8,634,398	6,932,670,471	705,722,912	4,932,611,653	104,207,077	250,944,629
1938	851,087,697	251,217,527	175,040,372	7,029,573,943	304,804,335	9,947,056	9,388,711,724	793,317,731	4,662,763,355	107,284,060	224,676,933

BANQUE NATIONALE POUR LE COMMERCE ET L'INDUSTRIE

(Incorporated in France with Limited Liability)

AUTHORISED CAPITAL — FRF. 240,000,000 PAID-UP CAPITAL — FRF. 175,000,000

HEAD OFFICE : 16 BOULEVARD DES ITALIENS, PARIS

LONDON OFFICE : 3 ABCHURCH YARD, E.C.4

CABLE ADDRESS : "BANCOMIND, LONDON"

TELEPHONE : MANSION House 2643 (5 lines)

General Banking Facilities

OVER 800 OFFICES IN FRANCE

BANK OF ATHENS

The report of the directors for the year ended December 31, 1938, states that net profits, after making the necessary provisions for amortisation, general expenses, taxes, installations and repairs to premises, and the payment of Drs. 3,663,453 into the

staff pension fund, amount to Drs. 18,920,243. It was proposed to declare a dividend of Drs. 12 per share, and to carry forward the balance of Drs. 3,231,502.

LIABILITIES										ASSETS				
December 31	Capital and Reserves	Sight Deposits	Fixed Deposits	Deposits in Guarantee	Savings Bank	Current Accounts	Cheques Payable	Cash in Hand, at Banks and Treasury Bills	Due from Banks Abroad	Bills Receivable	Loans, Advances, Discounts, etc.	Current Accounts	Securities	
	Drs.	Drs.	Drs.	Drs.	Drs.	Drs.	Drs.	Drs.	Drs.	Drs.	Drs.	Drs.	Drs.	
1934	176,000,000	900,419,519	529,680,677	40,367,579	713,525,171	282,912,596	35,684,350	290,609,654	58,742,858	492,363,818	928,581,409	598,925,999	213,894,828*	
1935	176,000,000	878,179,945	450,565,388	38,321,310	682,618,617	289,309,334	32,394,305	263,800,560	68,709,082	476,246,778	905,862,225	538,848,341	221,152,783*	
1936	176,000,000	879,777,476	489,856,921	41,611,658	742,909,988	260,095,182	31,831,272	321,376,249	98,642,680	494,204,055	831,244,476	528,925,193	203,661,204	
1937	176,000,000	909,207,911	473,463,521	41,625,249	832,322,114	302,650,622	34,374,679	256,036,402	94,991,250	608,264,044	886,682,955	597,128,977	229,641,771	
1938	176,000,000	890,112,189	469,992,955	38,133,597	896,683,455	350,099,624	35,897,081	263,495,956	78,026,730	618,294,200	889,129,458	697,135,927	236,680,214	

* Including participations.

BANKERS' TRUST COMPANY, NEW YORK

December 31	LIABILITIES							ASSETS						
	Capital and Surplus Fund	Un-divided Profits	Contingency Fund	Deposits	Out-standing and Certified Cheques	Out-standing Acceptances	Cash in Hand and at Banks	Ex-changes for Clearing House	U.S. Govt. Securities	Demand Loans	Time Loans and Discounts	Securities and Investments	Customers' Liability on Ac-ceptances	Premises
1934.....	\$ 75,000,000	\$ 12,018,798	\$ 16,922,710	\$ 861,365,212	\$ 21,622,819	\$ 6,803,883	\$ 189,202,302	\$ 55,875,115	\$ 437,811,600	\$ 49,922,006	\$ 183,182,634	\$ 50,367,524	\$ 5,937,672	\$ 20,453,109
1935.....	75,000,000	18,386,035	13,966,038	860,783,720	49,592,323	4,193,581	190,298,399	82,091,686	458,595,209	50,794,858	158,123,324	55,428,410	3,765,941	20,115,982
1936.....	75,000,000	23,937,771	8,200,000	910,820,321	42,709,840	9,273,253	225,816,844	59,575,789	448,876,818	76,987,807	175,958,646	52,383,310	8,361,325	19,822,258
1937.....	75,000,000	26,932,372	5,500,000	819,473,017	33,323,824	5,873,884	262,548,353	57,568,149	343,935,274	59,246,989	185,131,887	30,473,728	5,522,563	19,522,482
1938.....	75,000,000	29,464,116	5,000,000	890,465,428	21,833,118	3,703,403	331,521,905	...	381,891,763	...	216,953,410*	62,367,499	3,429,746	21,249,913

* Including demand loans.

BANCO DI ROMA

The net profits for the year 1937 were 10,891,790 lire.

LIABILITIES										ASSETS					
December 31	Capital and Reserves	Deposits on Current and Savings Accounts	Balances Due to Correspondents	Circular Cheques	Acceptances on behalf of Customers	Guarantees for Third Parties	Sundry Deposits	Cash in Hand and with Banks	Portfolio Treasury Bills, and Sight Funds	Balances Due by Correspondents	Secured Advances	Investments	Securities on Deposit		
	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire		
1933	240,000,000	611,777,776	1,833,605,306	98,934,020	60,717,051	75,334,695	1,945,010,322	434,170,948	110,222,899	694,962,819	211,868,937	126,012,122	139,156,500		
1934	241,280,840	688,274,377	1,766,815,436	95,254,530	69,186,774	102,095,859	2,722,524,207	421,615,789	110,355,012	774,292,691	277,425,699	106,135,451	154,839,500		
1935	242,280,840	665,129,453	1,643,532,080	108,099,152	7,156,290	108,431,121	3,415,778,790	461,127,147	120,402,536	708,364,073	233,488,454	107,654,456	164,838,500		
1936	243,280,840	982,348,883	2,245,674,372	141,801,118	6,775,693	172,003,824	2,987,658,127	535,213,984	147,052,781	101,240,505	260,547,068	147,143,020	127,254,500		
1937	244,258,173	1,261,327,289	2,796,285,837	195,008,714	11,414,361	143,553,439	3,477,351,308	597,638,702	187,632,547	117,717,267	499,266,759	184,783,956	112,869,000		

BANK OF LONDON AND SOUTH AMERICA, LIMITED

The profit for the year ended September 30, 1938, after deducting all expenses and charges, and after providing for bad and doubtful debts and legal reserves in South America, amounts to £466,476. To this sum has to be added £169,000 brought forward from last year, making a total of £635,476. The interim dividend of 2 per cent. paid in June last amounted to £80,800.

From the unappropriated balance the directors recommend the following allocations:—To final dividend of 3 per cent., payable December 14, 1938, subject to income tax, £121,200; to contingency reserve, £260,000; to profit and loss carried forward £173,476.

LIABILITIES						ASSETS			
September 30	Capital and Reserves	Current and Deposit Accounts, and Contingency Reserve	Bills Payable	Acceptances on behalf of Customers	Bills for Collection on account of Customers	Cash in Hand, at Bankers, and at Call	Bills Receivable	Advances, Securities, etc.	Premises
1934	£ 5,040,000	£ 31,362,686	£ 625,476	£ 1,811,076	£ 7,824,610	9,632,729	£ 6,661,702	£ 10,399,185	£ 1,836,000
1935	5,540,000	28,288,764	660,544	1,719,341	6,350,249	7,144,293	6,025,981	19,862,878	1,913,705
1936	6,040,000	55,403,372	1,167,703	2,604,644	8,952,716	13,520,531	10,118,302	35,075,487	2,852,808
1937	6,040,000	58,303,757	1,401,739	3,031,938	10,168,406	15,314,448	10,549,290	36,018,560	2,888,343
1938	6,040,000	56,286,068	1,123,305	2,686,608	9,559,592	14,865,394	9,418,322	37,163,381	2,667,721

THE BANK OF ROUMANIA, LIMITED

The report for the year 1937 states that the balance of the Bucarest profit and loss account of Lei 2,179,688, which cannot be remitted, has been passed to the lei provision for bad and doubtful accounts in Roumania, and the equivalent, namely, £3,186, has been released from the sterling reserve for doubtful

debts, contingencies, etc. After meeting all London office expenses, directors' fees and payments on account of the Bucarest branch, as well as depreciation of investments, there is a deficit of £8,278.

LIABILITIES												ASSETS				
December 31	Capital	Current Accounts, etc.	Guarantees, etc., for Account of Customers	Subsidiary Companies' Current Accounts	Cash in Hand and at Banks	Balances with Banks Abroad	Money at Call and Short Notice in London	British Treasury Bills	Investments	Bills Receivable, Loans, Current and Other Accounts	Property Account					
1933	£ 300,000	£ 872,363	£ 77,050	£ 7,799	£ 280,282	£ 21,060	£ 30,000	£ 350,000	£ 26,688	£ 461,436	£ 4,311					
1934	300,000	1,412,071	87,122	8,051	291,739	10,259	125,000	250,000	31,823	482,802	17,258					
1935	300,000	1,246,401	32,636	3,956	436,806	7,413	25,000	•	386,618	695,141	17,633					
1936	300,000	836,972	97,533	13,222	200,303	9,329	245,000	•	224,817	546,272	12,731					
1937	300,000	831,095	47,982	2,878	328,339	2,447	...	•	381,204	392,432	12,717					

* Not shown separately.

The NATIONAL BANK OF NEW ZEALAND

Established 1872

Limited

DIRECTORS:

The Rt. Hon. Lord BALFOUR OF BURLEIGH (Chairman)
The Rt. Hon. Viscount HAMPDEN, G.C.V.O., K.C.B., C.M.G.
Sir AUSTIN E. HARRIS, K.B.E.
SYDNEY PARKES, Esq.
RICHARD DURANT TROTTER, Esq.
ARTHUR WILLIS, Esq.

Advisory Director in New Zealand:
Sir James Grose

HEAD OFFICE: 8 MOORGATE, LONDON, E.C.2

Manager: A. O. Norwood

Secretary: J. H. Laurie

CHIEF OFFICE IN NEW ZEALAND: WELLINGTON

General Manager: P. R. M. Hanna

Assistant General Manager: G. G. Littlejohn

Subscribed Capital - - - - - £6,000,000

Paid-up Capital - - - - - £2,000,000

Reserve Fund - - - - - £1,000,000

Currency Reserve - - - - - £500,000

The Bank conducts every description of banking business connected with New Zealand.

BANK OF LONDON & SOUTH AMERICA LIMITED

Affords a complete international banking service through its branches in

ARGENTINA, URUGUAY
PARAGUAY, CHILE, COLOMBIA
ECUADOR, GUATEMALA
NICARAGUA, PERU, SALVADOR
VENEZUELA, BRAZIL, SPAIN
PORTUGAL, FRANCE

Head Office:

6, 7 and 8, TOKENHOUSE YARD
LONDON, E.C.2

Agencies in:

New York, Bradford, Manchester

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. SIR GEORGE SCHUSTER, K.C.S.I., K.C.M.G., C.B.E.,
THE RT. HON. LORD M.C., M.P.
ALDENHAM
E. M. JANION, Esq. SIR FREDERICK W. YOUNG.

Manager & Secretary—F. C. HOUNSFIELD.

Asst. Mgr.—J. A. CLEZY. 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.



Trade & Investment

In the past quarter century Australia has paid the United Kingdom £1,500,000,000 sterling for goods and services, and interest and dividends on investments. Australia's oldest and largest Bank is actively engaged in financing and promoting this lucrative trade and investment.

BANK OF NEW SOUTH WALES

Incorporated in New South Wales with Limited Liability
Established 1817

London Offices: 29 Threadneedle Street, E.C.2 & 47 Berkeley Square, W.1

THE BANK OF TAIWAN, LIMITED

LIABILITIES								ASSETS							
June 30	Capital and Reserves	Notes in Circulation	Deposits, etc.	Bills Payable	Bills Rediscounted	Acceptances and Guarantees, etc.	Due to Correspondents	Cash in Hand and at Banks	Bullion	Discounts, Loans, etc.	Interest Bills, Bills Bought and Export Advances	Government Bonds, etc.	Due from Correspondents	Premises and Estate	
	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	
1934	18,104,000	62,653,877	284,470,796	36,050,000	33,725,308	4,326,675	2,638,177	16,262,787	19,857,496	212,951,387	71,427,871	89,055,178	2,191,499	4,782,699	
1935	19,004,000	70,190,978	255,783,541	48,811,280	11,766,647	6,316,551	1,957,809	12,162,958	15,469,212	212,765,357	59,572,815	100,094,852	1,665,043	4,838,881	
1936	19,504,000	63,673,700	257,690,082	57,938,643	3,600,616	3,076,608	1,713,804	12,863,140	15,557,040	203,674,503	61,833,236	103,812,626	659,541	4,887,700	
1937	20,700,000	75,489,725	266,414,839	70,592,610	7,756,065	4,099,807	1,803,684	19,240,288	12,369,151	205,306,560	83,378,043	114,827,664	999,087	6,025,434	
1938	21,900,000	105,440,193	284,353,313	81,314,993	1,843,166	9,076,067	2,000,663	75,586,499	945,211	236,409,550	58,234,807	117,115,694	1,493,629	6,693,555	

BANQUE COMMERCIALE DU CONGO

The report of the board of directors for the year 1937-38 announces a net profit, including an amount brought forward of Frs. 13,345, of Frs. 1,713,363, out of which a dividend of 8 per cent., free of tax, has been paid. Before this figure was arrived at, a sum of Frs. 1,978,751 was deducted, which, together with

a transfer of Frs. 1,000,000 from the available reserve, forms a provision against the depreciation of the holding of Government securities. Owing to a change in the presentation of the balance sheet, the figures are only approximately comparable.

LIABILITIES							ASSETS						
June 30	Capital and Reserves	Dividend Due	Sundry Creditors	Advances against Securities	Bills Payable	Sundry Accounts	Cash in Hand and at Bank	Government Securities	Sundry Debtors	Bills Receivable	Investments	Sundry Accounts	Debtors for Acceptances
1934	Frs. 41,500,000	Frs. 2,108,434	Frs. 207,757,124	Frs. 265,446	Frs. 1,249,908	Frs. 3,176,794	Frs. 11,830,639	Frs. 195,887,411	Frs. 29,155,447	Frs. 5,733,277	Frs. 9,996,765	Frs. 54,982	Frs. 11,912
1935	35,000,000	2,100,347	107,369,940	361,500	1,905,369	1,689,381	26,727,663	84,806,315	25,592,006	6,326,877	...	45,937	1,239,250
1936	35,000,000	2,391,297	201,788,409	...	71,134	2,765,341	5,408,842	124,201,737	18,218,460	90,212,674	...	...	...
1937	35,250,000	2,400,233	163,160,089	...	39,353	2,238,691	6,784,819	177,956,299	14,792,177	99,891	461,292	13,887	...
1938	38,589,686	...	192,159,943	361,500	120,362	1,386,311	9,413,412	205,288,679	13,816,363	7,187	461,292	267,792	...

BANQUE DU CONGO BELGE

The report of the directors for the year 1937-38 shows a net profit of Frs. 5,437,102, which permits a dividend of 11 per cent.

The reserves are increased by Frs. 500,000, and Frs. 2,109,908 go to the Trésor Colonial.

LIABILITIES								ASSETS						
June 30	Capital and Reserves	Notes	Due to Colonial Treasury	Dividend Due	Creditors	Bills Payable	Sundry Accounts	Cash in Hand and at Bank	Gold and Gold Exchange	Government Securities	Bills Receivable	Sundry Debtors	Sundry Accounts	Property, Premises, Furniture, etc.
	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.
1934	59,000,000	110,984,588	2,233,192	2,409,639	500,033,312	8,047,355	2,825,247	345,885,557	61,794,212	130,604,834	82,813,822	52,002,802	3,647,593	9,000,000
1935	59,500,000	116,920,015	2,352,464	2,409,639	543,801,619	14,425,155	27,650,821	413,967,298	85,825,248	52,792,871	145,238,481	58,764,595	1,487,444	9,000,000
1936	60,000,000	257,214,806	2,661,762	2,650,602	515,213,235	16,571,169	4,356,910	294,899,245	130,860,248	118,713,691	147,477,374	151,627,251	6,608,181	8,500,000
1937	60,500,000	343,540,173	2,968,138	2,891,566	654,653,881	15,913,483	2,899,735	336,602,537	172,825,248	236,290,231	159,202,842	163,299,460	7,163,942	8,000,000
1938	61,000,000	378,205,489	2,109,908	2,200,000	599,087,485	22,615,393	3,305,945	285,726,346	165,906,290	255,934,477	179,060,170	167,157,555	5,758,593	8,500,000

THE BRITISH BANK FOR FOREIGN TRADE, LIMITED

The directors' report for the year ended April 30, 1938, shows a loss, after charging the sums shown to the debit of the profit and loss account, of £6,085, to which is added the debit brought

forward from the previous year of £69,230, making a total of £75,315.

LIABILITIES					ASSETS				
April 30	Capital	Current Deposit and Other Accounts	Investment Depreciation Reserve	Cash in Hand, at Bankers in London and Abroad	Investments	Loans and Advances	Subsidiary Company	Profit and Loss Account	Premises
1934	£ 351,600	£ 253,506	£ 85,433	£ 358	£ 392,314	£ 123,957	£ 69,665	£ 58,245	£ 46,000
1935	351,600	256,391	86,049	384	392,195	123,957	69,665	58,245	46,000
1936	351,600	225,674	19,880	599	391,830	99,031	68,934	67,496	46,000
1937	361,100	220,313	...	432	377,838	86,255	...	72,269	46,000
1938	361,100	211,981	...	288	399,988	81,513	...	69,230	...

BRITISH AND CONTINENTAL BANKING COMPANY LIMITED

The report of the directors for the year ended September 30, 1938, shows a net profit of £17,082. Deducting directors' fees of £1,448 and adding the balance brought forward from last year of £3,768, there remains an available total of £19,401.

The directors propose to appropriate this balance as follows: Transfer to additional reserve account £10,000; payment of a dividend of 7 per cent., less income tax; to be carried forward, £4,326.

LIABILITIES					ASSETS				
September 30	Capital and Reserves	Current Accounts	Deposit and Other Accounts, etc.	Acceptances and Endorsements	Cash in Hand, at Bankers and at Call	British Treasury Bills and Government Bonds	Other Bills	Investments	Deposits in London and Paris, Advances, Guarantees, etc.
1934	£ 175,000	£ 164,491	£ 403,135	£ 133,835	£ 156,436	£ 45,371	£ 249,755	£ 184,212	£ 106,852
1935	185,000	119,247	471,188	80,467	180,627	35,000	199,899	159,597	200,313
1936	192,500	517,555	601,305	50,000	511,261	50,000	341,616	100,209	308,274
1937	200,000	724,325	898,566	34,587	568,497	150,000	454,805	155,655	493,934
1938	200,000	866,654	687,533	70,235	737,560	19,757	530,015	185,172	281,683

BRITISH OVERSEAS BANK, LIMITED

The directors' report states that the profit, after allowing rebate of interest and providing for all bad and doubtful debts (other than provided for out of contingencies account) for the year ended October 31, 1938, amounts to £29,823; balance available from last account, £71,601, making a total of £101,424, which has been appropriated as follows: To contingencies account, £20,000, leaving a balance to be carried forward to next

year of £81,424. As a result of conditions ruling in several of the countries in which the Bank has done business, some of the assets have become difficult of immediate realisation. Arrangements have therefore been made for the provision of a deferred deposit of sufficient amount, together with the liquid assets, to cover the Bank's liabilities to creditors and depositors.

[Continued on page 58]

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

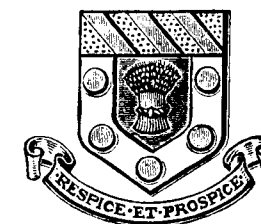
Principal Manchester Offices:
MOSLEY STREET — ST. ANN STREET

Offices throughout London, Lancashire, York-
shire, Cheshire, Derbyshire, Staffordshire and
North Wales

Associated Bank: The Royal Bank of Scotland

World-wide facilities
for Banking business
of every description

EXECUTORSHIPS AND
TRUSTEESHIPS UNDERTAKEN

STOCKHOLMS ENSKILDA BANK
AKTIEBOLAG
STOCKHOLM

Established in 1856

Capital: 100,000,000 Kronor

TELEGRAPHIC ADDRESS:
NITTON-STOCKHOLM

HEAD OFFICE:
STOCKHOLM 16

National Central Savings
Bank of Hungary

UNGARISCHE LANDES CENTRAL SPARKASSA

Budapest IV
Deák Ferenc-utca 7
Cable Address: MOKTÁR

Foreign Department:
Phone: 182-518

ESTABLISHED 1872

Every description of Banking Business transacted. Pay-
ment of Travellers' Cheques and of Letters of Credit.

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

BRITISH OVERSEAS BANK, LIMITED—continued from page 56

LIABILITIES				ASSETS								
October 31	Capital and Reserves	Current Deposit and other Accounts	Acceptances, etc.	Cash in Hand and at Bankers	Money at Call and Short Notice	Balances with Bankers Abroad	Bills Discounted	Government Securities	Investments	Advances, etc.	Owed by Subsidiary Companies	Premises
1934	£2,250,000	£2,964,622	£3,121,136	£229,388	£945,996	£145,423	£498,095	£379,938	£595,849	£2,024,740	£142,023	£336,781
1935	2,250,000	2,638,403	2,988,526	247,417	869,329	208,471	553,525	370,629	587,013	1,782,860	14,715	336,961
1936	2,250,000	3,982,509	4,078,265	255,894	1,259,943	456,753	973,462	446,345	594,389	1,956,870	33,485	337,076
1937	2,250,000	3,840,339	3,089,195	278,043	1,149,195	196,622	138,099	446,345	703,779	3,031,211	53,593	337,338
1938	2,250,000	2,464,730	1,782,352	84,770	245,687	164,963	144,644	420,391	693,714	2,608,433	125,141	337,346

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

The directors report that there has been an increase of \$4,125,968 in the undivided profits account during the year ended December 31, 1938, as shown herewith: Undivided profits January 1, 1938, \$31,120,741; add from earnings for 1938, \$4,125,968; totalling \$35,246,709. Dividends paid during 1938 amounted to \$10,360,000.

LIABILITIES							ASSETS						
Dec. 31	Capital and Reserves, etc.	Deposits	Certified and Cashier's Cheques	Acceptances	Liability for Acceptances and Foreign Bills	Other Liabilities	Cash and Due from Banks	Securities and Investments	Loans, Discounts and Bankers' Acceptances	Real Estate	Mortgages	Customers' Acceptance Liability	Other Assets
1934	\$ 238,896,119	\$ 1,639,086,387	\$ 70,705,988	\$ 43,836,820	\$ 408,055	\$ 6,117,478	\$ 514,731,534	\$ 734,634,393	\$ 651,069,766	\$ 41,570,414	\$ 4,055,282	\$ 41,436,542	\$ 11,552,618
1935	241,858,177	2,075,121,091	...	20,518,920	7,771,009	5,279,997	855,637,763	775,522,673	638,002,317	43,047,738	2,550,793	18,674,106	17,113,783
1936	243,248,458	2,296,209,092	...	17,360,230	8,174,216	7,190,078	669,417,960	1,036,710,125	772,031,008	41,475,886	10,681,010	15,193,897	16,672,188
1937	250,182,189	2,069,989,515	...	25,707,614	23,637,678	5,862,414	708,039,851	846,510,578	728,522,484	42,682,489	11,724,121	23,646,601	14,271,287
1938	253,953,343	2,234,332,982	...	25,062,029	5,630,250	4,188,572	882,617,333*	917,830,432	638,733,623	41,282,157	11,297,921	23,542,486	7,863,224

* Including bullion abroad and in transit.

COMMERCIAL BANK OF THE NEAR EAST, LIMITED

The following is a statement of the results for the year 1938: Profit for the year, £4,931, less depreciation on investments, £4,708, leaves £223; add balance brought forward from the year ended December 31, 1937, £759—£982. Directors' fees absorb £660, leaving £322 to be carried forward.

LIABILITIES					ASSETS							
December 31	Capital and Reserves	Current, Deposits and other Accounts	Bills for Collection	Acceptances and Endorsements, etc.	Cash in Hand and at London Bankers	Money at Call	Remittances in Transit	Balances with Foreign Banks	Bills Discounted	Investments	Advances to Customers, etc.	Furniture and Fittings
1934	£207,000	£270,288	£84,611	£20,824	£14,109	£95,000	£486	£14,142	£46,115	£140,353	£167,297	£1,414
1935	207,000	823,711	135,304	34,993	44,578	...	2,555	48,080	74,512	177,176	185,528	1,260
1936	207,000	374,077	106,701	79,579	34,587	70,000	808	6,859	84,909	161,254	231,141	1,158
1937	210,000	408,162	122,065	76,688	21,640	80,000	12,654	42,320	88,701	135,908	242,497	1,201
1938	212,000	395,596	147,360	60,714	30,840	43,000	2,418	41,217	78,412	129,981	280,786	1,268

THOS. COOK AND SON (BANKERS), LIMITED

LIABILITIES					ASSETS								
October 31	Capital and Reserve	Current Deposit and other Accounts, etc.	Balances due to Subsidiary Companies	Liability to Customers on account of Engagements, etc.	Cash in Hand and with Bankers on Account	Deposits with Bankers	Currencies in Hand	Remittances in Transit	Money at Call and Short Notice	Discounts	Investments	Advances	Premises
	£	£	£	£									
1934	250,000	3,182,993	55,201	14,394	416,258	1,798,750	25,715	134,154	160,000	163,664	571,460	160,403	57,789
1935	250,000	3,241,664	66,048	18,699	613,978	1,784,182	27,369	182,121	95,000	102,996	506,530	209,510	56,327
1936	250,000	4,016,801	40,845	24,364	707,411	1,953,124	28,266	210,740	435,000	10,134	622,829	283,272	56,870
1937	250,000	4,469,910	57,821	28,656	509,270	2,688,023	30,740	227,590	250,000	19,853	661,026	336,281	54,947
1938	250,000	4,022,180	63,243	25,968	743,087	1,679,526	37,600	156,509	300,000	240,059	801,459	323,984	53,198

CRÉDIT LYONNAIS

LIABILITIES							ASSETS					
Dec. 31	Capital and Reserves	Deposits at Call	Current Accounts	Accounts Payable after Collection	Acceptances	Fixed Deposits, etc.	Cash in Hand and at Banks	Discounts and French Treasury Bills	Loans and Advances	Current Accounts	Investments	Sundries
	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.
1934 ...	1,208,000,000	4,938,591,556	6,586,828,417	180,980,899	41,654,016	30,706,771	2,507,845,516	7,860,521,610	893,225,620	2,808,040,091	3,953,567	42,346,399
1935 ...	1,200,000,000	4,519,322,913	5,858,389,320	171,484,089	92,194,675	34,483,492	1,779,468,093	6,944,576,417	815,799,096	3,052,158,099	3,749,051	41,140,043
1936 ...	1,200,000,000	4,332,734,440	5,804,774,582	217,258,119	184,920,433	29,505,990	1,586,949,641	7,395,525,385	418,476,662	2,525,665,820	3,509,078	40,934,542
1937 ...	1,200,000,000	4,613,074,244	6,423,122,245	240,082,691	247,685,027	745,094,015	1,916,834,118	7,730,074,107	339,748,230	2,895,448,013	3,464,784	680,564,281
1938 ...	1,200,000,000	5,471,788,218	7,034,680,874	273,980,122	313,184,511	754,330,775	2,259,988,429	9,083,829,240	306,126,640	2,755,378,151	3,461,169	685,915,351

CREDITO ITALIANO

At the annual general meeting held on March 7, 1939, it was decided to allocate the net profit for the year 1938 as follows:—to reserve, 2,934,536 lire; to shareholders 4 per cent. dividend, 20,000,000 lire; to balance carried forward, 6,410,826 lire, making a total of 29,345,362 lire.

LIABILITIES								ASSETS					
Dec. 31	Capital and Reserves	Deposits and Savings Accounts	Current Accounts	Acceptances on behalf of Customers	Cheques Outstanding	Sundry Creditors	Guarantees on Account of Customers	Cash in Hand and at Call	Bills Receivable	Loans Against Collateral	Current Accounts	Investments	Sundry Debtors
	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire
1934...	602,989,372	1,538,496,598	4,211,070,341	117,086,783	156,658,020	74,567,442	228,446,542	339,865,887	3,877,522,132	105,740,834	1,371,342,956	752,186,576	180,739,120
1935...	605,890,040	1,498,886,181	4,260,164,875	8,395,220	202,811,189	106,940,493	200,846,796	359,269,560	3,880,283,243	67,754,803	1,525,338,167	714,103,677	86,544,585
1936...	608,792,289	1,827,407,558	4,045,954,520	4,477,832	228,655,244	121,820,078	189,320,638	596,511,847	3,684,954,255	118,943,912	1,506,320,354	729,089,735	151,612,768
1937...	611,656,733	1,973,486,078	4,223,943,090	127,229,749	259,728,424	133,825,024	191,700,980	463,661,092	3,823,505,410	133,873,725	1,841,898,463	808,625,949	85,502,319
1938...	614,537,796	2,189,298,393	3,876,712,973	114,305,140	257,016,808	136,972,827	194,071,621	501,821,540	3,934,014,738	98,314,467	1,800,086,933	800,132,420	87,310,018

COMPTOIR NATIONAL D'ESCOMPTE DE PARIS

The report of the directors for the year ended December 31, 1938, shows that net profit, after the necessary deductions for expenses, taxes, and other charges, amounts to Frs. 39,363,223. A dividend was announced of Frs. 50 for each share, and Frs. 8.262 for each founders' share. The statutory reserve will be increased by Frs. 1,968,161 and the shareholders account reduced by Frs. 3,970,449.

LIABILITIES					ASSETS							
Dec. 31	Capital and Reserves	Current and Deposit Accounts	Fixed Deposits	Acceptances	Cash in Hand and at Banks	Discounts and French Treasury Bills	Loans and Advances	Current Accounts	Branches Abroad	Investments	Credit Balances with Correspondents	Sundry Accounts
	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.
1934	839,672,636	7,572,546,062	29,660,270	65,007,490	1,429,055,170	4,424,936,984	395,371,799	1,255,190,228	25,428,808	7,651,789	979,144,244	20,508,722
1935	841,698,358	6,708,728,881	25,004,920	114,590,433	1,430,756,631	3,779,641,237	346,680,341	1,192,860,774	39,483,784	13,335,103	861,277,833	18,805,880
1936	843,979,171	7,425,884,894	30,421,150	140,549,892	1,410,047,870	4,270,669,870	448,691,930	1,465,285,060	51,125,747	13,401,863	703,194,452	34,125,180
1937	845,789,330	7,620,368,513	32,307,580	185,943,343	1,782,507,634	4,264,692,098	406,617,277	1,384,053,666	33,042,484	13,466,527	733,918,570	16,081,827
1938	848,089,453	8,562,821,740	38,376,770	204,660,359	1,853,679,865	4,963,481,159	425,323,482	1,407,736,220	55,087,571	13,455,067	829,769,492	18,381,569

CRÉDIT FONCIER D'ALGÉRIE ET DE TUNISIE

LIABILITIES							ASSETS						
December 31	Capital and Reserves	Joint Account with Crédit Foncier de France*	Current and Deposit Accounts	Time Deposits	Correspondents and Creditors	Acceptances, etc.	Cash	Bills	Correspondents	Investments	Advances Against Securities	Current Accounts	Syndicates
	Francs	Francs	Francs	Francs	Francs	Francs	Francs	Francs	Francs	Francs	Francs	Francs	Francs
1933	182,331,502	579,501,156	1,654,649,422	366,258,236	131,459,227	18,699,973	140,942,924	1,291,180,807	69,676,367	54,567,667	292,708,567	898,462,344	50,648,586
1934	183,068,368	595,631,784	1,580,675,016	396,401,920	149,469,240	17,791,300	104,759,970	1,207,413,112	68,546,708	53,062,950	365,983,185	338,352,824	48,805,225
1935	183,800,828	583,270,290	1,291,188,258	315,689,922	146,057,784	17,665,814	102,473,372	885,365,691	72,350,932	53,449,364	374,068,528	392,701,259	50,554,521
1936	184,244,760	581,109,625	1,319,351,329	313,485,546	174,982,660	29,108,976	91,126,609	938,512,547	103,396,544	48,986,835	377,810,453	388,835,011	36,904,362
1937	184,727,809	550,457,807	1,581,339,472	319,089,719	220,181,214	33,624,123	150,392,985	1,090,409,020	134,696,919	49,869,834	386,458,068	421,829,390	36,516,919

* Offset by equal assets.

CITY BANK FARMERS TRUST COMPANY

LIABILITIES					ASSETS						
Dec. 31	Capital and Surplus	Undivided Profits	Reserves	Deposits	Cash and Due from Banks and Bankers	Loans and other Secured Advances	U.S. Government Obligations (Direct or Fully Guaranteed)	Other Bonds Mortgages and Securities	Stock in Federal Reserve Bank	Bank Premises	Other Assets
1934	\$ 20,000,000	\$ 2,223,691	\$ 279,955	\$ 45,656,182	\$ 14,957,414	\$ 12,913,684	\$ 17,894,870	\$ 14,643,070	\$ 600,000	\$ 4,728,509	\$ 2,424,281
1935	20,000,000	2,805,961	1,057,513	87,526,709	36,275,953	9,409,432	39,771,668	18,572,843	600,000	4,577,240	2,182,045
1936	20,000,000	3,435,194	2,237,817	106,445,371	48,200,130	7,708,245	32,304,003	18,681,002	600,000	4,427,972	2,785,780
1937	20,000,000	4,120,759	3,115,261	73,396,510	34,181,863	10,296,214	31,740,359	16,828,779	600,000	4,278,704	2,704,611
1938	20,000,000	4,438,098	3,303,305	80,108,923	39,482,154	12,471,945	33,082,456	15,637,290	600,000	4,669,675	1,906,806

THE HONGKONG AND SHANGHAI BANKING CORPORATION

The directors report that the net profits for the year ending December 31, 1938, together with \$3,383,004 balance brought forward from last account, after paying all charges, deducting interest paid and due, and making provision for bad and doubtful accounts and contingencies, amount to \$18,679,626. They recommend writing off bank premises account the sum of \$1,000,000. After deducting \$1,000,000 the interim dividend of

£2 10s. per share, paid on August 8th last, viz.: £400,000 at 1s. 2½d.—\$6,453,781, and remuneration to directors, there remains for appropriation \$11,145,172, out of which the directors recommend the payment of a final dividend of £3 per share, viz., £480,000 which, at 1s. 2½d., the rate of the day, will absorb \$7,744,538. The balance \$3,400,634 to be carried to new profit and loss account.

LIABILITIES								ASSETS					
Dec. 31	Capital and Reserves	Notes in Circulation	Current Accounts	Fixed Deposits	Bills Payable	Acceptances	Profit and Loss Account	Cash	Bullion in Hand and in Transit	British Government Indian, Colonial and other Securities	Discounts, Loans and Credits	Bills Receivable, etc.	Premises
1934...	\$ 106,097,561	\$ 133,946,215	\$ 504,204,989	\$ 179,192,481	\$ 9,690,000*	\$ 4,916,689	\$ 9,914,213	\$ 137,918,708	\$ 177,390,735	\$ 194,414,110	\$ 318,955,251	\$ 92,248,247	\$ 22,118,388
1935...	129,840,000	119,010,770	568,131,918	208,027,823	12,424,354	2,366,587	11,699,860	154,181,307	41,909,294	262,233,304	435,863,291	132,776,563	22,170,965
1936...	134,873,950	127,636,280	649,329,397	188,614,455	14,821,639	3,306,510	12,085,328	197,465,213	...	301,419,785	493,812,564	112,890,958	21,772,530
1937...	134,873,950	200,234,180	700,263,011	159,896,537	21,500,995	3,408,612	12,127,542	257,931,297	...	324,334,289	467,314,472	158,531,999	20,801,157
1938...	134,873,950	210,579,120	724,134,216	148,137,618	21,410,649	2,560,568	12,145,172	310,514,048	...	354,117,642	454,001,338	112,845,053	19,802,645

THE IMPERIAL BANK OF IRAN

The profits for the year ended March 20, 1938, after making provision for expenses of management, general charges in London and at chief office and branches, income tax, N.D.C., Exchange, and bad and doubtful debts, amount to £65,974, to which has to be added £53,034 brought forward from last account, making a total of £119,008. The assets and liabilities of the branches in Iran have been converted at the rate of

exchange of Rials 80½ per £ sterling, being the rate on March 20, 1938. This is the same rate as last year. The directors now recommend payment of a final dividend of 7s. per share, and a bonus of 2s. per share, making with the interim dividend of 4s. per share a total for the year of 13s., free of income tax. This leaves a sum of £54,008 to be carried forward.

LIABILITIES												ASSETS				
March 20	Capital and Reserves	Current and Fixed Deposits, etc.	Bills Payable, Provision for Contingencies, Endorsements, etc.	Acceptances, etc.	Profit and Loss Account	Cash in Hand, at Bankers, at Call, and Short Notice, and Bullion	British Government and Other Securities	Discounts, Loans, Advances, etc.	Bills Receivable	Premises						
1934	£1,570,000	£3,128,793	£1,655,914	£278,159	£94,058	£1,053,273	£3,467,919	£1,268,583	£653,617	£5,373						
1935	1,580,000	3,065,478	2,009,720	620,325	94,818	1,278,923	3,552,066	1,222,163	694,194	2,670						
1936	1,590,000	3,887,911	1,827,576	970,266	95,604	1,102,424	3,259,738	2,082,757	654,581	1,592						
1937	1,750,000	3,539,235	1,643,817	891,497	98,034	899,602	2,844,780	2,447,445	838,219	1,041						
1938	1,750,000	3,740,552	1,605,191	627,361	99,008	866,211	3,056,518	2,720,367	550,655	1,000						

INTERNATIONAL BANKING CORPORATION

LIABILITIES										ASSETS				
December 31	Capital and Surplus	Undivided Profits	Deposits	Notes in Circulation in China	Items in Transit with Branches	Acceptances	Reserves	Other Liabilities	Cash and Due from Banks and Bankers	Loans, Discounts and Advances	Bonds and Securities	Customers' Liability Account of Acceptances	Other Assets	
1934	\$ 5,000,000	3,223,533	11,325,714	\$ 679,979	396,893	\$ 1,558,770	4,403,135	\$ 2,192	\$ 10,057,749	3,510,676	\$ 11,416,678	1,526,438	\$ 78,675	
1935	6,000,000	2,173,144	12,044,103	453,671	213,944	3,076,316	406,064	2,466	9,285,434	4,792,330	7,166,085	3,067,000	58,859	
1936	6,000,000	2,170,008	7,276,608	315,907	155,899	794,400	355,626	...	7,173,602	3,830,125	5,791,085	723,300	50,837	
1937	6,000,000	2,228,750	5,084,560	384,698	601	1,330,780	386,001	...	5,040,896	3,406,923	5,616,021	111,000	21,551	
1938	6,500,000	1,736,972	5,492,890	192,674	...	439,760	385,587	...	6,353,761	2,349,874	5,500,920	438,980	104,348*	

* Including items in transit with branches.

IONIAN BANK, LIMITED

The directors' report for the year ended December 31, 1938, shows a net profit of £17,473, to which has to be added balance brought forward from last accounting year £9,462, leaving available for distribution £26,935. From this there has been paid a dividend for the year at 2s. 6d. per share, £15,000; leaving a balance to be carried forward of £11,935.

LIABILITIES					ASSETS							
August 31	Capital and Reserves	Current and Deposit Accounts, Outstanding Advances, Letters of Credit, etc.	Bills Payable	Profit and Loss	Cash in Hand, at Bankers, in Transit	Balances with Banking Correspondents	Investments	Bills receivable	Loans and Advances, Outstanding Advances, Exchange Contracts, etc.	Liability of Customers for Acceptances	Mortgaged Property in Possession	Premises
1934	£800,000	£3,329,365	£103,078	£26,567	£533,556	£39,132	£871,048	£433,998	£2,125,437	£	£	£
1935	800,000	3,269,850	40,708	26,646	414,365	33,285	851,946	433,998	1,990,124	204,449	42,407	217,990
1936*	800,000	3,151,042	41,615	16,823	373,020	65,006	707,223	433,748	2,130,582	310,774	36,253	217,992
1937	800,000	3,511,320	69,203	24,462	407,854	30,446	699,242	633,068	2,377,994	191,396	43,593	217,992
1938†	800,000	3,958,583	51,065	26,935	271,383	40,787	749,709	685,837	2,833,855	147,397	42,885	217,992

* 16 months to December 31st.

† December 31st.

* 16 months to December 31st.

† December 31st.

ITALO-BELGIAN BANK

The directors' report for the year ended June 30, 1938, states that the net profit was Frs. 11,585,764 which, together with the balance of Frs. 1,663,819 makes a total of Frs. 13,249,583. They propose to pay a dividend of 10 per cent. per annum net, free of Belgian tax, Frs. 10,000,000; directors' fees, Frs. 856,149; provisions for taxes, Frs. 700,000; and to carry forward the balance of Frs. 1,693,434.

LIABILITIES							ASSETS						
June 30	Capital and Reserves	Current and Deposit Accounts	Bankers and Correspondents	Bills Payable	Re-discount on Bills	Depositors and Sundry Accounts	Cash in Hand and with Bankers	Bills Receivable	Investments	Bankers and Correspondents	Loans and Advances	Premises	
	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	
1934	200,000,000	682,184,881	192,243,586	46,148,864	1,183,394	2,290,128,504	211,692,091	391,912,133	25,257,985	204,681,735	286,132,415	21,000,000	
1935	200,000,000	712,870,234	182,814,177	95,664,121	568,320	2,634,664,453	196,303,690	281,631,241	25,514,656	242,403,450	350,547,358	21,000,000	
1936	200,000,000	395,404,704	119,800,328	110,505,941	653,348	2,067,651,948	199,989,317	254,540,278	22,769,083	289,725,077	373,123,481	21,000,000	
1937	200,000,000	435,490,796	168,566,982	141,820,244	425,131	2,222,835,164	212,860,976	290,598,615	29,086,305	281,151,867	533,993,673	21,000,000	
1938	200,000,000	533,784,731	223,745,141	143,308,190	400,625	2,234,610,712	199,010,411	274,205,351	23,358,923	463,559,667	539,449,225	21,000,000	

NATIONAL BANK OF GREECE

Established in 1841

HEAD OFFICE IN ATHENS. Branches and Agencies throughout Greece.
Correspondents in all parts of the world

Capital paid-up and Reserves Drs. 1,205,000,000

Complete International Banking Service

IONIAN BANK, LIMITED

ESTABLISHED 1839

CAPITAL AUTHORISED - £1,000,000 RESERVE FUND - £75,000
CAPITAL PAID UP - £600,000 TOTAL ASSETS - £4,989,845

HEAD OFFICE: 25/31 Moorgate, LONDON, E.C. 2

EGYPT: Central Office—ALEXANDRIA 9 Branches and Agencies
GREECE: Central Office—ATHENS 35 Branches and Agencies
CYPRUS: Central Office—NICOSIA 4 Branches and Agencies

EVERY FORM OF INTERNATIONAL BANKING SERVICE

THE BRITISH BANK FOR THE NEAR EAST

BANK OF ATHENS

Head Office: ATHENS
(Incorporated in Greece with Limited Liability)

Paid-up Capital and Reserves, Drs. 176,000,000

With 121 offices, in all the principal towns in Greece, Egypt and Cyprus, the Bank extends Facilities for Export and Import Trade between Great Britain and the Near East generally.

ENQUIRIES INVITED

NEW YORK: Bank of Athens Trust Company, 205 West 33rd Street

LONDON: 22 FENCHURCH STREET, E.C.3

K. A. ZILKHA

Maison de Banque

ESTABLISHED IN 1899

BAGHDAD (IRAQ) BEYROUTH (LEBANON) CAIRO (EGYPT) DAMASCUS (SYRIA)

MAIN OFFICE: BEYROUTH (LEBANON-SYRIA)

Bankers with nearly forty years of experience, equipped to ensure prompt and efficient execution of your collection and payment orders, and to carry out banking business of all descriptions on very moderate terms.

THE MITSUBISHI BANK, LIMITED

LIABILITIES					ASSETS									
December 31	Capital and Reserves	Deposits	Acceptances and Guarantees	Interest accrued on Deposits	Cash on Hand and in Banks	Money at Call and Short Notice	Government, Municipal and other Bonds	Stocks and Shares	Discounts and Loans	Foreign Bills Purchased	Due from Foreign Banks	Money in Trust	Capital Uncalled	Premises, etc.
	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen
1934	145,786,210	722,648,160	4,802,162	5,388,816	54,938,773	44,369,302	389,075,672	34,449,142	285,344,161	38,293,286	5,011,879	3,487,915	37,500,000	15,904,056
1935	150,236,983	730,607,090	4,586,579	7,770,819	50,970,903	41,415,000	379,698,850	26,253,142	294,387,372	43,869,947	8,576,573	4,029,036	37,500,000	17,605,232
1936	154,618,825	810,406,894	6,450,978	7,255,478	63,334,394	48,185,000	367,037,372	27,997,530	370,662,459	46,777,515	5,287,416	4,478,958	37,500,000	20,126,874
1937	159,011,803	932,552,305	7,202,879	7,257,673	71,438,055	44,400,000	323,903,893	27,495,030	530,792,746	47,909,556	5,867,539	4,630,525	37,500,000	20,472,984
1938	163,472,064	1,149,167,054	4,383,171	8,368,423	105,724,530	65,585,714	403,816,390	26,599,030	628,050,415	32,232,111	15,478,019	5,094,028	37,500,000	20,293,358

THE MITSUI BANK, LIMITED

THE MITSUBI BANK, LIMITED														
LIABILITIES							ASSETS							
December 31	Capital and Reserves	Deposits	Due to Foreign Banks	Liabilities under L/C, etc.	Interest Accrued on Deposits	Rebate on Bills not Due	Cash in Hand and at Banks	Money at Call and Short Notice	Govt., Municipal and other Bonds	Loans and Discounts	Foreign Bills purchased	Due from Foreign Banks	Capital Uncalled	Premises
	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen
1934.....	156,800,000	748,556,286	8,440,426	4,721,761	7,490,426	1,948,548	56,608,695	31,510,000	329,228,209	383,634,027	69,274,354	2,980,434	40,000,000	14,261,777
1935.....	158,800,000	796,293,049	9,098,263	9,234,652	7,596,671	2,092,741	55,985,859	29,630,000	316,997,228	451,768,280	63,540,862	3,134,919	40,000,000	14,852,181
1936.....	160,800,000	856,924,636	31,010,071	26,920,135	8,208,881	2,342,053	58,449,867	39,720,000	296,830,643	518,888,998	72,851,209	5,005,380	40,000,000	17,372,629
1937.....	162,800,000	945,796,208	13,464,616	5,624,638	8,475,160	2,530,918	97,166,629	44,480,000	261,460,825	616,500,744	49,421,291	3,137,767	40,000,000	16,715,448
1938.....	165,300,000	1,126,580,134	16,192,053	7,972,300	9,885,102	3,223,576	93,037,800	48,300,000	328,612,880	718,492,473	72,068,515	2,467,845	40,000,000	17,864,399

THE NATIONAL BANK OF EGYPT

The report for the year ending December 31, 1938, shows the following statement: Gross profit for the year, after providing for depreciation on the bank's buildings and furniture, for rebate of discount, and for doubtful debts, amounts to £951,733. After deducting from this for directors' fees £16,978, and for current expenses £460,114, the remainder is divided between the statutory dividend of 4 per cent., amounting to £120,000, and an additional dividend of 11 per cent., amounting to £330,000. By adding the balance brought forward from last year, £239,445, there remains £264,085 to be carried forward.

LIABILITIES										ASSETS					
Dec. 31	Capital and Reserves	Current, Deposit and other Accounts	Egyptian Govt.	Sudan Govt.	Mixed Tribunals	Cheques and Bills Payable	Acceptances, etc.	Bankers' Accounts	Cash in Hand	Money at Call and Short Notice	Securities	Advances	Bills of Exchange	Bankers' Accounts	
	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	
1934	6,000,000	16,428,830	4,978,103	583,542	1,681,486	155,109	1,583,027	509,699	2,392,631	1,600,000	18,359,189	5,511,446	2,361,821	275,478	
1935	6,000,000	21,855,049	6,220,582	958,394	1,810,345	228,140	1,107,923	511,688	2,551,852	1,955,000	23,826,189	7,150,069	2,400,018	467,060	
1936	6,000,000	20,891,810	4,868,663	1,062,390	1,978,268	235,081	1,288,091	1,106,816	2,512,833	2,205,000	22,071,850	6,920,928	1,936,460	677,076	
1937	6,000,000	18,996,928	6,413,153	952,033	1,817,904	222,036	1,663,621	849,311	2,441,081	1,635,000	23,059,647	6,592,907	1,043,933	699,152	
1938	6,000,000	17,645,959	2,292,279	1,061,583	1,606,069	187,220	1,513,298	624,026	2,512,330	1,505,000	14,849,536	8,470,596	1,786,564	537,783	

THE LONDON AND EASTERN TRADE BANK, LIMITED

The directors' report for the year ended December 31, 1938, shows a profit of £1,805, which with the debit balance of £368,199 brought forward, and charging £5,561 for depreciation of securities, leaves £371,955 to be carried forward to next year.

LIABILITIES					ASSETS					
September 30	Capital	Current, Deposit and Other Accounts	Acceptances	Guarantees, Rediscounts, etc.	Cash in Hand and at Bankers in London	Money at Call	Discounts	Securities	Loans, Overdrafts, etc.	Profit and Loss Account
1933	600,000	169,957	52,191	130,557	46,965	75,000	£	35,924	344,241	245,327
1934	600,000	132,859	17,503	39,157	76,684	35,000	11,859	63,363	256,101	276,594
1935	600,000	158,785	8,488	29,598	111,688	20,000	2,246	64,530	209,376	339,172
1936	600,000	163,020	...	59,895	135,999	30,000	4,153	25,512	216,275	336,169
1937†	600,000	102,998	...	54,974	94,131	...	...	50,997	172,303	368,199
1938†	600,000	110,823	...	64,767	112,471	...	...	43,727	173,138	371,955

* For 15 months. † December 31

THE NATIONAL CITY BANK OF NEW YORK

THE NATIONAL CITY BANK OF NEW YORK													
LIABILITIES						ASSETS							
Dec. 31	Capital and Surplus	Undivided Profits	Reserves	Liability as Acceptor, Endorser or Maker on Acceptances and Bills	Deposits	Cash and Due from Banks and Bankers	U.S. Govt. Obligations	State, Municipal and other Bonds and Securities	Loans, Discounts and Bankers' Acceptances.	Customers' Liability Account of Acceptances	Stock in Federal Reserve Bank and Ownership of International Banking Corp.	Items in Transit	Premises
1934...	\$ 157,500,000	\$ 8,273,298	\$ 10,576,359	\$ 65,779,528	\$ 1,94,804,308	\$ 450,285,755	\$ 431,938,339	\$ 135,518,004	\$ 482,834,614	\$ 56,878,257	\$ 14,600,000	\$ 3,377,340	\$ 58,162,279
1935...	157,500,000	10,644,279	16,111,607	57,444,517	1,652,366,244	527,491,424	510,764,688	179,788,459	547,223,821	30,634,183	12,725,000	10,670,332	54,215,505
1936...	120,000,000	13,462,953	13,821,556	49,976,612	1,713,840,229	463,258,611	526,917,831	228,001,549	588,348,846	23,662,029	11,600,000	4,729,858	62,636,932
1937...	121,750,000	14,314,079	14,124,774	48,350,792	1,711,552,124	516,778,467	482,958,934	207,301,765	609,441,410	13,315,994	11,652,500	4,903,780	50,543,249
1938...	124,000,000	13,554,940	11,882,323	34,485,834	1,835,286,500	531,718,844	668,795,810	195,444,421	521,981,489	12,288,747	11,705,000	2,956,756	46,556,897

* Appears on Liability side.

THE MOSCOW NARODNY BANK, LIMITED

THE MOSCOW NARODNY BANK, LIMITED														
LIABILITIES							ASSETS							
Dec. 31	Capital and Reserves	Current Deposit Accounts	Correspondents of the Bank	Bills Rediscounted	Miscellaneous Creditors	Liabilities in respect of Guarantees	Cash at Banks on Current Accounts and in hand	Investments	Correspondents of the Bank	Bills Discounted	Advances	Miscellaneous Debtors	Bills for Collection	Premises
1934	1,835,000	904,873	264,302	556,877	94,891	2,040,384	822,774	247,078	249,544	556,877	2,311,513	34,311	10,511	5,879
1935	1,835,000	669,319	191,318	11,119	94,891	2,040,384	822,774	247,078	249,544	556,877	2,311,513	34,311	10,511	5,879
1936	1,835,000	143,684	1,445,908	76,764	11,119	2,040,384	822,774	247,078	249,544	556,877	2,311,513	34,311	10,511	5,879
1937	725,000	315,906	1,609,615	18,584	85,095	119,270	2,272,155	...	1,210,955	77,479	1,650	1,718	13,728	3,728
1938	725,000	280,966	859,715	22,004	32,731	59,643	1,338,159	...	298,309	22,004	373,737	1,921	...	3,165

THE BRITISH LINEN BANK

Incorporated by Royal Charter 1746

LONDON OFFICES:

City Office - 38 Threadneedle Street, E.C.2

West End Branch - 198 Piccadilly, W.1

where accounts may be opened on usual London terms

Head Office: 38 St. Andrew Square, Edinburgh

Over 210 Branches throughout Scotland

THE SUMITOMO BANK, LIMITED

(INCORPORATED IN JAPAN)

Head Office: OSAKA, JAPAN

Capital Subscribed - Yen 70,000,000.00
Capital Paid-up - Yen 50,000,000.00
Reserve Fund - Yen 48,340,000.00

HOME OFFICES:—Amagasaki, Fukuoka (2), Hiroshima (3), Kobe (3), Kokura, Kumamoto, Kure, Kurume (2), Kyoto (3), Moji, Nagoya (2), Niihama, Okayama, Onomichi, Osaka (28), Shimonoseki, Tokyo (19), Wakamatsu, Wakayama, Yanai and Yokohama.
AFFILIATED BANKS:—The Sumitomo Bank of California, Sacramento, California, U.S.A. The Sumitomo Bank of Hawaii, Honolulu, Hawaii, U.S.A. The Sumitomo Bank of Seattle, Seattle, Washington, U.S.A.
OFFICES IN PACIFIC LINERS:—M.S. "Asama Maru," M.S. "Kama Kura Maru" and M.S. "Tatuta Maru."
LONDON BANKERS:—Lloyds Bank Limited.

Correspondents in all important places at Home and Abroad

GENERAL BANKING AND EXCHANGE BUSINESS

London Office: 67 BISHOPSGATE, E.C.2

Telephone: London Wall 4955 (2 lines). Cable Address: "Sumitbank, London."

M. MAYE, Manager.

NATIONAL BANK OF EGYPT

"Incorporated in Egypt, Liability of Members is Limited"

Established by KHEDIVIAL DECREE of 25th June, 1898, with exclusive right to issue notes payable at sight to Bearer.

HEAD OFFICE:—CAIRO.

CAPITAL (fully paid) Lstg. 3,000,000

RESERVE FUND Lstg. 3,000,000

OFFICES IN EGYPT AND THE SUDAN

CAIRO (7 Offices), ALEXANDRIA, Abou-Tig (Sub-Agency to Assiut), Assiut, Assuan, Benha, Beni-Suef, Chebin-el-Kom, Damanhour, Dessouk, (Sub-Agency to Damanhour), Deyrout (Sub-Agency to Assiut), Edfu (Sub-Agency to Luxor), Esneh (Sub-Agency to Luxor), Fashn (Sub-Agency to Beni-Suef), Fayoum, Heliopolis (Cairo), Ismailia (Sub-Agency to Port Said), Kafr-el-Zayat (Sub-Agency to Tanta), Kenh, Luxor, Maghaga (Sub-Agency to Beni-Suef), Manfalout (Sub-Agency to Assiut), Mansourah, Mehalla-Kebir, Mellawi (Sub-Agency to Minieh), Minet-el-Gamh (Sub-Agency to Zagazig), Minieh, Port Said, Samalout (Sub-Agency to Minieh), Sohag, Suez, Tanta, Zagazig.
KHARTOUM, El-Obeid, Omdurman, Port Sudan, Tokar (Sub-Agency to Port Sudan), Wad-Medani.

LONDON AGENCY:—6 & 7 King William Street, E.C.4

HANDEL-MAATSCHAPPIJ

H. ALBERT DE BARY & CO. N.V.

AMSTERDAM

448-454 Heerengracht

MERCHANT BANKERS

Capital Paid Up - Fl. 15,000,000
Reserves - Fl. 6,000,000

Tel. Address: "Compdebary"
Phone: R 0200

EVERY DESCRIPTION OF BANKING BUSINESS TRANSACTED

LIABILITIES

OTTOMAN BANK

ASSETS

Dec. 31	Capital and Reserves	Notes in Circulation	Bills Payable and Sight Drafts	Current Accounts of Sundries	Deposits for Fixed Terms	Acceptances	Profit and Loss Account	Cash in Hand and at Bankers	Money at Call and Notice	Bills receivable	Investments	Current Accounts of Sundries	Advances on Securities	Premises
1933	£ 6,250,000	£ 362,302	£ 250,136	£ 11,855,549	£ 1,483,303	£ 787,087	£ 102,159	£ 4,297,754	£ 1,136,040	£ 5,558,002	£ 1,471,545	£ 5,111,137	£ 1,897,918	£ 837,054
1934	6,250,000	374,391	265,263	12,395,128	1,512,748	837,755	104,542	3,801,705	1,203,307	5,674,154	1,973,087	5,304,790	2,316,722	828,308
1935	6,250,000	351,418	252,955	12,849,731	1,639,177	587,656	104,784	3,806,528	1,203,307	5,674,154	1,973,087	5,304,790	2,316,722	818,077
1936	6,250,000	320,062	250,182	14,089,812	1,387,342	412,572	108,149	4,733,630	1,203,307	5,674,154	1,973,087	5,304,790	2,316,722	596,079
1937	6,250,000	299,685	267,792	16,325,412	1,569,422	914,433	112,498	4,389,759	1,206,303	5,018,641	2,419,895	5,830,009	2,700,156	587,535

SOCIÉTÉ GÉNÉRALE Pour Favoriser le Développement du Commerce et de l'Industrie en France

LIABILITIES

ASSETS

Feb. 28	Capital and Reserves	Cheque Accounts	Deposits for Fixed Periods	Sundry Current Accounts	Acceptances	Cash in Hand and at Banks	Bills and National Defence Bonds	Coupons for En-cashment and Contangoes	Advances on Security	Sundry Current Accounts	Govt. Stocks, Shares, etc., and Investments	Real Estate, etc.	Calls on Shares
1935 Dec 31	Francs 1,015,000,000	Francs 3,151,589,247	Francs 257,045,500	Francs 6,215,399,734	Francs 73,097,007	Francs 2,175,894,472	Francs 5,025,883,238	Francs 184,067,765	Francs 434,555,887	Francs 2,548,240,651	Francs 59,566,795	Francs 71,381,788	Francs 302,955,000
1935	1,015,000,000	2,769,754,206	254,149,000	5,791,175,422	106,200,601	1,899,654,145	4,645,216,991	142,313,813	518,992,213	2,430,560,762	52,759,716	71,381,788	302,783,000
1936	1,015,000,000	2,630,640,932	216,889,500	6,205,888,323	125,075,601	2,054,522,366	4,990,977,465	195,748,637	415,978,934	2,205,730,416	52,220,679	71,381,788	302,598,500
1937	1,015,000,000	2,723,060,831	244,993,300	6,281,233,380	175,171,441	2,728,070,196	4,805,150,585	159,887,922	383,562,950	2,147,955,618	52,327,981	71,381,788	302,443,750
1938	1,015,000,000	3,026,885,956	265,201,600	6,864,967,424	153,671,556	2,512,998,295	5,819,866,247	158,370,783	332,863,878	2,088,496,991	52,352,485	71,381,788	302,326,500

SOCIÉTÉ GÉNÉRALE DE CRÉDIT INDUSTRIEL ET COMMERCIAL

LIABILITIES

ASSETS

Dec. 31	Capital and Reserves	Deposit Accounts	Current Accounts	Fixed Deposits	Acceptances	Transitory and Sundry Accounts	Cash in Hand and due from Other Banks	Bills Receivable and "Bons de la Défense Nationale"	Current Accounts	Advances Guaranteed	Transitory and Sundry Accounts	Investments	Shares of Affiliated Societies	Premises
1934	Francs 170,000,000	Francs 398,643,467	Francs 695,141,557	Francs 342,557,532	Francs 29,598,148	Francs 19,896,060	Francs 185,894,759	Francs 901,703,540	Francs 207,533,427	Francs 82,567,753	Francs 12,836,153	Francs 53,797,255	Francs 109,443,630	Francs 20,000,000
1935	170,000,000	351,676,889	768,130,772	257,663,984	24,420,409	20,655,360	210,859,567	771,028,745	231,476,340	104,763,108	14,353,246	52,065,283	109,425,950	20,000,000
1936	170,000,000	339,514,880	1,073,311,949	182,974,478	22,311,888	19,904,289	262,006,056	852,445,485	319,115,313	95,528,705	17,419,706	51,632,995	109,235,381	20,000,000
1937	170,000,000	352,697,726	1,516,733,297	249,726,094	52,137,983	31,557,565	324,583,178	1,303,151,238	355,315,044	79,471,744	20,369,887	51,945,581	109,133,926	20,000,000
1938	170,000,000	371,575,015	1,637,110,340	178,819,868	49,388,909	37,142,354	302,918,642	1,423,297,568	301,031,995	113,433,128	24,875,152	51,930,874	109,133,926	20,000,000

SWISS BANK CORPORATION

After deduction of expenses and taxes, and making provision for bad and doubtful debts, etc., the net profit for the year ended December 31, 1938, amounts to S.Fcs. 8,455,761, which together with the amount carried forward from last year, viz.,

S.Fcs. 1,574,185, makes a total of S.Fcs. 10,029,946. The board propose to pay a dividend of 5 per cent. on the paid-up capital, which will absorb S.Fcs. 8,000,000, and to carry forward S.Fcs. 2,029,946.

LIABILITIES

Swiss Francs (millions)

ASSETS

December 31	Capital	Reserves	Sight Deposits	Time Deposits	Fixed Deposits (obligations)	Acceptances	Profit and Loss	Cash	Banks and Bankers	Bills receivable	Advances	Govt. and other Securities	Syndicates	Bank Premises and other Property
1934	160.0	39.0	476.5	246.9	243.6	24.2	8.3	244.5	84.1	213.4	576.2	51.6	10.6	18.1
1935	160.0	32.0	437.6	205.4	175.6	25.2	8.2	117.1	108.6	161.6	554.2	71.7	10.5	20.0
1936	160.0	32.0	417.4	189.8	159.9	21.3	9.3	319.3	177.5	214.6	522.7	125.2	9.7	20.9
1937	160.0	32.0	946.6	176.4	157.0	31.3	9.6	377.5	297.9	210.9	477.6	124.1	6.4	18.3
1938	160.0	32.0	868.7	199.4	150.1	30.8	10.0	463.1	229.0	154.3	467.9	88.4	14.2	34.1

THE SUMITOMO BANK, LIMITED

LIABILITIES

ASSETS

December 31	Capital and Reserves and Pension Reserve	Deposits	Exchange Sold	Due to Other Banks	Foreign Credits, Acceptances and Guarantees	Accrued Interest, Unearned Discount, etc.	Cash in Hand	Money at Call and Short Notice	Securities	Discounts	Loans	Exchange Purchased	Bank Premises	Capital Unpaid
1934	Yen 107,641,903	Yen 872,527,563	Yen 11,594,988	Yen 5,538,755	Yen 9,629,918	Yen 12,610,427	Yen 79,830,668	Yen 43,950,000	Yen 355,172,588	Yen 79,243,013	Yen 386,848,505	Yen 28,413,867	Yen 18,898,649	Yen 20,000,000
1935	112,592,459	952,297,545	16,364,846	6,475,428	10,899,809	12,258,979	70,712,194	33,550,000	409,067,083	92,987,219	429,035,431	32,080,825	18,952,469	20,000,000
1936	117,057,776	1,017,747,622	15,391,096	6,672,182	16,183,882	14,199,755	71,423,058	27,664,286	381,987,012	125,709,732	492,448,270	37,899,981	18,483,977	20,000,000
1937	112,103,489	1,152,224,031	14,427,226	6,757,637	5,312,658	14,011,007	89,180,332	33,900,000	367,938,836	124,505,539	612,079,911	36,087,311	17,916,472	20,000,000
1938	115,843,630	1,458,522,142	8,253,794	7,718,960	6,926,964	16,055,635	119,794,803	30,900,000	490,489,435	140,200,593	753,668,785	32,996,392	17,968,505	20,000,000

THE YOKOHAMA SPECIE BANK, LIMITED

LIABILITIES

ASSETS

Dec. 31	Capital and Reserve	Reserve for Doubtful Debts	Notes in Circulation	Deposits	Bills Payable, Discounts, Acceptances, etc.	Balance of Profit and Loss Brought Forward	Net Profit for past Half-year	Cash in Hand	Cash at Bankers	Investments	Discounts, Loans, Advances, etc.	Bills Receivable, etc.	Bullion and Foreign Money	Premises and Properties
1934	Yen 224,250,000	Yen 3,639,943	Yen 4,244,909	Yen 593,463,255	Yen 703,273,262	Yen 8,256,945	Yen 7,234,380	Yen 25,850,939	Yen 45,337,978	Yen 369,163,827	Yen 494,168,773	Yen 577,962,746	Yen 11,832,988	Yen 19,043,184
1935	227,450,000	3,724,454	3,840,085	651,760,676	755,522,697	9,503,102	7,257,835	19,684,697	12,660,947	494,515,174	352,354,374	646,742,288	757,270	19,577,645
1936	230,900,000	3,653,917	1,242,326	599,001,305	685,774,380	10,446,652	7,012,268	16,010,099	50,184,472	411,281,421	885,911,980	650,727,896	3,864,015	19,341,664
1937	234,400,000	3,592,634	881,502	623,131,077	719,576,494	10,745,727	6,238,699	13,572,334	74,218,440	436,472,176	386,652,402	662,144,216	5,578,353	19,264,794
1938	237,150,000	3,545,423	312,694	1,328,168,502	561,101,653	10,422,028	6,261,765	14,684,669	113,549,899	750,396,984	399,879,569	651,498,428	170,766,021	18,697,685

Royal Bank of Scotland

Incorporated by Royal Charter, 1727.

Head Office: St. Andrew Square, EDINBURGH

253 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 - - - - - £4,500,000
CAPITAL FULLY PAID - - - - - £2,400,000
RESERVE FUND and BALANCE CARRIED FORWARD - - - £2,251,918
DEPOSITS and CREDIT BALANCES as at 28th February, 1939 - £37,851,691

Governor: The Rt. 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 Commercial Bank of Scotland LIMITED

Established 1810

Incorporated by Royal Charter and Act of Parliament

OVER 380 BRANCHES AND SUB-OFFICES IN SCOTLAND AS WELL AS
THE FOLLOWING LONDON OFFICES:—

CITY: 62 LOMBARD STREET, E.C.3
KINGSWAY: IMPERIAL HOUSE, 15 KINGSWAY, W.C.2
PICCADILLY: 4 OLD BOND STREET, W.1

Head Office: 14 George Street, EDINBURGH

THE NATIONAL BANK OF SCOTLAND LIMITED



Head Office:
EDINBURGH

Branches throughout
SCOTLAND

ESTABD 1825

LONDON OFFICES: 37 Nicholas Lane, E.C.4, and 18/20 Regent Street, Piccadilly Circus, S.W.1
Every description of banking service undertaken, including Foreign Exchange, Trustee and Executry business.

THE EASTERN BANK LIMITED

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,
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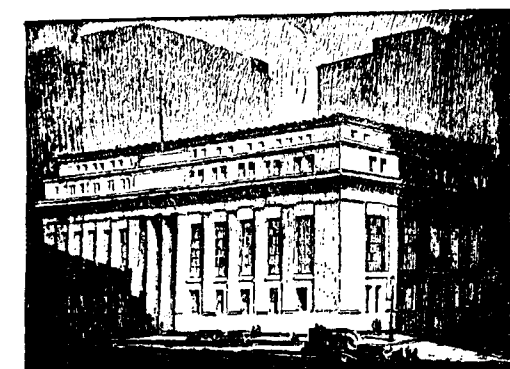
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THE ECONOMIST

TRADE SUPPLEMENT

New Series

SATURDAY, MAY 27, 1939

No. 29

The Trend of Business

BETWEEN May and December last year the general level of business activity showed little change. Throughout this period *The Economist* index of business activity, for example, varied within narrow limits between 101 (1935=100) and 104. Early this year there were signs of improvement here and there; there was a marked revival in the iron and steel industry and indications of a re-stocking movement in the textile trades. On the whole, however, there was not then sufficient evidence of a change in the long-term trend.

The evidence of the state of trade in industrial centres which has come to hand during recent months, however, has dispelled any remaining doubts concerning the course of business activity. Indeed, the latest reports and statistics show that Britain is now in the midst of a vigorous trade recovery.

The Economist index of Business Activity, which is adjusted for seasonal variations, has risen from 101 in December to 106 (revised) in March; in April it advanced to 109, the highest level since February, 1938. The course of employment has been even more favourable, for by April 17th the number of insured persons at work in Great Britain (exclusive of agriculture) had recovered to within 22,000 of the record of 11,707,000 reached in September, 1937.

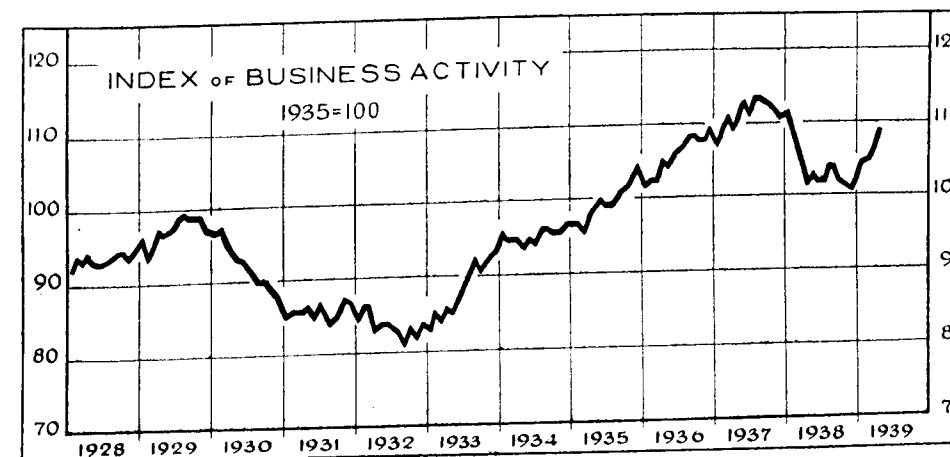
The Economist index, which has been designed to provide an indication of the course of trade in normal conditions, appears in fact not to have registered fully the growing influence of the increase in defence expenditure on employment since the spring of 1938. The reduction in London's financial turnover, reflected in the fall in the index of *Town Clearings*, for example, is due largely to the uncertain political outlook. The index of *building activity*, again, excludes direct Government contracts which have accounted for a growing share of constructional activity. Moreover, the marked fall last year in the index relating to the volume of *merchandise carried by the railways*, due to the severe recession in heavy industry, probably exerted too much influence on the complete index of Business Activity.

There can be no doubt that the rapid increase in defence expenditure has been the dominating factor in the vigorous expansion in economic activity since the beginning of this year. In calculations of the effect of re-armament on industrial production in recent months, it would be misleading to represent Government orders as a smoothly ascending curve. What appears to have happened is that the volume of defence contracts placed with industry has shown a very considerable increase in the past few months. This rapid speeding-up in re-armament, of which industrial reports provide a good deal of circumstantial evidence, has not been brought out sufficiently by the figures of actual Government expenditure, due to the time-lag

between the placing of orders and the date of payment. The expansion in business activity, however, has not been confined to those industries upon which defence expenditure is largely concentrated. The sudden recovery of the commercial section of the shipbuilding industry is, of course, a direct consequence of the Government's decision to assist that branch of activity. But Government orders do not fully explain the remarkable revival in the textile trades, where the percentage of insured persons out of work on April 17th was 7.1 lower than a year ago. Nor can the recovery in private car sales (the number of new cars registered in March was 10.7 per cent. greater than in the corresponding month last year) be directly ascribed to Government orders.

There has been, in fact, a remarkable improvement in the activity of the consumption goods trades, accompanied by a steady increase in consumers' purchases. The growth of purchasing power may be traced in part to the increase in

defence expenditure, which has tended to sustain employment and wage rates. At the same time there has been a continuous decline in import prices. The Board of Trade index of the average import prices of food, drink and tobacco, for example, fell by nearly 10 per



cent. between the third quarter of 1937 and the first quarter of 1939, while the Ministry of Labour's index of wage rates advanced by 2.4 per cent. during this period.

The increase in the production of certain industries, such as textiles, however, has been more rapid than can be explained solely by increased expenditure by consumers. But there is a strong presumption that enhanced purchasing power coupled with the belief that prices have touched bottom, has given rise to a re-stocking movement which has been all the more marked because the surplus stocks accumulated in 1937 had been largely absorbed by the end of last year.

Despite the uncertain political outlook, there is every indication that the expansion in business activity will continue, subject to a seasonal decline during the summer months; the volume of defence work and the demand for consumers' goods were still increasing, and there are no signs, as yet, of a marked advance in prices before the early autumn.

In contrast to the rapid expansion of activity in Britain, business in the United States continues to mark time, and it is now doubtful whether any further improvement will take place before the autumn. In Germany and Italy, industrial activity is sustained by military preparations, and France continues to make headway with the increase in defence expenditure. In most other European countries re-armament is assuming a growing importance. In the majority of primary producing countries activity has been well maintained, though some of them have been forced to curtail imports as a result of the fall in the prices of their exports.

British Industrial Developments

The following reports on British industry cover, in most cases, the period to the middle of May. In the remainder they relate to the month of April.

COAL

The coal-mining industry has made further headway last month. There was an improvement on the home as well as the export market. The expansion in home demand is a reflection of the increase in industrial activity and, to a minor extent, of the accumulation of stocks against an emergency. The recovery in export demand is due very largely to the decline in German competition; in the first quarter of this year, for example, exports from Germany were 26 per cent. smaller than in the corresponding period last year. Production last month was 17,705,000 tons, compared with 17,826,000 in the corresponding month last year. The number of working days last month, however, was one day less than in April, 1938; calculated on a daily basis, output was nearly 4 per cent. higher than in April, 1938. A feature of last month was the revival in the South Wales coalfield due to the improvement in exports and to the expansion of the activity of the iron and steel and related industries. More recently there has been the usual seasonal decline in the demand for coal for heating, but requirements for other purposes, both at home and in importing countries, are now well above the level of a year ago.

IRON AND STEEL

In response to the growing demand for steel, production was speeded up further last month. While the total output of crude steel actually declined by 112,700 tons between March and April, the average daily rate of output rose by 1.7 per cent., from 43,366 tons to 44,091 tons. Moreover, as a result of the reduction in supplies of scrap, steel makers have been forced to use proportionately more pig iron; calculated on a daily basis, the output of pig iron rose by 4.2 per cent. between March and April, from 19,471 tons to 20,293 tons, while five additional blast-furnaces were put into operation during the past month. Meanwhile, there are no indications of a lull in the demand for steel. On the contrary, the latest reports from the principal centres of the industry suggest that demand may continue to expand. The revival in the commercial section of the shipbuilding industry, for example, has given a further stimulus to consumption. On May 15th the British Iron and Steel Federation, with the concurrence of the I.D.A.C., announced that, apart from a few minor adjustments, prices are to remain unchanged for a further period of four months to the end of October. No special significance is attached to the reduction—from six months to four months—in the period for which prices have been fixed. The reason given for the change is that the end of the year, when buying is normally slack, is not an appropriate date for the introduction of a new price schedule. The minor alterations include a reduction of 5s. per ton in the price of hematite pig iron, designed to bring the price of this quality more into line with that of basic pig iron, and an increase of 5s. per ton in the price of acid steel billets (affecting less than 2 per cent. of the total output of crude steel) which have been relatively cheaper in relation to the cost of pig iron than other classes of steel.

GENERAL ENGINEERING

The engineering industry continued to make progress in the past month. For example, there was a reduction in the percentage of insured persons unemployed between March and April in all branches of the industry separately listed in the Ministry of Labour Gazette. The indications, moreover, point to a further steady increase in activity due to the growing volume of defence orders. Although the armaments sector of the industry is growing, commercial business is also fairly well maintained. If the volume of orders continues to increase, it will not be long before certain sections of the industry will be faced with a shortage of skilled labour. In April, imports of machinery were above, but exports below, the figures for the corresponding month last year. Thus, imports increased from 10,757 tons in April, 1938, to 12,741 tons in the past month. There was an increase in the imports of machine tools, especially from Germany. The larger part of these imports of machine tools is coming in duty-free under Section 10 of the Finance Act of 1932. There was also a heavy increase in the intake of rolling mill machinery, from 596 tons in April, 1938, to 3,412 tons in the past month. It is understood that this machinery is required for increasing the capacity for the rolling of steel sheets. Exports of machinery, on the other hand, fell from 39,619 tons in April, 1938, to 34,220 tons in April, 1939. The decline, however, was far from general. There was a substantial reduction in shipments of lifting and electrical machinery, of internal combustion engines, and textile machinery, but an increase in the exports of machine tools (mainly to Russia), and mining machinery. Meanwhile, the engineers' trade unions have succeeded in obtaining an increase of 2s. per week in the national bonus to all adult male workers, with proportionate changes for apprentices, boys and youths. The increase will take effect on June 5th.

ELECTRICAL EQUIPMENT

Most branches of the electrical equipment industry continue to work at high pressure. In the electrical engineering section the percentage of insured persons unemployed fell from 5.1 on March 13th

to 4.7 on April 17th. In the electric cable, apparatus and lamp sections the proportion of insured persons unemployed rose slightly from 7.1 per cent. to 7.4 per cent. during this period. Exports of electrical machinery declined from 2,140 tons (valued at £375,852) in April, 1938, to 1,295 tons (valued at £252,627) in the past month. During the same period exports of electrical goods and apparatus declined from £1,050,906 to £922,705. On page 2 of the *Trade Supplement* of April 29th we inadvertently stated that exports of electrical machinery in March, 1938, were valued at £4,002,800; the correct figure is £402,800.

AUTOMOBILES

The seasonal peak in new car registrations and in production was more than usually pronounced in March. New registrations of private cars totalled 39,267, against 35,470 a year ago, while production of private cars and taxis reached 46,824 units, compared with 42,138 in March, 1938. It is expected, however, that the increase in political tension since the end of March, coupled with the heavy increase in the horse-power tax in April, will be reflected in an exceptionally large fall in production for the latter month. Sales of commercial vehicles continue at a lower level than last year; in March production amounted to 9,194 units, against 11,765 a year ago.

BUILDING

Constructional activity continues to be well maintained. In fact there has been an improvement in the past month, though this is partly due to seasonal factors. The proportion of insured persons unemployed last month was only 1.6 per cent. higher than a year ago in building, while the figure for public works contracting showed a decline of 3 per cent. Total constructional activity, in fact, is still almost as high as a year ago. There have been considerable changes both in the geographical distribution and in the nature of constructional activity since last year. Unlike those of February and March, the returns of the value of building plans passed by 142 local authorities in April show a reduction from those of a year ago; the decline was 8.5 per cent. There was actually an increase in plans passed for factories and workshops, but a decline in the figures for dwelling houses, commercial premises, and public buildings.

CHEMICALS

There was a fair volume of business in most sections of the chemical market during the past month. Quite an active interest was shown in heavy chemicals, and there was an increased demand for dyestuffs. Trade in wood distillation products continued on a good scale. Towards the end of the month, increased business was reported in pharmaceutical and other fine chemicals, and trade in coal tar products showed some slight improvement. The trade returns for April showed a decrease in the export trade in chemicals, drugs, dyes, and colours as compared with the same month of 1938, the fall in value being £18,584. This was mainly due to the decline in exports of coal tar products. Imports were greater than in April, 1938, by £352,483.

POTTERY

There has been little development in the past few weeks; business in Staffordshire, while on a larger scale than earlier in the year still leaves much to be desired. Employment declined slightly in April, compared with March, the proportion of insured workers unemployed rising from 19.8 to 20.0 per cent. Exports of sanitary ware continue on a larger scale than in 1938, and totalled 161,791 cwt. in the four months ending in April, compared with 148,402 cwt. in the corresponding period of last year. Exports of earthenware are less satisfactory; there has been a noticeable decline compared with last year in shipments to South Africa, Australia, and Canada.

FOOTWEAR

The speculative activity in the leather market noticeable in recent weeks has somewhat died down, particularly when it became known that the War Office was not expecting deliveries on all new contracts in the current year. Government orders for Army boots keep many firms well employed, and more orders have come in for sports and women's shoes at medium or low prices. The general restriction of New Zealand imports is an unwelcome step to shoe exporters; in 1938 New Zealand took 41,188 dozen pairs of leather boots and shoes from this country.

COTTON

Demand for yarn has been irregular and some spinners have expressed dissatisfaction with delivery instructions. Spinning production at the end of April was 62 per cent. of capacity, against 60 per cent. a month ago and 55 per cent. a year ago, but more

business has been done in cloth than in yarn. Further big contracts have been placed with makers of cloth suitable for the defence services, and manufacturers of heavy materials are now very busy. An increased demand has been shown for piece goods for India, substantial orders having been placed, especially in bleaching and printing styles. Steady buying has also occurred for South America, Scandinavia and the Dominions. Home trade houses have bought standard makes fairly freely. The statistics relating to unemployment continue to improve, the latest total being 70,097, against 73,369 a month ago and 107,897 at the same time last year. The trade returns have been rather disappointing; shipments of cloth last month amounted to 108,100,000 square yards, compared with 114,593,000 square yards in April last year, and yarn exports totalled 9,501,200 lb., compared with 10,141,600 lb.

JUTE

The improved prospects of the new crop brought a sharp fall in the prices of raw jute from the high levels which ruled early in May. Prices of old crop Daisee-2/3 for immediate delivery are now about £33 15s. per ton. Apart from sandbags business is slack, although there has been an improvement in exports to the United States. The orders for sandbags are responsible for the steady fall in the numbers unemployed in the jute trade, the proportion of insured workers unemployed falling to 19.2 per cent. in April, compared with 36.3 per cent. in April, 1938.

LINEN

Flax values are strongly maintained at high levels, as supplies are restricted and sellers reserved. Government contracts have led to extensive transactions in yarns, principally for the heavy sizes, the demand for which exceeds supply. Private trading is confined to near requirements. There is more enquiry for cloth from overseas markets, but prices so far obtainable remain below replacement costs.

RAYON

New business in rayon is not being placed in the volume hoped for, but both producers and manufacturers have fair orders on hand.

WOOL

Staple fibre is in fair request and there is a big business still being done in exports to the United States. The hosiery trade is fairly well employed and the price agreement in the locknit section has caused an increase in demand. Export business generally is poor.

AGRICULTURE

Low temperatures at night have checked growth of both crops and pastures, but the improved conditions of the last two or three weeks have been of considerable assistance. Lack of rain in April delayed the planting of the potato main crop in many districts, and sowing of roots has also been held up. The fall of lambs in lowland flocks and mortality rates are about normal; the condition of hill flocks is poor in places owing to the shortage of keep last autumn. Reports on horticultural crops are satisfactory; there has been little frost damage so far except in isolated patches.

SHIPPING

The *Economist* index of freights showed a slight rise between March and April, and the improvement then shown was continued into the early part of May. The larger movement of Plate wheat helped to relieve the congestion in that market, and the steady sale of Australian flour to the Far East has been a useful stimulus; the American coal strike, which led to delay in clearing American ships requiring bunkers, also induced a small volume of chartering from this country. Later in May, however, this spurt of activity died down and, particularly in the Mediterranean, the volume of chartering has been small.

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	98	103	88	127	76	95	60	97	111	98	137	108	91	109	98	...
1930	94	92	88	115	86	96	65	84	82	88	80	97	89	112	93	...
1931	90	90	71	98	83	95	62	73	86	82	82	94	86	96	87	...
1932	90	90	71	98	86	94	57	59	94	84	85	96	91	88	89	...
1933	93	90	78	89	89	96	73	70	101	92	92	98	95	96	96	...
1934	97	97	88	100	95	97	88	83	98	100	100	100	100	100	100	...
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	103	131	85	114	110	90	112	89	107	98	105	100	95	104	...
1938—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	105	103	103	109	123	120	117	105	101	104	97	107	106
August	107	104	109	106	103	103	109	139	120	117	101	107	105	103	108	106
September	107	102	112	106	106	106	108	132	107	123	107	103	106	114	108	108
October	107	104	113	107	107	104	107	127	102	102	107	106	109	111	108	108
November	107	104	117	106	108	107	105	125	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	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	108	102	102	103	109	110
May	110	115	123	113	111	106	100	130	143	111	107	114	107	98	112	111
June	111	115	122	113	111	107	99	133	111	125	122	106	106	106	113	111
July	112	106	123	114	111	105	96	140	111	122	113	109	102	100	111	111
August	112	107	125	119	111	108	95	157	106	133	113	106	106	99	113	111
September	112	110	124	117	111	108	96	158	107	146	112	110	104	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	109	114	110	92	143	102	109	99	102	89	88	107	107
April	109	104	131	91	113	108	90	123	82	114	100	105	100	88	104	106
May	109	105	125	89	113	107	90	104	81	103	93	108	99	95	102	106
June	110	101	129	86	113	106	90	91	84	114	91	106	99	94	102	104
July	110	98	130	89	114	108	90	89	87	105	103	104	102	102	104	103
August	110	105	132	88	114	111	88	102	81	106	100	107	101	85	104	103
September	110	104	133	88	117	109	87	99	81	90	99	101	101	85	104	103
October	110	97	130	89	117	110	87	99	81	90	99	101	101	85	104	103
November	110	100	139	84	117	113	85	82	86	96	102	102	98	103	101	...
December	110	100	139	84	117	113	85	82	86	96	102	102	98	103	101	...
1939—January	110	106	141	94	116	112	82	100	83	98	102	105	104	92	104	...
February	111	102	137	95	116	111	83	117	88	95	103	103	102	87	105	...
March	111	107	141	98	116	111	84	130	94	98	101	101	100	84	106	...
April	112	110	142	...	115	108	84	146	112	117	100	100	102	86	109	...

* For method of construction and earlier figures (1924-1936) see Supplement to *The Economist* of July 25, 1936. This Supplement is now out of print, but a record of the complete index was given in *The Economist* of November 5, 1938. † Annual indices represent averages of monthly figures. ‡ Revised. § Provisional.

Business Developments Overseas

BRITISH EMPIRE

AUSTRALIA.—Mills at the ports continue to ship flour to the Far East and a few cargoes have also been sold to Europe. Weather and soil conditions are good in the main farming areas, according to a cable from the National Bank of Australasia, and wool prices remain firm at overseas markets. The Stock Exchanges have been depressed by the European international situation, but industry otherwise is little affected; the building trade is generally active.

CANADA.—Business activity showed an improvement in March and early April, which was spread over most industries. The output of steel reached 95,697 tons in March against 77,179 tons in February, and production of mines was well maintained. The lumber trader has benefited from an increased export demand, and in the first three months of the current year the log scale in British Columbia was 60 per cent. higher than in the corresponding period of 1938; exports of shingles have also increased. Partly in consequence of the greater activity in the lumber trade, the value of exports in March was 3 per cent. greater than a year ago, in spite of the marked fall in prices during this period. In spite, however, of the steady improvement in business trends, the political uncertainties in Europe and the delay of further recovery in the United States tend to damp down any large extension in business commitments; construction contracts awarded in March were valued at only \$9 millions against \$10.4 millions a year ago, and sales of new motor vehicles continue below last year's level.

SOUTH AFRICA.—The uneasy state of international politics is reflected in the uncertain tone of some branches of business connected with foreign markets. Internal trade has been well maintained, however, particularly in the building industry, though at Johannesburg the delay in replacing the labour agreement which expired at the end of 1938 has affected turnover. The maize crop is now officially estimated at 27.9 million bags, and shipments to Europe have now begun. Hide prices have improved recently owing to an improved demand from abroad.

INDIA.—Speculative activity in the limited supplies of old crop jute has been met by a considerable volume of sales from reserves held at mills; the absence of any proportionate rise in the prices of jute manufactures induced mills to sell part of their holdings against new crop purchases. Trade in cotton piece-goods and in yarns remains depressed, although normally there is a seasonal expansion at this time. The foreign trade statistics for the past financial year (April-March) show a decline of Rs. 21,44 and Rs. 18,14 lakhs respectively in the value of imports and exports, so that, allowing for re-exports, the favourable balance of trade on merchandise account rose from Rs. 15,42 to Rs. 16,86 lakhs.

EUROPE

FRANCE.—The latest evidence shows that the Government's efforts to increase the speed of the wheels of commerce, accompanied by an increasing defence expenditure, have been successful. Production is now expanding fairly rapidly. For example, the official index of production has risen without interruption from 85 (1928=100) last November to 92 in March. The improvement in March was fairly general, and even building activity, which had long remained at a low level, is rapidly increasing. The indications point to a further expansion in activity, and the improved outlook is reflected in the recent rise in the prices of industrial securities. In recent weeks the number of persons in receipt of unemployment benefit showed a further decline from 395,347 on April 1st to 184,445 on May 6th. The trend of wholesale prices has been slightly upwards during this period.

GERMANY.—There has been no relaxation in military preparations, and industrial activity and employment continue at a very high level. The seasonally corrected weekly index of business activity calculated by the German Institute for Business Research (1936=100) rose slightly from 125 in the last week in March to 127.8 in the last week of April. During the same period railway car loadings increased from 163,400 per day to 168,300 per day, while the output of coal in the Ruhr district advanced from 424,900 tons per day to 447,800 tons per day. Moreover, there has been a further increase in the volume of money in circulation between the last weeks of March and April from Rm. 9,543 millions to Rm. 10,740 millions. There has been little change in the prices of industrial and fixed-interest securities. The official indices of wholesale prices and of the cost of living also show little change. Increasing domestic requirements of certain materials are now hampering exports. For example, during the first three months of this year German exports of coal showed a decline of 25.6 per cent. from the figures for the corresponding period last year.

ITALY.—Italy's economic activity, like Germany's, is now guided by the aim of achieving the highest possible military efficiency with existing economic resources. Full employment has been reached in the industrial centres of the North, though other parts of the country have not felt the benefits of war economics to the same degree. The general index of production recorded a new high of 116.3 (1928=100) last February, compared with 108.7 and 107.5 averages for the years 1937 and 1938 respectively. In particular, the metal, engineering and electrical industries are very active, and a shortage of building materials has resulted from great constructional activity,

presumably in the building of factories and fortifications. Against this may be set the failure of a revival in certain sections of industry catering for private consumption and for export. Imports in April (including trade with the colonies) at 807 million lire compare with 851 million lire in March, 1939, and 958 million lire in April, 1938. Exports, on the other hand, are up: 734 million lire last April compared with 667 millions in the previous month and 646 million a year ago. Expansion is to some extent held back by lack of confidence, itself a product of the operation of the co-operative system but the continuance of heavy budget deficits and large-scale expenditure favours the maintenance of a high degree of activity.

SWEDEN.—Export prices in the timber trade have shown a firmer tendency in recent weeks. Much of the Swedish quota has already been disposed of, and the greater activity in the British market, mainly on account of A.R.P. work, has brought a considerable rise in f.o.b. prices. A small improvement has also been noticed in the wood-pulp markets, and both the home and foreign demand for steel is good; the production of both pig iron and steel increased in March, after a lull in the two earlier months.

GREECE.—Favourable weather conditions were prevalent during April, and crop prospects are generally bright. Industrial activity was fairly brisk, but owing to the international events foreign trade was adversely affected. Prices on the Athens Stock Exchange fell heavily under the pressure of the international tension, but recovery part of the losses towards the end of April. The foreign exchange position continues to improve, although the note circulation shows an important temporary expansion, due mainly to the fear of war.

UNITED STATES OF AMERICA

As was indicated in the last *Trade Supplement*, the general level of business activity has shown very little change. Industrial production in April was slightly lower than in March; the decline is partly seasonal, but it appears to have been slightly accentuated by the coal strike. The course of the *New York Times* index of business activity suggests that the first half of May has brought practically no change; the index was 86.1 for the week ended April 15th and 85.3 for the week ended May 13th. Most observers hold the view that the near future is unlikely to witness any significant changes in business activity. While there are no indications of a market decline, a sustained expansion in business appears to be unlikely during the next few weeks, though some improvement is still expected later in the year.

LATIN AMERICA

ARGENTINA.—The tone of the Buenos Aires grain market is much more optimistic, owing to the improved demand for wheat from the European Continent. A further 200,000 tons of wheat have been sold to Spain against a barter transaction. Due to the severe restriction in imports, the favourable balance of trade amounted at the end of March to 65 million pesos, compared with an adverse balance of 22 million pesos twelve months earlier. The control of imports benefits Lancashire and Yorkshire articles in the Argentine market, but pending agreements with Italy and Japan may soon restore competition from those sources.

URUGUAY.—Exports, especially of wool, are on a very reduced scale, with offers of exchange correspondingly small. The new system of distributing exchange cover by "individual quotas" for importers, still awaits clarification, but there is an impression in trading circles that the new system does not provide the same certainty of obtaining exchange cover as ruled under the former system of obligatory prior import permits.

CHILE.—Imports and exports, especially the latter, were much reduced in the first two months of this year, as was also the export surplus. Therefore, exchange markets for sterling and dollars continued stringent. The Reconstruction Finance Bill became law on April 29th and provides, *inter alia*, for the raising of foreign loans up to an equivalent of 2,000 million pesos for reconstruction work necessitated by the recent earthquake disaster, and for development purposes; the raising of loans from local banks up to 500 million pesos to finance the building of houses in the devastated area; and the increase of income and other taxes, including a special tax of 10 per cent. which is to be levied in certain cases upon the profits of mining concerns. In this connection the United States Government has officially invited the Chilean Finance Minister to Washington with the object of discussing plans. It is expected that dollar credits will be granted through the American Import-Export Bank in return for trade advantages in favour of the United States.

THE FAR EAST

The rising prices of both foods and raw materials is beginning to disturb public opinion, and it is believed that further Government measures will be introduced. An agreement has been reached with various shipping companies to reduce freight rates on important commodities by 7 per cent. for large vessels and by 5 per cent. for small, although there has been a very firm tendency in the freight increased demands, and the Government is encouraging an expansion in the number of ships. Owing to the large issue of Government bonds, the note circulation fell below 2,000 million yen in the middle of May, the lowest figure for the past six months.

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	Mar.	Apr.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.					
PRODUCTION																							
1. Industr. Prod. B. of Trade (a) (d)	1930 = 100	108.5	90.5	113.4	124.4	132.8	124.3	132.1	17.0	17.0	117.0	126.0											
2. Coal, G.B.	Mill. tons	21.4	17.4	18.6	19.0	20.1	19.0	22.0	17.8	17.0	18.5	19.7	19.9	19.9	20.4	19.2	19.3	17.7					
3. Electricity, public supply, G.B.	Mill. kw.-hrs.	858	1,020	1,464	1,885	1,908	2,031	2,111	1,849	1,679	1,872	2,195	2,346	2,672	2,704	2,334	2,508	2,046					
4. Pig iron	Thous. tons	632	298	535	641	708	564	715	661	443	450	469	462	446	501	516	604	604					
5. Steel ingots and castings	Thous. tons	803	439	822	975	1,082	866	1,116	939	659	755	855	860	656	812	971	1,171	1,058					
6. Building plans passed (f) Dwelling.	Thous. £'s	3,638	3,907	6,536	6,235	5,637	4,976	5,339	5,337	4,071	4,509	4,685	4,004	3,913	3,295	5,453	5,219	4,698					
7. 146 towns, G.B. (Other ...)	"	2,403	1,614	2,990	3,497	3,579	3,183	3,175	3,324	3,022	2,375	2,533	3,683	3,082	3,953	2,810	3,137	2,961					
TRADE AND TRANSPORT																							
Domestic Trade																							
8. Electrical loans sanctioned (p)	Thous. gross tons	2,236	1,606	1,800	1,326	1,699	1,517	1,517	1,517	1,517	1,517	1,517	1,517	1,517	1,517	1,517	1,517	1,517					
9. Shipbuilding: commenced (f) ...	"	137	6	57	91	88	42	58	52	29	29	29	29	29	29	29	29	29					
10. " launched (f) ...	"	127	16	42	71	76	86	103	96	103	103	103	103	103	103	103	103	103					
11. " on hand, end yr. ...	"	1,560	225	743	964	1,125	780	1,089	1,089	1,089	1,089	1,089	1,089	1,089	1,089	1,089	1,089	1,089					
12. Automobiles: priv. cars (b) ...	Number	15,196	14,270	25,962	29,487	32,409	28,531	42,138	32,053	18,748	22,859	24,867	28,226	31,108	32,286	29,724	46,824	...					
13. " Com. vehicles (b) ...	"	4,705	5,123	7,681	8,967	9,843	8,764	11,765	8,414	7,071	7,362	8,320	9,270	9,691	9,691	9,691	9,691	9,691					
14. Cotton delivered to mills, G.B.	Mill. lbs. daily av.	5,272	4,477	4,722	5,177	5,433	4,734	4,877	4,181	3,701	3,501	3,921	4,251	4,251	4,251	4,251	4,251	4,251					
15. Rayon: Output ...	Thous. lbs.	4,742	6,007	10,314	12,101	12,982	11,694	13,270	10,570	9,310	11,780	11,750	12,410	10,366	11,815	12,430	15,972	...					
16. " Quantity excised ...	"	4,710	5,955	9,987	11,785	13,082	12,301	13,270	10,570	9,310	11,780	11,750	12,410	10,366	11,815	12,430	15,972	...					
17. Beer production ...	Thous. st. barrels	1,620	1,102	1,355	1,395	1,488	1,522	1,561	1,533	1,721	1,550	1,445	1,584	1,624	1,217	1,193	1,660	...					
18. Distilling: Drink (f) ...	Thou. proof galls.	914	721	720	760	785	757	573	679	741	741	1,033	1,033	1,033	98	98	98	98					
19. " Industrial alcohol (f) ...	"	1,205	1,834	3,172	3,595	4,369	4,363	4,359	4,264	4,351	4,451	4,445	4,445	4,445	4,380	4,380	4,380	4,380					
20. " Stocks, end year ...	Mill. proof galls.	151.6	141.5	136.1	137.4	144.5	154.4	148.7	150.1	152.2	151.7	152.1	153.1	154.4	155.3	155.9	158.7	...					
Foreign Trade																							
21. Rly. traf.: Merch. & Ivstg. G.B.	Thous. tons	9,780	6,605	7,661	8,188	8,690	7,362	8,569	7,931	6,636	6,903	7,344	7,324	6,795	6,418	...	...	...					
22. " Coal and coke, G.B.	"	15,933	12,861	13,447	13,539	14,384	88,340	15,004	12,953	11,988	12,889	14,240	13,731	14,370	14,362	...	...	...					
23. Automob.: priv. cars in use, G.B.	Thousands	893.8	1018.4	1347.5	1498.8	1648.2	1799.6	1637.9	1797.3	1916.2	1920.4	1821.2	1819.4	1845.4	1731.6	1742.0	1773.3	2002.1					
24. " Com. vehicles in use, G.B.	"	314.7	356.2	413.2	437.0	459.8	474.2	471.3	476.0	471.2	471.2	485.5	483.9	489.5	473.4	474.8	479.1	479.3					
25. Postal traffic receipts, daily ...	Thous. £'s	133	133	140	147	154	104	102	110	99	102	103	102	122	98	103	105	...					
26. Retail trade, Gt. Brit.: Food ...	Avg. daily sales	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...					
27. " Other merchandise ...	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...					
28. " Total ...	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...					
29. Advtg. expndit. on brand gds.	1935 = 100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...					
Foreign Trade																							
30. Retained imports, value: Food	Thous. £'s	42,444	29,810	28,616	30,921	34,099	34,923	35,949	31,155	34,150	36,735	38,044	37,990	34,481	34,099	29,298	34,629	29,234					
31. " Raw materials ...	"	23,774	11,740	15,237	17,934	22,343	18,121	11,163	18,608	17,734	16,696	16,680	16,278	17,422	18,896	14,166	16,832	17,119					
32. " Manufactures ...	"	25,467	12,168	14,902	10,452	20,878	17,958	21,721	18,532	17,054	17,543	18,615	18,205	16,390	17,241	16,756	20,882	18,633					
33. " Total ...	"	92,589	54,221	58,473	65,710	79,492	71,569	79,407	66,689	69,087	70,963	73,589	72,914	69,943	70,974	60,744	73,933	65,505					
34. " Volume: Food (a) (d) ...	Avg. of 1935 = 100	101.5	84.6	100	111.1	120.9	106.9	120.9	120.9	101.0	101.0	101.0	101.0	101.0	101.0	101.0	101.0	101.0					
35. " Raw materials (a) (d) ...	"	133.6	79.5	100	111.6	127.0	115.5	123.5	123.5	109.8	109.8	109.8	109.8	109.8	109.8	109.8	109.8	109.8					
36. " Manufactures (a) (d) ...	"	108.9	92.2	100	107.2	113.8	107.7	111.4	111.4	108.7	108.7	108.7	108.7	108.7	108.7	108.7	108.7	108.7					
37. " Total (a) (d) ...	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...					
Domestic Exports, value: Food																							
38. Domestic exports, value: Food	Thous. £'s	4,555	2,625	2,636	2,966	3,232	2,993	2,788	2,368	2,952	3,075	3,734	3,811	3,025	3,123	2,490	3,135	2,433					
39. " Raw materials ...	"	6,575	3,634	4,400	4,278	5,388	4,744	4,928	4,481	4,539	4,638	5,311	5,434	4,642	4,654	4,268	4,839	4,152					
40. " Manufactures ...	"	47,889	29,061	27,411	28,410	33,737	30,448	33,536	29,346	28,005	31,135	32,347	32,471	29,360	30,448	30,434	32,664	27,433					
41. " Total ...	"	60,779	30,419	35,493	36,727	43,469	39,240	42,155	37,266	36,331	39,809	42,562	42,923	39,999	39,889	38,052	41,635	35,111					
42. " Volume: Food (a) (d) ...	Avg. of 1935 = 100	126.7	100.4	100	110.6	117.2	111.1	106.9	106.9	101.0	101.0	101.0	101.0	101.0	101.0	101.0	101.0	101.0					
43. " Raw materials (a) (d) ...	"	140.3	84.0	100	102.1	112.8	98.7	101.9	101.9	95.5	95.5	95.5	95.5	95.5	95.5	95.5	95.5	95.5					
44. " Manufactures (a) (d) ...	"	108.9	92.2	100	107.2	113.8	107.7	111.4	111.4	108.7	108.7	108.7	108.7	108.7	108.7	108.7	108.7	108.7					
45. " Total (a) (d) ...	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...					
Shipping: Tonnage entered ...																							
46. Shipping: Tonnage entered ...	Thous. net tons	5,225	4,947	5,302	5,616	5,868	5,698	5,598	5,299	6,417	5,911	5,887	5,368	5,495	5,047	4,543	5,291	5,291					
47. " Tonnage cleared ...	"	5,723	4,620	4,777	4,735	5,166	4,967	4,549	4,649	5,379	5,475	5,352	4,891	4,698	4,646	4,137	4,686	4,777					
48. " Tonnage laid-up (X)	"	365	177	436	212	95	432	100.8	102.5	98.8	100.4	98.8	97.2	95.8	95.8	96.1	94.0	94.0					
49. Freight rates, Economist Index	1929 = 100	100	99.1	79.8	87.3	132.5	100.8	102.5	101.0	98.8	100.4	98.8	97.2	95.8	95.8	96.1	94.0	94.0					
50. Cable and wireless traffic receipts.	Corresponding month 1929 = 100	100	72.3	73.5	74.4	78.9	69.3	74.7	71.6	60.2	71.3	68.7	68.0	77.1	69.0	70.5	74.6	75.0					
EMPLOYMENT AND WAGES																							
51. Insured pers. employed (a) G.B.	Thousands	10,220	9,348	10,377	10,912	11,406	11,406	11,390	11,412	11,447	11,429	11,455	11,428	11,452	11,284	11,419	11,586	11,661					
52. Insured pers. unemployed ...	"	1,212	2,756	1,958	1,684	1,413	1,791	1,748	1,748	1,759	1,799	1,781	1,828	1,831	1,039	1,897	1,722	1,814					
53. Per cent. unemployed ...	"	10.3	21.9	15.3	13.0	10.6	12.8	12.4	12.3	12.7	12.9	12.9	12.9	12.7	12.7	14.0	13.1	12.0					
Wholesale: Economist Indices																							
54. Regist'd at Exchanges, all ages.	"	1,276	2,813	2,106	1,822	1,886	1,881	1,845	1,842	1,843	1,881	1,863	1,911	1,919	2,133	1,986	1,814	1,726					
55. " London ...	"	118	306	203	179	171	226	227	216	203	211	238	247	245	227	228	203	203					
56. " S.W. England ...	"	69	157	114	94	83	84	86	83	70	76	84	90	87	118	143	131	109					
57. " Midland ...	"	165	371	217	178	144	210	196	195	205	238	224	208	205	199	222	199	176					
58. " N.E. England ...	"	280	602	452	304	165	208	192	193	195	215	217	195	199	200	231	204	183					
59. " N.W. ...	"	285	562	439	374	304	398	338	358	358	416	381	386	377	409	382	359	331					
60. " Northern (e) ...	"	156	378	214	179	158	138	147	145	163	161	167	168	169	188	177	167	157					
61. " Scotland ...	"	36	68	70	67	71	91	96	94	84	82	81	83	83	85	80	87	101					
62. " Wales ...	"	676	541	160	153	285	110	118	151	86	90	90	90	90	90	81	116	90					
63. Industr. disputes, No. days lost	1929 = 100	100	96	96	99	103	107	106	105	107	107	107	107	107	107	107	107	107					
64. Wage rates, Min. of Labour (d)	"	100	70.4	72.2	79.4	93.5	82.4	90.3	88.3	79.2	74.7	71.7	69.0	71.8	71.3	70.6	72.2	73.0					
65. Cereals and meat ...	"	100	72.8	70.6	71.2	78.6	68.4	70.1	70.2	67.0	67.7	67.8	67.2	67.1	67.7	68.9	70.0	73.0					
66. Other foods ...	"	100	53.4	61.8	67.0	73.7	58.6	60.2	58.5	67.0	58.5	59.0	58.2	57.9	57.8	58.0	57.5	58.0					
67. Textiles ...	"	100	76.3	83.5	88.5	108.4	97.4	97.4	96.2	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0					
68. Minerals ...	"	100</																					

UNITED STATES, FRANCE AND GERMANY

	Unit of Measurement	Monthly Average						1938						1939				
		1929	1932	1935	1936	1937	1938	Feb.	Mar.	Apr.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
UNITED STATES (Population 1938: 130,085,000; Area: 7,839,432 sq. kms.)																		
PRODUCTION																		
1. Industrial production, F.R.B. (a)	1929 = 100	100	53.8	75.6	88.1	92.2	72.3	66.4	66.4	64.7	76.5	80.7	86.6	87.4	84.0	82.4	82.4	...
2. Investment goods, F.R.B. (a)	"	100	27.0	62.2	81.1	87.7	53.3	44.3	44.3	43.4	56.6	68.9	77.9	75.4	72.1	72.1	64.8	...
3. Consumption goods, F.R.B. (a)	"	100	75.2	87.2	94.0	94.0	85.5	80.3	79.5	77.8	91.5	90.6	94.0	97.4	94.0	94.0	94.0	...
4. Coal	Million m. tons	46.0	27.2	31.6	36.5	37.0	29.2	27.7	27.9	23.2	32.1	35.4	35.6	36.9	36.7	34.5	35.3	14.5
5. Electricity generated	Million kw. hrs.	8,113	6,842	8,283	9,461	10,083	9,400	8,709	9,468	9,838	10,209	10,244	10,882	10,641	9,655	...	...	...
6. Steel	Thous. m. tons	4,599	1,128	2,830	3,973	4,192	2,357	1,781	2,045	1,956	2,700	3,188	3,629	3,193	3,238	3,002	3,419	3,005
7. Index of machine tool orders	1929 = 100	100	12.6	55.5	87.7	120.0	65.9	48.6	69.1	58.0	75.3	75.8	72.0	93.7	96.8	107.0	119.0	...
8. Residential	Million \$	159.6	23.3	39.9	66.8	75.5	82.2	40.0	79.4	74.6	99.6	112.7	95.3	81.5	80.2	79.0	...	...
9. Other	"	319.6	89.3	114.1	156.1	184.4	184.2	78.9	147.5	147.4	201.3	245.0	208.4	207.9	171.3	141.2	...	...
10. Private cars	Thousands	382	88	271	306	326	167	139	174	176	65	187	320	280	240	230	...	...
11. Commercial vehicles	"	84	20	58	65	72	41	47	48	43	18	22	52	62	59	58	72	...
12. Activity in textile industry	1929 = 100	100	72.2	90.4	97.4	96.5	80.9	69.6	70.4	64.3	89.6	87.0	97.4	101.7	94.8	94.8	94.8	...
TRADE AND TRANSPORT																		
13. Index of Rly. car loadings (a)	"	100	52.8	59.4	67.9	74.7	59.2	58.5	56.6	53.8	60.5	64.2	65.1	65.1	65.1	63.2	62.3	...
14. Index of Dept. Store sales (a)	"	100	62.2	71.2	79.2	83.6	78.7	79.3	77.5	74.8	87.5	89.2	89.2	79.3	79.3	79.3	79.3	...
15. Retained imports	Million \$	362	110	170	202	251	163	155.9	173.2	155.1	172.9	178.5	171.7	165.2	169.3	152.5	191.2	...
16. Domestic exports	"	430	131	187	202	275	253	259.2	270.4	271.5	243.6	274.3	249.7	268.2	210.3	216.0	264.6	...
EMPLOYMENT AND WAGES																		
17. Factory employment, F.R.B. (a)	1929 = 100	100	62.6	87.2	98.4	101.0	81.5	84.9	83.5	81.6	84.9	83.5	86.0	87.6	87.4	87.2	87.0	...
18. Pay rolls, Dept. of Lab. (a)	"	100	42.6	67.9	78.4	93.5	78.5	70.5	70.2	71.3	74.2	76.9	77.1	79.3	76.3	78.7	79.5	...
19. Hourly earnings, N.I.C.B. (a)	"	100	84	102	105	120	122.2	123.1	123.6	123.0	123.1	123.1	123.1	123.1	123.1	123.1	123.1	...
20. Av. hours of work, N.I.C.B. (a)	Number	48.3	34.8	37.2	39.7	39.3	34.5	33.4	33.3	32.9	36.3	36.7	36.9	36.6	36.6	36.8	36.8	...
21. Applicants for work	Thousands	...	...	7,450	7,705	5,155	7,404	6,746	6,778	7,254	7,969	7,743	7,529	7,216	7,442	7,199	...	...
PRICES																		
22. Cost of living, N.I.C.B. (a)	1929 = 100	100	77.9	82.6	84.8	88.4	86.3	86.6	86.7	85.8	85.7	85.5	85.7	85.3	85.0	84.8	...	...
23. Wholesale prices, D. of Lab. (a)	"	100	68.0	83.9	84.8	90.6	82.6	83.7	83.6	82.6	82.8	81.4	81.3	80.8	80.7	80.7	80.5	...
24. " raw materials	"	100	56.5	79.1	82.0	86.9	73.8	75.5	75.1	73.1	74.8	73.7	73.4	72.7	72.7	72.7	71.9	...
25. " semi-manufactures	"	100	63.2	78.4	80.8	90.8	80.3	81.0	80.5	80.2	79.8	80.8	81.1	80.1	79.9	79.3	79.4	...
26. " Finished goods	"	100	74.4	87.0	86.8	92.2	87.0	88.2	88.3	87.5	86.6	85.9	85.2	84.9	84.7	84.9	84.9	...
27. " Farm products	"	100	45.9	75.1	77.2	82.5	65.3	66.5	67.0	65.2	65.0	63.7	64.6	64.5	64.1	64.1	62.7	...
28. 351 Indus. securit's, Stand. Stat.	"	100	24.4	48.0	67.3	69.0	52.6	50.5	47.1	44.1	54.2	59.2	59.7	58.4	57.7	56.1	56.4	...
FINANCE																		
29. Federal Exp. Total (f) (g)	Million \$	320.7	439.5	602.1	722.2	703.5	635.5	4,751	5,503	6,146	2,211	2,981	3,660	4,522	5,215	5,877	...	...
30. Recovery and Relief (g)	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
31. Federal Receipts (f) (g)	"	336.1	176.8	347.7	343.0	441.2	520.2	3,860	4,819	5,029	1,409	1,741	2,123	2,827	3,135	3,552	...	...
32. Total Res. Bank credit	"	1,459	2,077	2,475	2,481	2,554	2,600	2,590	2,611	2,594	2,600	2,586	2,584	2,601	2,607	2,598	2,587	...
33. Gold stock	"	3,996	3,952	4,059	4,078	4,182	4,260	4,268	4,275	4,286	4,290	4,290	4,290	4,290	4,290	4,290	4,290	...
34. Money in circulation	"	4,476	5,328	5,585	6,101	6,475	6,510	6,334	6,355	6,397	6,622	6,700	6,787	6,856	6,853	6,731	6,817	...
35. Member Bank Res. Balances	"	2,358	2,114	2,001	1,989	6,830	7,935	7,248	7,287	7,623	8,198	8,713	8,876	8,724	9,215	8,936	9,157	...
36. " Excess Reserves	"	43	256	2,469	2,512	1,220	2,522	1,415	1,546	2,548	2,869	3,227	3,383	3,205	3,644	3,387	3,559	...
37. Loans and investments	"	22,599	19,080	19,997	22,062	22,198	21,033	21,214	20,819	21,078	21,323	21,347	21,586	21,468	21,527	21,705	16,660	...
38. Deposits: Demand	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
39. " Time	"	6,788	5,666	4,883	4,999	5,202	5,202	5,280	5,218	5,230	5,180	5,156	5,124	5,160	5,183	5,202	5,217	...
40. Bank debits ex. N.Y. City	"	27,662	12,867	15,847	18,306	19,601	17,054	14,633	17,363	16,597	19,107	20,990	19,681	21,059	17,807	15,110	18,163	...
41. Call money	%	7.61	2.05	0.56	0.91	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	...
42. Yield on Govt. bonds	%	3.60	3.66	2.79	2.65	2.68	2.56	2.64	2.45	2.43	2.58	2.40	2.50	2.49	2.47	2.44	2.34	...
43. Capital issues, C.F. Chronicle	Million \$	595	99	118	164	175	194	83	126	196	763	389	218	220	378	162	143	...
FRANCE (Population 1938: 41,906,000; Area: 550,988 sq. kms.)																		
PRODUCTION																		
44. Industrial prod. S.G.F. (b) (f)	1928 = 100	100	75.6	74.0	85	88	82	85	85	85	85	85	85	85	85	85	85	...
45. Coal	Thous. met. tons	4,482	3,856	3,851	3,769	3,693	3,875	3,685	4,294	4,043	3,944	4,234	4,188	4,430	4,214	3,932	4,393	...
46. Electricity	Thous. met. tons	100	88.2	101.7	104.2	114.3	121.0	125.1	122.6	121.8	120.1	121.9	121.0	124.2	131.0	1,344	...	...
47. Steel	Thous. met. tons	808	470	522	559	660	514	562	562	500	470	511	534	576	595	575	668	...
48. Building activity	1929 = 100	100	81.3	55.3	52.0	48.1	45.9	43.6	44.4	44.4	46.6	46.6	45.9	48.9	50.4	54.9	...	...
TRADE AND TRANSPORT																		
49. Rly. car loadings, daily	Thous. cars	65.1	47.3	40.1	40.9	41.6	40.4	41.4	42.0	42.0	39.8	43.1	42.9	40.2	40.8	41.9	42.2	...
50. Imports	Mill. frs.	4,852	2,484	1,745	2,118	3,533	3,832	4,288	3,527	3,877	3,534	3,878	3,871	4,214	3,978	4,519	3,992	...
51. Exports	"	4,178	1,642	1,289	1,288	1,995	2,549	2,319	2,231	2,364	2,853	3,059	3,292	2,802	3,036	2,880	3,034	...
EMPLOYMENT AND WAGES																		
52. Unemployed in receipt of benefit	Thousands	0.9	273.4	426.9	431.9	350.3	375.7	412.4	401.1	393.1	338.4	361.7	404.7	416.0	414.8	395.3	386.2	...
53. Hourly wage rates, Paris region	1929 = 100	100	100	101	116	173	...	...	...	...	...	...	...	...	...	...	...	...
PRICES																		
54. Wholesale, index of S.G.F. (a)	"	100	68.2	54.0	65.5	92.7	104.1	100.6	101.1	102.6	104.0	105.9	107.5	109.1	109.9	109.9	108.9	...
55. Cost of living, Paris	"	100	94.6	86.9	91.1	111.3	125.5	113.2	113.2	123.9	131.2	129.9	129.9	129.9	129.9	129.9	129.9	...
56. Industrial securities	"	100	47.0	36.3	33.4	43.8	41.1	38.2	37.1	43.1	38.6	40.5	42.4	48.0	43.0	46.1	45.2	...
FINANCE																		
57. Govt. revenue: impôts indir. (g)	Mill. frs.	2,958	2,415	2,158	2,223	2,545	3,128	6,480	9,040	12,508	36,518	40,239	43,240	46,581	4,097	7,275	10,583	...
58. Impôts sur les revenus (g)	"	891	619	424	475	568	771	1,292	1,621	1,718	6,214	7,848	9,294	10,883	572	1,141	1,478	...
59. Bank of France: Gold	"	37,011	79,481	74,976	60,129	58,618	77,111	55,806	55,807	55,808	55,808	55,808	55,808	55,808	87,265	87,265	87,265	...
60. " Notes in circulation	"	64,719	82,131	82,119	84,223	88,288	101,704	92,662	94,965	97,996	109,688	131,717	107,073	126,145	110,090	112,664	115,425	...
61. Commercial bank deposits	"	33,362	36,272	28,704	26,243	28,957	30,755	29,362	28,621	29,874	27,405	30,499	30,726	30,862	32,862	33,620	33,620	...
62. Bank clearings, Paris	"	42,705	27,700	28,275	24,224	28,508	32,549	27,426	33,964	34,867	24,294	24,813	32,721	33,568	33,063	32,168	36,168	...
63. Interest rates: Bank discount	%	3.50	2.50	3.70	4.00	4.00	2.75	3.00	3.00	3.00	3.00	3.00	3.00	2.50	2.00	2.00	2.00	...
64. " 3% Rentes	%	3.50	1.26	3.40	4.00	3.97	2.95	3.27	3.53	3.38	2.79	2.81	2.79	2.36	1.99	1.94	1.96	...
65. " 3% Rentes	%	3.50	1.26	3.40	4.00	3.97	2.95	3.27	3.53	3.38	2.79	2.81	2.79	2.36	1.99	1.94	1.96	...

RAW MATERIALS AND CRUDE FOODSTUFFS

GROUP I.—MONTHLY TABLE

Commodity	Unit of Measurement	Monthly Average						1938							1939			
		1929	1932	1935	1936	1937	1938	Feb.	Mar.	Apr.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
		(a)																
COAL																		
1. Production: Belgium	Th. metric tons	2,245	1,785	2,207	2,323	2,473	2,465	2,463	2,701	2,501	2,387	2,526	2,531	2,566	2,663	2,357	2,724	...
2. " France	"	4,482	3,856	3,851	3,769	3,693	3,875	3,685	4,294	4,013	3,944	4,234	4,188	4,139	4,214	3,932	4,393	...
3. " Germany: Coal(b)	"	13,620	8,728	11,918	13,190	15,376	15,515	15,176	16,679	14,935	15,061	15,638	15,670	15,713	16,231	14,865	16,869	...
4. " Poland	"	3,853	2,403	2,395	2,479	3,018	3,175	3,074	3,003	2,911	3,347	3,503	3,391	3,441	3,419	3,623	3,652	...
5. " U.K.	"	21,837	17,717	18,877	19,349	20,421	19,323	20,421	22,359	18,112	18,814	20,012	20,289	19,461	20,884	19,481	22,179	...
6. " U.S.A.	"	46,026	27,183	31,576	36,761	37,178	29,282	27,705	27,905	23,150	32,106	35,413	35,577	36,923	36,731	34,492	35,261	14,491
7. " All Principal countries	"	100,772	73,529	85,843	94,705	99,947	91,884	90,299	96,217	83,292	93,873	98,961	102,514	103,545	102,117	95,475	103,270	20,065
8. Price: Av. Br. expt. price	sh. per ton	16-08	16-25	16-29	16-98	18-57	20-89	20-76	20-92	20-78	20-81	20-76	20-80	20-81	20-83	20-44	20-18	20-06
OIL																		
9. Production: Dutch East Indies	Th. metric tons	437	424	507	536	605	617	569	634	613	607	637	627	653	648	608	658	...
10. " Mexico	"	556	408	501	511	578	477	596	891	316	483	520	483	430	...	...	...	...
11. " Iran (Ang.-Ir. Oil)	"	462	543	577	628	871	904	865	1,124	1,014	751	914	1,010	845	...	...	...	...
12. " Rumania	"	403	612	698	723	596	550	512	573	590	534	550	526	542	536	497	539	...
13. " U.S.A.	"	11,509	8,970	11,386	12,550	14,597	13,861	12,978	14,604	14,080	13,526	13,961	13,513	14,023	14,051	12,815	14,638	...
14. " U.S.S.R.	"	1,206	1,791	1,989	2,193	2,307	2,357	2,440	2,192	2,448	2,401	2,387	2,366	2,339	2,332	2,400	...	...
15. " All Principal countries	"	17,145	15,048	18,398	20,575	23,486	22,817	21,538	23,688	22,742	22,659	23,320	22,574	23,148	23,116	21,469	...	...
16. Stocks: U.S.A. end year	million barrels	422	340	315	288	306	273	306	309	307	289	280	273	271	272	272	273	277
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	96-0	96-0	96-0	96-0	96-0	116-0	116-0
CRUDE STEEL																		
18. Production: Belgium	Th. metric tons	342	232	252	265	322	190	181	175	160	187	207	219	219	210	199	225	...
19. " France	"	808	470	523	559	680	514	562	591	500	467	512	534	576	595	575	668	...
20. " Germany (c)	"	1,354	481	1,371	1,601	1,654	1,934	1,806	1,989	1,818	1,987	2,057	2,032	1,944	2,096	1,955	2,215	...
21. " Japan, ex. castings	"	191	200	375	419	...	...	...	...	...	...	...	...	...	...	...	...	...
22. " Luxembourg	"	225	183	153	165	209	120	111	109	109	117	132	142	138	138	136	146	...
23. " U.K.	"	816	445	483	590	1,098	880	1,075	1,134	954	767	869	874	668	825	987	1,190	1,075
24. " U.S.A., ex. castings	"	4,599	1,128	2,830	3,963	4,192	2,357	1,731	2,045	1,956	2,700	3,168	3,629	3,194	3,238	3,002	3,419	3,035
25. " U.S.S.R.	"	407	490	1,364	1,362	1,485	1,434	1,631	1,596	1,464	1,566	...	...	...	...	...	...	...
26. " All Principal countries	"	9,492	3,890	7,620	9,595	10,453	8,256	7,598	8,429	7,829	8,432	9,274	9,680	9,006	9,313	9,003	10,204	4-95
27. Price: Pig iron Clevel. No. 3	£ per ton	3-53	2-91	3-39	3-70	4-67	5-45	5-45	5-45	5-45	5-45	5-45	5-45	5-45	4-95	4-95	4-95	4-95
GOLD																		
28. Production: Union of S. Africa	Thous. fine ozs.	868	963	898	945	978	1,013	929	1,014	98-1	1,035	1,041	1,024	1,029	1,034	986	1,076	1,017
29. " U.S.S.R.	"	90	163	375	450	417	417	...	...	...	...	...	...	...	...	...	...	...
30. " Canada	"	161	254	274	310	341	390	341	376	3-68	410	411	410	434	411	395	...	...
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	142-54	139-75	139-89	139-70	144-95	145-66	147-73	148-92	149-25	148-49	148-39	148-51
WHEAT																		
34. World shipments, yr. ended July	Mlns. of bushels	77	67	43	42	50	45	46	50	44	43	56	48	43	51	46	386-2	5-05
35. Stks.: World visible supplies (d)	"	370-1	408-2	339-5	275-1	229-5	262-4	308-1	279-4	245-9	423-5	441-8	446-5	490-8	472-6	418-4	386-2	5-05
36. Average British import price	sh. per cwt.	10-33	6-15	6-02	7-53	9-28	7-73	9-88	9-40	9-09	6-50	5-89	5-61	5-10	4-92	5-11	5-07	5-05
COTTON																		
37. Mill consumption: U.K. (a)	Thousands of actual bales	233	182	209	228	240	189	179	179	179	190	190	190	190	190	190	...	...
38. " Japan (c)	"	231	231	311	304	347	247	261	261	261	212	212	212	212	212	...	...	...
39. " U.S.A. (c)	"	586	404	443	527	588	514	445	445	445	584	584	584	584	584	...	...	...
40. " World (c)	"	2,157	1,860	2,035	2,116	2,383	2,213	2,096	2,006	2,006	2,284	2,284	2,284	2,284	2,284	...	...	...
41. Stks.: World Visible Supplies (d)	Thousand bales	2,736	7,682	3,983	4,297	3,875	7,069	8,665	8,240	7,910	8,501	9,316	9,543	9,350	8,754	8,218	7,552	6,977
42. Price: Mid. American	d. per lb.	10-33	5-25	6-70	6-69	6-37	4-97	5-08	5-07	4-87	4-79	5-16	5-13	5-15	5-15	5-19	5-13	5-21
SUGAR																		
43. Stks.: World visible supplies (f)	Thous. tons	4,047	7,018	4,166	2,983	2,816	3,601	6,097	6,889	6,521	3,601	4,129	5,951	6,064	5,819	6,131	6,547	8-30
44. Av. Brit. import price, unrefined	sh. per cwt.	9-68	7-70	6-38	6-71	8-62	7-92	9-53	8-04	7-54	7-48	8-79	8-79	8-65	9-24	8-37	8-22	8-30

GROUP II.—BI-MONTHLY TABLE

COPPER		1920—BI-MONTHLY TABLE																			
1. Production: Belgian Congo	Th. metric tons	11-3	4-5	12-1	8-1	12-0	12-0	11-0	21-2	21-8	21-7	22-8	22-4	21-5	22-5	21-9	18-7	...	...	...	...
2. (Smelter) Canada	"	6-1	8-0	14-7	15-7	17-2	22-5	21-2	21-8	21-7	22-8	22-4	21-5	22-5	21-9	18-7	...	...	...	...	
3. " Chile	"	25-3	8-1	21-6	20-4	37-1	21-2	16-1	16-0	16-8	16-5	18-3	22-9	24-1	16-9	17-2	15-4	...	...	...	...
4. " N. Rhodesia	"	0-5	5-8	12-2	12-1	17-6	16-1	16-1	16-0	16-8	16-5	18-3	22-9	24-1	16-9	17-2	15-4	...	...	...	...
5. " U.S.A.	"	83-2	23-2	38-3	55-4	74-2	48-6	48-6	48-6	48-6	48-6	48-6	48-6	48-6	48-6	48-6	48-6	...	...	...	...
6. " World	"	157-9	77-6	115-6	128-5	176-2	146-6	138-9	146-8	146-9	132-4	167-9	180-1	176-9	159-6	146-7	149-9	...	...	...	...
7. Consumption: World	"	146-8	75-5	121-2	135-5	162-3	147-1	125-4	144-0	146-3	142-4	142-4	142-4	142-4	142-4	142-4	142-4	...	...	...	...
8. Stocks: U.K. (d)	"	6-6	27-3	38-7	47-0	32-0	33-4	31-2	33-0	33-6	35-5	30-5	28-7	30-1	32-7	31-8	35-9	...	...	...	...
9. (Refined) Stocks: World (h)	"	423-0	724-5	440-3	320-4	428-0	453-8	480-0	490-1	491-3	415-0	385-3	384-2	414-7	435-5	447-4	462-8	...	...	...	...
10. Price: Std. cash, London	£ per ton	75-48	31-71	31-91	38-48	54-53	44-8	39-64	39-82	39-35	41-90	45-69	45-28	43-47	43-16	42-23	42-98	...	...	...	...
LEAD																					
11. Production: Australia	Th. metric tons	15-0	15-8	18-2	16-6	19-5	18-9	18-2	19-6	17-9	18-4	19-4	19-4	21-4	22-2	16-3	20-3	...	...	...	...
12. (Smelter) Canada	"	11-5	9-6	12-4	13-7	15-6	15-4	14-7	16-2	15-6	15-4	16-0	14-2	14-4	14-4	14-6	14-2	...	...	...	...
13. " Germany	"	8-2	7-9	10-2	11-6	13-5	15-4	14-7	15-9	14-8	15-6	15-2	15-0	16-9	15-7	14-6	17-2	...	...	...	...
14. " Mexico	"	19-2	10-9	15-1	17-5	18-7	17-3	15-6	13-9	14-8	15-6	15-2	15-0	16-9	15-7	14-6	17-2	...	...	...	...
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	30-4	31-9	34-5	22-7	25-4	32-6	28-1	31-7	33-0	34-3	...	...	...	...
17. " World	"	145-0	95-9	114-2	132-3	140-9	134-8	125-3	132-8	132-3	129-2	132-1	133-5	128-3	132-0	119-2	131-7	...	...	...	...
18. Stocks: U.K. (h)	"	2-0	20-6	6-2	7-0	11-2	9-1	12-1	12-1	9-4	9-8	9-8	9-8	9-8	9-8	9-8	9-8	...	...	...	...
19. " U.S.A. (h)	"	49-7	159-4	201-6	155-9	7-0	11-2	9-1	12-1	12-1	9-4	9-8	9-8	9-8	9-8	9-8	9-8	...	...	...	...
20. Price: "Soft Foreign," London	£ per ton	23-25	11-00	14-25	17-60	23-33	15-26	15-40	15-99	15-36	15-25	16-18	16-15	14-96	14-52	14-27	16-75	...	...	...	...
SPELTER																					
21. Production: Holland	Th. metric tons	2-1	1-3	1-1	1-3	2-5	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
22. (Smelter) Belgium	"	16-8	8-0	15-3	16-8	18-8	18-6	20-1	21-4	21-4	17-9	18-6	18-3	19-2	19-1	17-3	18-8	...	...	...	...
23. " Canada	"	6-5	6-5	11-3	11-4	12-0	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
24. " Mexico	"	2-8	2-7	2-7	3-5	14-3	14-3	15-5	16-6	16-0	13-4	15-0	16-5	16-9	17-4	14-8	15-7	...	...	...	...
25. " Germany	"	8-9	3-5	10-4	11-5	13-6	16-2	14-1	16-2	15-5	16-4	16-9	17-0	17-8	17-3	15-9	18-3	...	...	...	...
26. " Poland	"	14-1	7-0	7-1	7-9	9-2	9-9	7-9	8-8	8-7	9-1	9-5	9-2	10-1	9-7	9-3	9-9	...	...	...	...
27. " Australia	"	4-4	4-5	5-7	5-5	5-9	10-6	10-3	11-4	11-0	9-5	9-5	9-5	9-5	9-9	9-9	9-9	...	...	...	...
28. " U.K.	"	4-9	2-3	5-4	5-5	5-2	34-5	37-3	39-4	34-5	29-3	33-3	36-6	40-7	40-0	35-8	40-9	...	...	...	...
29. " U.S.A.	"	47-3	15-7	31-8	37-4	42-1	131-4	128-9	139-7	132-4	118-6	128-5	132-3	139-3	139-5	126-2	24-7	...	...	...	...
30. " World	"	121-5	65-3	112-1	123-1	136-3	131-4	128-9	139-7	132-4	118-6	128-5	132-3	139-3	139-5	126-2	24-7	...	...	...	...
31. Stocks: U.K. (h)	"	4-5	13-2	8-2	17-2	20-2	25-8	20-3	20-5	21-5	20-7	23-3	24-5	25-8	23-9	116-3	110-1	...	...	...	...
32. " U.S.A. (h)	"	70-1	113-2	76-1	40-8	58-8	116-3	98-1	107-0	122-6	118-6	112-6	109-6	115-1	116-3	13-52	13-73	...	...	...	...
33. Price: G.O.B., London	£ per ton	24-88	13-58	14-08	14-90	22-25	13-98	14-41	14-36	13-56	14-04	15-07	14-34	13-91	13-67	...	...	...	...	...	...
TIN																					
34. Production: Bolivia	Tons	3,862	1,715	2,264	2,006	2,085	2,114	2,046	3,148	2,456	1,468	2,663	1,839	1,948	2,088	2,407	...	...	...	...	
35. (exports) Dutch E. Indies	"	2,993	1,307	2,663	2,640	3,315	2,156	2,443	2,527	2,236	1,542	1,918	1,455	1,289	2,197	1,417	...	...	...	...	
36. " China	"	565	617	783	889	871	937	674	949	694	579	1,520	1,166	945	960	257	...	...	...	...	
37. " Belgian Congo	"	81	57	540	567	6,462	3,694	4,270	5,053	4,741	2,375	4,252	2,450	2,127	1,920	571	...	...	...	...	
38. " British Malaya	"	5,781	2,479	3,830	5,567	6,061	6,061	604	816	609	250	623	441	232	872	862	...	...	...	...	
39. " Nigeria	"	895	355	586	796	1,125	1,125	975	1,414	1,216	1,339	1,112	686	868	1,010	1,010	...	...	...	...	
40. " Siam	"	828	772	815	1,056	1,365	1,125	975	1,414	1,216	1,339	1,112	686	868	1,010	1,010	...	...	...	...	
41. " World	"	15,582	8,267	12,258	15,000	17,242	2,370	13,600	16,290	14,500	9,800	13,600	10,700	9,300	15,900	10,100	...	...	...	...	
42. " Quota of restrg. countries	% of std. quanty.	...	42-8	58-8	92-2	107-5	53-8	70-9	70-0	55-0	45-0	45-0	45-0	45-0	45-0	45-0	...	...	...	...	
43. Consumption: U.K.	tons	2,518	1,542	1,786	1,825	2,164	5,248	1,412	1,950	2,437	1,873	1,884	1,504	1,230	1,596	4,419	...	...	...	...	
44. " U.S.A.	"	7,298	2,938	4,199	6,304	7,222	4,244	4,798	4,879	3,685	4,726	4,987	3,872	3,022	4,203	4,778	...	...	...	...	
45. " World	"	14,834	8,758	12,442	13,892	16,442	12,625	12,600	14,500	12,200	13,600	13,600	11,000	11,300	11,000	10,800	...	...	...	...	
46. Stocks: World Vis. supply (h)	"	42,449	55,903	13,841	22,695	25,711	29,494	23,308	27,127	28,902	30,869	30,459	25,532	34,943	33,561	32,729	...	...	...	...	
47. " Ratio to annual cons.	"	17-7	53-2	9-3	14-1	24-3	18-0	14-0	16-0	18-0	21-0	20-0	20-0	21-0	23-0	23-0	...	...	...	...	
48. Price: Std. cash, London	£ per ton	203-9	136-0	225-7	204-6	257-3	18-0	14-0	16-0	18-0	21-0	20-0	20-0	21-0	23-0	23-0	...	...	...	...	

British Industrial Developments

The following reports on British industry cover, in most cases, the period to the middle of June. In the remainder they relate to the month of May.

COAL

Production in the coal-mining industry continues to increase and total output in May was higher than in the corresponding month a year earlier for the first time since May, 1938. The quantity of saleable coal raised last month, at 19.9 million tons, was 3.9 per cent. higher than a year ago. Unemployment has also improved during this period and in May was 4.9 per cent. below last year's level. The improvement is due to a revival of both home and export demand and all districts have shared in it. Additional quotas have been granted to the principal coalfields for the current quarter for both inland and export supply. Exports rose from 2,710,593 tons in April to 3,867,587 in May compared with 3,323,086 tons in May, 1938, while coal shipped for the use of steamers advanced from 802,410 tons, to 942,793 against 845,869 tons last year. There was a very large increase in shipments to the United States, owing to the coal strike in that country, but exports to many other countries were also higher than a year ago. Although the demand for coal for heating purposes has shown the usual seasonal decline, industrial requirements are still increasing and activity in the coal-mining industry is expected to be maintained at a high level.

IRON AND STEEL

Production showed a further increase last month, and the output of steel ingots and castings reached the highest level ever recorded. Total output of crude steel amounted to 1,218,100 tons last month compared with 1,170,900 tons in April and only 957,000 tons in May last year. Production was thus about 40,000 tons above the previous record reached in November, 1937. The output of pig iron also increased during May, when it reached 692,100 tons compared with 608,900 tons in April and 633,900 tons in May last year. The present production of steel represents an annual rate of about 13,660,000 tons, while the capacity of the industry is estimated at 14,700,000 tons per annum. Thus there is still room for a further expansion in output, but the problem will be so to supervise the distribution of raw materials and orders that the best possible use is made of available capacity. Supplies of scrap are quickly taken up, but ample provision is being made for future requirements and there are reports of recent substantial purchases in America. A large proportion of orders is for commercial work, though there is greater pressure for delivery for work on Government account. There is as yet no indication of the situation of 1937 arising again, when consumers placed duplicate orders to ensure their requirements, and some sections of consumers have voluntarily agreed to insert clauses in their contracts stating that their orders are genuine. Thus the larger current output contains less of the speculative element than did the smaller output of 1937, and activity may be expected to continue at a high level.

GENERAL ENGINEERING

Activity in the general engineering industry continues to expand. All sections showed an improvement in the unemployment position during May, when the proportion of insured workers unemployed fell by 1.1 per cent. to 6.0 per cent. This figure is not far above the low record of September, 1937, and there is danger of bottlenecks developing in some of the skilled grades. It is hoped that these may be overcome by careful planning and dilution. The proportion of Government work in the industry is increasing, but the volume of civil work is substantial, and most firms are considering how best they can maintain contact with civil customers—particularly in the export trade. Exports of machinery rose from 34,220 tons in April to 37,425 tons in May compared with 37,238 tons in May, 1938, while imports fell from 12,741 tons in April to 10,871 tons in May, against 10,132 tons a year ago. Exports of machine tools showed an increase, as did agricultural machinery, though this was largely seasonal. The Amalgamated Engineers' Union have accepted the employers' offer of a 2s. increase in the national bonus, but they have announced their intention of demanding a 10s. rise in basic wages in six months' time. They have also, in effect, agreed to dilution when all skilled workers are employed.

ELECTRICAL EQUIPMENT

The electrical equipment industry made further progress last month. In the electrical engineering section the proportion of insured persons unemployed fell from 4.7 on April 17th to 4.0 on May 15. In the electric cable, apparatus and lamp section unemployment fell during this period from 7.4 per cent. to 6.3 per cent. Exports of electrical machinery declined from 1,960 tons (valued at £330,997) in May, 1938, to 1,343 tons (valued at £242,310) in the past month, which was, however, an increase over the figure for April. Exports of electrical goods and apparatus rose from £1,098,113 in May last year to £1,106,669 in May, 1939.

AUTOMOBILES

Registrations of new private cars in Great Britain for 1939 totalled 25,645, only four less than in April, 1938. The influence of the increase in the car tax can be seen in the decline in new registrations of the larger cars, while sales of 8 and 10 h.p. cars were larger than a year ago. Sales production and exports of goods vehicles continue at a lower level than in 1938, but exports of private cars have increased.

BUILDING

The high level of activity in the constructional trades continues; unemployment showed a further improvement during the past month. The proportion of insured persons unemployed in May was only 0.2 per cent. higher than a year earlier in the case of building, while in public works contracting there was a decline of 4.6 per cent. on the year. Compared with April, 1939, unemployment in these two sections was 1.9 per cent. and 2.5 per cent. lower, respectively. The returns of building plans passed by 142 local authorities in May showed a reduction from those of the corresponding month last year. The decline from the corresponding month a year earlier in the total value of plans approved, at 19.4 per cent., was much larger than in April. The value of plans passed for dwelling houses was 38.4 per cent. below last year's level, but there was an increase in those for all other buildings.

CHEMICALS

Most sections of the home chemical market have been fairly active during the past month. A very fair demand was received for industrial chemicals, business in this section being on a better scale than during the same period of last year. Business in wood distillation products has been fairly active and stocks of all products are diminishing, although this has not, as yet, resulted in any appreciable price alterations. Conditions in the coal tar products market are improving slowly, but business is still rather difficult. Trade in pharmaceutical and other fine chemicals has been moderately active during the month. The value of exports of chemicals, drugs, dye and colours in May increased by £493,173 and imports by £767,184 as compared with May, 1938. The only items for which export showed an appreciable reduction in value were ammonium sulphate and coal tar products. Considerably increased exports were recorded for sodium compounds, drugs and medicines, dyes and dyestuffs and painters' colours and materials.

POTTERY

In the past few weeks activity has improved, particularly in North Staffordshire, although short time is still common. Unemployment in the industry declined considerably in May; the proportion of insured persons unemployed fell from 20.0 on April 17th to 16.8 on May 15th. Improved home demand was largely responsible for this fall, but exports of sanitaryware continue at a higher level than the fall of 1937, in spite of a recovery in May, exports of earthenware totalled only 187,854 cwt. in the first five months of the current year against 207,919 cwt. in the corresponding period of 1938.

FOOTWEAR

The spell of fine weather over Whitsun and again in June stimulated the sales of lighter types of footwear, and a considerable volume of repeat orders have been secured by manufacturers. Tanneries supplying the cheaper grades and those working on arm contracts are extremely busy, but sales of medium- and high-class footwear are still unsatisfactory. The very firm tone in the leather market, which is likely to continue, is giving rise to complaints from manufacturers, as they are not able to obtain corresponding advance in the prices of their output. In some districts footwear orders for autumn delivery are now being placed, in order to forestall any further rise in leather prices.

COTTON

Prices have tended to move on to a higher level, partly owing to the advance in raw cotton rates and partly due to the increasing cost of production, which have to be met by spinners and manufacturers. Manufacturers have been advised by their employers' association to put up weaving charges by about 8 per cent., owing to the cost of the Civil Defence Bill, the New Factory Act and holidays with pay. Yarn demand has been rather more encouraging, there being free buying in coarse American counts and medium Egyptian number. Spinning production at the end of May amounted to 64 per cent. capacity, compared with 62 per cent. a month earlier and 50 per cent. in May, 1938. Cloth demand has broadened on both home and export account. Useful support has come from India, South America, the Continent and the Dominions, but Egypt has again been a disappointing market. Substantial orders have been placed by the Government in drills, ground sheets, tent cloths and linings and makers are very busy. Further contracts are pending.

Increased business has been done in home trade fabrics; the hosiery at Whitsuntide resulted in a rush for light printed materials, and trade in household goods has also improved. There has been a further improvement in employment; the number of cotton operatives unemployed in May totalled 63,354, against 70,097 a month ago and 127,549 a year ago. Export trade returns show a slight improvement. Compared with May, 1938, shipments of cloth rose from 109.9 million square yards to 119.7 million square yards, and yarn exports from 8.4 million lbs. to 10.6 million lbs.

JUTE

New crop reports are still satisfactory and estimates of the area now indicate an increase of 6 to 12 per cent. on that of last year. Little business has been done in raw jute, most spinners preferring to wait until the trend of prices for the new crop is more definite. British imports of raw jute in the first five months of the current year amounted to 115,931 tons, compared with 88,600 tons in the corresponding period of 1938; exports of piece-goods showed some improvement over the very low levels of last year, but were only two-thirds as large as in the first five months of 1937.

LINEN

Raw flax remains extremely firm at top prices. There are no fears of Soviet fibre, Baltic stocks are cleared, and Irish markets are closed for the season, so that buyers are mainly dependent on Belgium for necessary supplies. The situation is further complicated by adverse weather conditions affecting the new crops in various districts. Civilian demand for cloth is quiet, but the extensive Government contracts recently placed will keep both spinners and weavers working to capacity for a considerable period ahead. Overseas trade on the whole is well maintained, though new business from the United States is rather disappointing.

RAYON

The spell of fine weather during the early part of the month resulted in much stock clearance. New business is not uniformly good, but deliveries against old contracts continue at a fair level.acetate deliveries are considerably delayed. Export business is poor

except to the Dominion and Colonial markets. Exports of rayon piece-goods in the first five months of the current year totalled 27.4 million square yards, compared with 25.3 million square yards in the same period of 1938, the expansion being entirely due to increased purchases by the Dominions.

WOOL

End-of-season buying in the wool-producing countries remains active, but supplies are scarce until the new clip becomes available. Government orders are responsible for much of the activity in the spinning trade and some spinners in this section are booked up for months. Stocks of khaki and Air Force cloths are non-existent and questions of supply and price are now under discussion. There has been a fair volume of buying of the cheaper cloths from the home trade and a more confident tone is noted. Exports of both woollen and worsted piece-goods to the United States have increased from the very low levels of last year.

AGRICULTURE

Cold and dry weather prevailed during the early part of May, but was succeeded by a warm spell. The sub-normal rainfall in May and April has hindered crop growth, but the rains in the early days of June were very beneficial. Hay making is now in progress in the South, and the crop is expected to be about average in quantity. The condition of the corn crops is generally satisfactory. The shortage of labour is a serious hindrance to farm operations and is likely to be intensified during harvest.

SHIPPING

The spurt in chartering for the grain trades at the end of May was not long-lived, but it was of sufficient size to raise the *Economist* index of tramp shipping freights from 91.8 (base 1913 = 100) in April to 95.6 in May. At one time there was an appreciable premium over minimum rates for the Plate market for June and July loading, but with the extension by one month of the cancelling date for vessels making the outward voyage in ballast, the premium has disappeared. Eastern and Mediterranean markets are dull.

UNITED KINGDOM—THE ECONOMIST INDICES OF BUSINESS ACTIVITY*

Daily Averages of 1935=100. Corrected for normal seasonal variations.

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	
29	98	103	68	127	76	85	60	97	111	98	137	108	91	109	98	...
30	98	103	68	115	80	96	65	84	82	88	108	107	89	112	93	...
31	91	82	69	98	83	95	62	73	86	82	80	97	86	96	87	...
32	90	80	71	86	86	94	57	59	94	84	82	94	86	86	84	...
33	93	90	78	89	89	96	73	70	101	92	85	96	91	88	89	...
34	97	97	88	100	95	97	88	93	98	100	92	98	95	96	96	...
35	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	...
36	105	104	112	106	105	104	107	125	109	110	101	102	104	103	106	...
37	111	109	126	113	111	106	98	142	116	121	108	109	108	101	112	...
38	110	103	131	95	114	110	90	112	89	107	98	105	100	95	104	...
36—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	102	112	106	106	108	132	107	123	105	100	108	106	114	108	108
October	107	104	113	107	107	104	107	127	102	117	107	103	106	111	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	103	107	122	109	109
37—January	109	97	116	110	109	107	102	124	111	103	104	101	106	105	107	109
February	109	108	116	107	109	110	102	118	110	102	111	107	108	115	109	110
March	109	110	125	106	110	107	99	118	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	106	100	130	143	116	117	114	107	98	112	111
June	111	115	122	113	111	107	99	133	141	125	106	106	106	108	113	111
July	112	106	123	114	111	105	96	140	131	111	122	113	109	102	100	111
August	112	107	125	119	111	108	95	150	113	106	133	113	106	106	99	113
September	112	110	124	117	111	108	95	157	106	146	112	110	104	99	113	112
October	112	105	124	112	112	108	95	158	107	146	109	104	109	100	112	110
November	111	107	128	110	113	108	95	167	106	145	104	109	104	99	111	109
December	109	105	131	114	113	111	96	173	97	110	108	108	101	99	111	109
38—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	103	114	110	92	143	102	119	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	114	91	106	99	94	102	104
July	110	101	129	86	113	106	90	91	84	112	90	105	98	98	102	103
August	110	98	130	89	114	108	85	89	87	105	103	104	102	102	104	103
September	110	105	132	88	114	113	88	102	81	109	109	107	101	95	104	103
October	110	104	133	88	117	110	87	99	81	90	96	102	98	102	104	103
November	110	97	130	88	117	110	87	99	81	90	96	102	98	103	101	...
December	110	100	139	84	117	113	85	82	82	100	100	100	100	100	100	...
39—January	110	105	141	94	116	112	82	100	83	98	102	105	104	92	104	...
February	111	103	137	95	116	111	83	117	88	95	108	103	102	87	105	...
March	111	104	141	98	116	111	84	110	98	101	101	100	100	84	106	...
April	112	111	142	...	115	108	84	146	112	117	106	108	100	82	109	...
May	113	107	141	...	116	108	82	152	113	127	106	108	100	82	109	...

* 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. † Annual indices represent averages of monthly figures. ‡ Provisional.

Business Developments Overseas

BRITISH EMPIRE

AUSTRALIA.—Wool prices remain firm with an upward tendency. Crop conditions for the coming season have been improved by good rains in most districts, but the recent fall in international wheat prices is likely to have repercussions on rural incomes. Building activity is well maintained, according to a cable from the National Bank of Australasia, but the recent recession in general trade exceeds the normal seasonal decline. Sales of motor vehicles and other semi-permanent goods have fallen off.

CANADA.—Much-needed rains fell early in June and have greatly improved the conditions of the growing wheat plants. More rain is needed in some districts, but the worst fears of a crop failure have been removed. Export trade has been hindered by the unusually prolonged winter conditions in the St. Lawrence, but wheat exports have continued at a high level. The fall in international wheat prices is a serious matter for the Federal Government, which has provided a guaranteed minimum price to the farmers. General business conditions are little changed, a further revival being checked both by fears of war in Europe and by the American trade situation. Mineral production improved in April and the revival of timber prices in Great Britain has stimulated the exports of logs from British Columbia. Employment is well maintained.

INDIA.—The decline in the Indian cane sugar crop led last year to a very considerable increase in sugar imports, which totalled 35,679 tons in the fiscal year 1938-39 against 14,389 tons in 1937-38. A sugar exchange is being established at Cawnpore. Trading in jute has been restricted by the fall in the prices of jute manufactures and by the uncertain relationship between prices for the old and new jute crops. The condition of the new crop is reported to be satisfactory, although rain is needed in the Daisee area.

EUROPE

FRANCE.—The improvement noted in recent months has been continued. The number of unemployed in receipt of benefit, which fell from 395,347 on April 1st to 384,445 on May 6th, declined further to 371,444 on June 3rd. The general index of production reached in April the highest level since May, 1931. In the first five months of the current year merchandise imports were valued at Frs. 20,694 millions and exports at Frs. 14,833 millions compared with Frs. 19,438 millions and Frs. 11,661 millions in the same period of last year. Further, it is expected that much of the tourist trade that formerly went to Austria and Germany will be diverted to France this summer. The industrial revival is still, however, largely based on Government expenditure for defence and private business remains hesitant. After a short revival in May, the Stock Exchange again relapsed in June.

GERMANY.—The shortage of agricultural labour is threatening to impede the gathering of the harvest and both university students and older members of the Hitler Youth have been co-opted to assist on the farms. This temporary expedient, however, will not solve the pressing problem of increasing the permanent labour supply in agriculture, which has been depleted by the demand for men to build fortifications and public buildings. The slaughter quota for fat cattle has now been reduced to 70 per cent. of the basic level, a step which, while conserving the herds, will increase still further the shortage of beef. According to the estimates of the Institut für Konjunkturforschung, the number of unemployed persons in Germany fell to 94,000 in April, compared with 423,000 a year ago, while the total number of employed rose in April to 20.7 millions. The level of deposits in savings banks continues to increase slowly with the rise in employment. Work on fortifications, motor roads and State buildings is being pressed forward to the exclusion of private buildings. The index of the number of hours worked per day has risen from 118.1 in April, 1938 (1936 = 100) to 126.3 in April, 1939.

NORWAY.—Although the level of freight rates relapsed again after a spurt early in May, the amount of Norwegian tonnage employed continues to expand. The amount of laid-up shipping fell from 123 vessels at the end of April to 62 at the end of May. Fisheries have been generally satisfactory; catches of cod off Iceland have been considerably larger than last year and exports of canned fish have also increased. Unemployment showed the usual seasonal fall between April and May and is slightly less than a year ago; the index of industrial production is considerably higher than last year, when there was a fall, instead of the usual rise, in the spring.

HOLLAND.—The new import quota on condensed milks imposed by Great Britain is another serious blow to Dutch agriculture. Exports to this country had already been much reduced under the voluntary quota in operation from 1933, and will be still smaller in future. Exports to Great Britain of condensed skimmed milk, for instance, will be limited to an annual total of 800,000 cwt., a

reduction of one-third on actual exports between July, 1937, and June, 1938, while exports of milk powder will be reduced by nearly half this level, and limited to skimmed milk powder only. The outflow of gold continues, though at a diminishing rate, and interest rates, which have been rising for some time, declined slightly in May. The political tension in Europe continues to retard private business activity.

SWEDEN.—There has been a considerable improvement in the outlook of the export trades. International demand for iron and semi-manufactured steels has strengthened in the last month. Timber prices in Great Britain have risen sharply, with large Government demands for army huts and A.R.P. works; but most of the exporting countries included in the regulation scheme have sold the greater part of their allotted quotas of soft woods, so that a further rise in prices is not impossible. The market for wood pulp has also improved. General business activity, apart from these export trades, is little changed. Unemployment has shown the usual spring decline and is slightly lower than a year ago. Prices, both wholesale and retail, have been very steady in the past few months.

UNITED STATES OF AMERICA

There are still no actual signs of any marked recovery in business, and the new tension in the Far East is not encouraging to confidence, which is still shaken by labour troubles and political disharmony between the Administration and business men. Nevertheless, the underlying currents that for some time now have been presaging some measure of revival seem to be gathering force. Reports from a number of industries are more cheerful; steel output is rising; and in a number of consumer goods trades, such as motor cars, sales are growing. The prospect of a new Spending Programme is heartening many people, while the Tax Bill's swift progress in the legislature has been widely welcomed by business. The sharp upturn so long looked for is most unlikely in the near future, but definite signs of recovery in the indices may not be long delayed.

LATIN AMERICA

ARGENTINA.—Shipments of grain and linseed have been considerably better than of late, but stocks are still large. Attempts are being made to stimulate the internal consumption of wheat as a substitute for maize, the export price of which is more satisfactory. The recent rains have improved the agricultural outlook and ploughing and sowing of the new crop of wheat, linseed and oats are proceeding actively. Retail business in Buenos Aires in May was encouraging, whilst the recent Government measures restricting imports have favoured British goods, particularly cotton and woollen piece-goods. Increased competition, however, may shortly be forthcoming from Italy under the recently-signed Italo-Argentina Trade Agreement. Reflecting the maintenance of general business despite current difficulties, total cheque clearings in Buenos Aires in the first five months of 1939 were 16,370 million pesos against 16,167 million pesos in the same period of 1938.

BRAZIL.—The success of the various reform measures, including renewal of the foreign debt service, depend upon a large export surplus, but the balance for the first two months of 1939 was adverse to the extent of £5,000 (gold), although this compares with an adverse balance of £1,351,000 (gold) twelve months previously. The new free exchange market—representing 70 per cent. of export exchange—appears to be working smoothly, although bills are somewhat scarce and rates for foreign currency tend to advance. The spot coffee market at Santos has shown decreasing activity due to lessening overseas interest, although it is reported from the interior that forward business in the coming crop has been considerable.

CHILE.—In the exchange market, conditions continue stringent for "export" sterling and dollars and, under the new import permit system, preference is being given for imported goods lying in the Customs House or already cleared. The Control Board is restricting imports of cotton and woollen piece-goods, and this action is reflected in a sharp decline for these articles in the trade returns.

THE FAR EAST

JAPAN.—State control over industry and commerce is becoming more complete and more detailed with the prolongation of the war. The canned fish industry has been placed under the control of a single central organisation, in order to stimulate exports. The shortage of shipping to meet the demands both of the Army and of ordinary trade has led to the introduction of priority classes among important commodities, but it is believed that the Government are contemplating more drastic measures of control over tonnage. The inland distribution of petrol and other oils is also to be centralised in the hope of restricting domestic consumption. Measures are also being contemplated to control the prices of silk yarns, which have risen sharply in recent months as the result both of poor silk production last year and of the restricted production of cotton piece-goods for the home market. The Government recently disposed of its stocks of silk yarn accumulated since 1928, in an unsuccessful attempt to stop the rise in prices.

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	Apr.	May	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May					
PRODUCTION																							
1. Industr. Prod. B. of Trade (a) (d)	1930 = 100	108.5	90.5	113.4	124.4	132.8	124.3	117.0	117.0	117.0	117.0	117.0	117.0	117.0	117.0	117.0	117.0	117.0					
2. Coal, G.B. (b)	Mill. tons	21.4	17.4	18.6	19.0	20.1	19.0	17.8	19.1	18.5	19.7	19.9	19.2	20.4	19.2	21.8	17.7	19.9					
3. Electcity, public supply, G.B. (c)	Mill. kw.-hrs.	858	1,020	1,464	1,985	1,908	2,091	1,849	1,854	1,872	2,195	2,346	2,675	2,704	2,314	2,508	2,046	2,068					
4. Pig iron (c)	Thous. tons	632	298	535	611	708	561	601	634	430	469	462	436	511	516	614	609	692					
5. Steelings and castings (c)	Thous. tons	803	439	822	957	1,082	866	939	957	755	855	860	656	812	971	1,171	1,058	1,218					
6. Building, plans passed (f) (dwells.)	Thous. £s	3,688	3,907	6,536	6,255	5,637	4,976	5,337	6,182	4,509	4,685	4,004	3,913	3,295	5,453	5,219	4,698	3,729					
7. 146 towns, G.B. (c) (Other ...)	Thous. £s	2,493	1,614	2,990	3,497	3,579	3,185	3,022	3,023	2,533	3,683	3,082	3,953	2,810	3,137	4,271	2,961	3,518					
8. Electrical loans sanctioned (p)	Thous. gross tons	2,236	1,606	1,800	1,326	1,699	1,517	...	...	...	...	...	...	1,958	2,594	1,913	1,759	1,922					
9. Shipbuilding: commenced (f) (j)	Thous. gross tons	137	6	57	91	88	42	...	...	...	...	...	...	29	24	24	...	...					
10. " launched (f) (j)	Thous. gross tons	127	16	42	71	76	86	...	...	...	...	...	...	81	81	81	...	...					
11. " on hand, end yr.	Thous. gross tons	1,560	225	743	964	1,125	789	...	...	...	...	...	...	780	...	...	...	...					
12. Automobiles: priv. cars (b) (c)	Number	15,196	14,270	25,962	29,487	32,469	28,534	32,053	31,446	22,859	24,867	28,226	31,108	32,286	29,724	46,824	33,693	...					
13. " Com. vehicles (b) (c)	Number	4,705	5,123	7,681	8,967	9,813	8,761	8,414	8,331	7,362	8,328	8,270	7,650	9,691	7,484	9,194	7,811	...					
14. Cotton delivered to mills, G.B. (c)	Mill. lbs. daily av.	5.27	4.47	4.72	5.17	5.43	4.18	4.18	3.93	3.50	3.92	4.21	4.25	4.4	4.4	4.76	5.64	5.50					
15. Rayon: Output (c)	Thous. lbs.	4,710	5,955	9,987	11,785	12,982	11,694	10,570	13,391	11,780	11,750	12,410	10,386	11,815	12,480	15,599	13,440	15,720					
16. " Quantity excised (c)	Thous. st. barrels	1,620	1,102	1,355	1,395	1,488	1,522	1,533	1,587	1,550	1,445	1,534	1,624	1,217	1,195	1,690	1,343	...					
17. Beer production (c)	Thous. proof galls.	914	721	720	760	785	757	679	679	741	1,033	1,033	1,033	611	611	611	...	...					
18. Distilling: Drink (f) (j)	Thous. proof galls.	1,205	1,834	3,172	3,595	4,369	4,363	4,264	4,264	4,351	4,445	4,445	4,445	4,390	4,390	4,390	...	...					
19. " Industrial alcohol (f) (j)	Thous. proof galls.	151.6	141.5	136.1	137.4	144.5	154.4	150.1	151.6	151.7	152.1	153.1	154.4	155.3	155.9	158.7	159.5	...					
TRADE AND TRANSPORT																							
Domestic Trade																							
21. Rly. traf.: Merch. & Ivst. G.B. (c)	Thous. tons	9,780	6,695	7,661	8,188	8,690	7,362	7,931	7,015	6,903	7,344	7,324	6,795	6,418	7,302	...	...	...					
22. " Coal and coke, G.B. (c)	Thous. tons	15,933	12,861	13,447	13,539	14,384	13,834	12,953	11,838	12,889	14,240	13,731	14,370	14,362	14,838	...	...	...					
23. Automob.: priv. cars, in use, G.B. (c)	Thousands	893.8	1,018.4	1,347.3	1,498.8	1,648.2	1,799.6	1,797.3	1,829.5	1,829.5	1,821.2	1,819.4	1,854.4	1,731.6	1,742.0	1,773.3	2,002.1	2,066.1					
24. " Com. vehicles in use, G.B. (c)	Thousands	314.7	356.2	413.2	437.0	459.8	474.3	476.0	477.5	471.7	485.5	483.9	489.4	473.4	474.8	479.1	479.3	475.3					
25. Postal traffic receipts, daily (c)	Thous. £s	133	133	140	147	154	155	149.5	147.1	154.7	157.2	159.3	209.8	153.5	148.9	151.8	150.0	146.8					
26. Retail trade, Gt. Brit.: Food (c)	Avg. daily sales in 1937 = 100	...	...	78	85	92	100	100	100	100	100	100	100	100	100	100	100	100					
27. " Other merchandise (c)	Avg. daily sales in 1937 = 100	...	...	83	90	95	100	100	100	100	100	100	100	100	100	100	100	100					
28. " Total (c)	Avg. daily sales in 1937 = 100	...	...	81	87	93	100	100	100	100	100	100	100	100	100	100	100	100					
29. Advtg. expndt. on brand. gds. (c)	1935 = 100	...	...	79.2	100	140.6	108.6	105.2	112.0	123.5	94.6	133.5	127.8	99.6	82.2	95.2	125.9	108.2					
Foreign Trade																							
30. Retained imports, value: Food (c)	Thous. £s	42,444	29,810	28,816	30,921	34,099	34,923	31,155	33,948	36,735	38,044	37,960	34,481	34,099	20,268	34,629	29,234	32,460					
31. " Raw materials (c)	Thous. £s	23,774	11,740	15,237	17,394	23,233	18,111	18,068	17,026	16,086	16,650	16,828	17,442	16,886	14,196	16,832	17,119	20,012					
32. " Manufactures (c)	Thous. £s	25,467	12,168	14,302	16,452	20,878	17,958	18,532	16,837	17,543	18,415	18,205	17,241	16,739	20,882	18,693	20,473	20,473					
33. " Total (c)	Thous. £s	92,589	53,718	58,351	64,767	79,492	71,569	68,669	66,217	70,463	73,089	72,914	69,344	70,794	60,744	73,033	69,505	73,529					
34. Volume: Food (a) (d)	Avg. of 1935 = 100	...	...	102.5	100	102.1	103.1	106.3	109.3	109.3	109.3	109.3	109.3	109.3	109.3	109.3	109.3	109.3					
35. " Raw materials (a) (d)	Avg. of 1935 = 100	...	...	101.5	84.6	100	111.1	120.9	106.9	101.0	101.0	100.7	100.7	100.7	100.7	100.7	100.7	100.7					
36. " Manufactures (a) (d)	Avg. of 1935 = 100	...	...	101.5	84.6	100	111.1	120.9	106.9	101.0	101.0	100.7	100.7	100.7	100.7	100.7	100.7	100.7					
37. " Total (a) (d)	Avg. of 1935 = 100	...	...	101.5	84.6	100	111.1	120.9	106.9	101.0	101.0	100.7	100.7	100.7	100.7	100.7	100.7	100.7					
38. Domestic exports, value: Food (c)	Thous. £s	4,555	2,625	2,636	2,966	3,232	2,993	2,368	2,827	3,075	3,734	3,811	3,025	3,123	2,490	3,135	2,433	3,191					
39. " Raw materials (c)	Thous. £s	6,573	3,634	4,400	4,278	5,358	4,744	4,481	4,931	4,658	5,311	5,434	4,642	4,654	4,268	4,839	4,152	5,363					
40. " Manufactures (c)	Thous. £s	47,899	23,031	27,411	23,411	33,737	30,448	29,346	29,534	29,369	42,560	42,923	39,089	39,480	39,082	32,664	27,430	32,743					
41. " Total (c)	Thous. £s	60,778	30,419	35,493	36,727	43,406	38,249	37,266	38,165	37,002	51,654	52,346	46,736	47,221	43,848	46,643	35,149	42,723					
42. Volume: Food (a) (d)	Avg. of 1935 = 100	...	...	126.7	90.9	100	110.6	117.2	111.1	109.7	128.1	128.1	128.1	128.1	128.1	128.1	128.1	128.1					
43. " Raw materials (a) (d)	Avg. of 1935 = 100	...	...	130.4	82.0	100	102.1	101.2	89.9	88.2	98.9	98.9	98.9	98.9	98.9	98.9	98.9	98.9					
44. " Manufactures (a) (d)	Avg. of 1935 = 100	...	...	142.1	83.0	100	102.1	112.3	98.7	95.5	102.3	102.3	102.3	102.3	102.3	102.3	102.3	102.3					
45. " Total (a) (d)	Avg. of 1935 = 100	...	...	140.3	84.0	100	101.5	111.1	98.6	95.5	105.0	105.0	105.0	105.0	105.0	105.0	105.0	105.0					
46. Shipping: Tonnage entered (c)	Thous. net tons	5,225	4,947	5,302	5,616	5,868	5,698	5,299	6,035	5,911	5,887	5,366	5,495	5,047	4,543	5,291	5,225	6,141					
47. " Tonnage cleared (c)	Thous. net tons	5,723	4,620	4,777	4,735	5,116	4,907	4,649	4,795	5,475	5,352	4,891	4,698	4,646	4,137	4,688	4,774	5,408					
48. " Tonnage laid-up (b) (c)	Thous. net tons	365	1,971	436	212	85	432	432	432	458	458	458	458	458	458	458	458	458					
49. Freight rates, Economist Index (c)	1929 = 100	100	77.9	76.8	87.3	132.5	100.8	101.0	101.1	100.4	98.8	97.2	95.8	95.8	96.1	94.0	94.8	98.8					
50. Cable and wireless traffic receipts.	Corresponding month 1929 = 100	100	72.3	73.5	74.4	78.9	69.3	71.5	65.3	71.3	68.7	68.0	77.1	69.0	70.5	74.6	75.1	69.3					
EMPLOYMENT AND WAGES																							
51. Insured pers. employed (n) G.B. (c)	Thousands	10,220	9,348	10,377	10,912	11,496	11,466	11,429	11,455	11,428	11,455	11,428	11,452	11,234	11,419	11,588	11,645	11,831					
52. Registered unemployed (c)	Thousands	1,212	2,756	1,958	1,684	1,419	1,741	1,743	1,779	1,789	1,781	1,828	1,831	2,039	1,897	1,727	1,644	1,496					
53. Per cent. unemployed (c)	Thousands	10.3	21.9	15.3	13.0	10.6	12.8	12.3	12.5	12.9	12.5	12.7	12.7	14.0	13.1	12.0	11.3	10.2					
54. Regis'd at Exchanges, all ages, (c)	Thousands	1,276	2,813	2,108	1,822	1,586	1,881	1,842	1,869	1,881	1,863	1,911	1,919	2,133	1,986	1,814	1,726	1,566					
55. " London (c)	Thousands	306	3,068	1,231	1,171	1,271	226	217	218	211	238	247	245	279	282	226	226	226					
56. " S.E. England (c)	Thousands	50	142	91	79	70	96	91	88	84	99	107	118	143	131	108	99	88					
57. " S.W. (c)	Thousands	69	157	114	94	83	84	83	79	76	89	93	91	103	96	84	78	66					
58. " Midlands (c)	Thousands	165	371	217	178	144	210	205	210	224	208	205	199	222	199	178	176	153					
59. " N.E. England (c)	Thousands	280	602	452	304	165	208	191	206	217	195	199	200	231	204	183	181	161					
60. " N.W. (c)	Thousands	285	562	439	374	304	395	388	406	416	381	386	377	409	383	359	342	316					
61. " Northern (c)	Thousands	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...					
62. " Scotland (c)	Thousands	156	378	314	277	246	253	260	250	248	245	254	263	289	270	255	242	222					
63. " Wales (c)	Thousands	116	228	206	198	151	161	169	177	163	139	167	170	174	175	158	142	124					
64. " Ireland (c)	Thousands	36	68	68	70	67	71	94	90	82	81	83	87	85	80	87	82	75					
65. Industr. disputes, No. days lost (c)	Thousands	676	541	160	154	285	110	151	185	90	90	90	90	29	81	116	90	143					
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 (c)	1929 = 100	100	70.4	72.2	79.4	93.5	82.4	88.3	91.4														

EUROPEAN COUNTRIES
(Bi-Monthly Table)

		Monthly Average					1938					1939				
		Unit of Measurement	1929	1932	1935	1936	1937	1938	Mar.	Apr.	May	Oct.	Nov.	Dec.	Jan.	Feb.
BELGIUM (Population 1936: 8,331,000; Area: 30,000 sq. kms.)																
1. Industrial production	1929 = 100	100.0	69.1	82.2	86.7	96.3	79.9	67.9	67.1	68.8	74.7	78.8	75.4	74.4	73.6	75.4
2. Retained imports	Mill. francs	2,649	1,347	1,426	1,775	2,291	1,891	2,122	1,898	1,878	1,837	1,839	1,969	2,000	1,841	2,007
3. Domestic exports	"	2,649	1,234	1,316	1,627	2,101	1,791	1,891	1,708	1,701	1,540	1,920	2,023	1,728	1,827	1,867
4. Unemployment (h)	Thousands	100.0	211.0	210.9	154.0	125.9	173.9	169.0	158.9	163.9	183.8	185.4	240.9	221.5	204.8	188.5
5. Wholesale prices	1929 = 100	100.0	62.5	63.1	69.1	80.4	74.0	75.7	75.2	74.1	72.5	71.7	71.3	71.0	70.4	70.5
6. Cost of living	"	100.0	83.6	79.9	84.7	91.8	93.8	93.6	92.0	92.4	94.4	95.2	94.7	95.2	93.7	92.7
7. Price of industrial securities ..	"	100.0	37.4	37.4	47.0	62.2	51.1	45.4	51.0	49.4	53.7	52.0	50.0	46.3	46.4	43.7
8. Notes in circulation (e)(f)	Mill. francs	13,425	18,135	20,583	22,702	21,542	21,989	22,094	21,949	20,582	22,712	22,251	21,989	21,882	22,046	21,619
CZECHO-SLOVAKIA (Population 1937: 15,230,000; Area: 140,000 sq. kms. in 1915.) (g)																
9. Retained imports (g)(e)	Mill. kr.	1863.5	623.9	618.5	659.1	915.0	699.0	792.2	820.2	827.7	113.5	515.5	870.8	810.9	840.1	541.9
10. Domestic exports (g)(e)	"	1708.1	611.9	561.2	657.3	997.7	853.3	1025.4	936.9	997.2	213.9	657.2	851.2	798.0	881.3	611.9
11. Registered unemployed (d)(f) ..	Thousands	41.7	55.4	68.3	62.7	40.8	39.3	43.4	36.8	284.8	77.3	103.7	148.2	186.4	176.1	93.0
12. Wholesale prices (h)	1929 = 100	100.0	74.5	77.2	77.4	82.8	80.9	79.6	80.1	80.1	82.9	83.7	84.6	85.8	84.6	85.5
13. Cost of living (Prague)	"	100.0	91.7	92.3	93.1	94.3	98.6	97.1	97.8	97.6	100.0	100.9	102.0	104.6	104.6	104.2
14. Price of industrial securities ..	"	100.0	51.7	65.6	68.8	111.2	...	86.2	85.9	86.4	...	...	...	...	...	...
15. Notes in circulation (e)(f)(m) ..	Million kr.	...	6,267	5,761	6,474	6,902	6,950	6,997	7,123	7,937	7,130	6,870	6,950	6,985	6,989	6,038
DENMARK (Population 1937: 3,749,000; Area: 43,000 q. kms.)																
16. Industrial production (b)	1929 = 100	100.0	91.1	125.0	130.9	136.5	135.5	135.5	136.5	136.5	136.5	136.5	136.5	138.5	138.5	141.5
17. Retained imports	Mill. kr.	142.9	92.0	107.2	120.2	139.5	135.5	153.8	117.2	115.6	152.5	149.5	125.9	135.4	123.2	146.1
18. Domestic exports	"	134.6	90.5	101.1	110.5	130.7	127.5	129.7	123.6	123.8	130.9	122.1	131.2	117.4	121.7	131.2
19. Applicants for work (d)	Thousands	44.6	126.0	92.4	93.3	107.1	112.2	119.7	107.8	93.4	99.5	119.1	161.2	155.4	141.9	122.6
20. Wholesale prices	1929 = 100	100.0	77.8	82.6	97.2	110.4	104.1	106.5	104.6	103.7	102.8	101.9	101.9	101.9	101.9	100.9
21. Cost of living	"	100.0	89.5	99.4	106.9	104.5	106.0	106.8	...	...	...	...	...	...	...	...
22. Price of industrial securities ..	"	100.0	74.8	98.7	105.6	109.1	106.3	106.5	107.1	103.2	108.4	110.4	107.3	106.8	106.6	107.2
23. Notes in circulation (e)	Mill. kr.	367	332	384	399	417	441	399	420	409	455	414	441	414	414	438
FINLAND (Population 1936: 3,603,000; Area: 388,000 sq. kms.)																
24. Industrial production (a)(h) ...	1929 = 100	100.0	83.3	125.0	139.0	155.6	155.6	168.4	160.7	158.2	151.8	160.7	150.5	168.4	168.4	172.2
25. Retained imports	Million mks.	583.5	291.9	445.4	530.7	775.5	717.3	680.3	687.6	782.7	760.0	777.0	776.7	619.2	486.6	647.5
26. Domestic exports	"	535.8	386.0	520.0	601.9	781.6	699.8	546.7	528.8	636.3	881.7	773.1	780.7	500.0	480.3	530.2
27. Applicants for work (d)	Number	3,877	1,351	7,163	4,796	3,763	3,602	3,635	3,462	2,963	4,041	5,172	4,294	5,006	4,412	4,331
28. Wholesale prices (h)	1929 = 100	100.0	92.4	92.5	95.7	112.6	105.4	107.5	106.5	104.7	102.8	103.8	104.7	104.7	104.7	104.7
29. Cost of living	"	100.0	83.7	81.4	81.5	85.8	85.8	87.6	86.9	86.9	88.7	88.0	88.0	88.0	88.5	88.5
30. Notes in circulation (e)	Mill. markka	1,361	1,085	1,381	1,680	2,052	2,086	2,292	2,272	2,184	2,068	2,042	2,086	1,975	2,159	2,283
HOLLAND (Population 1938: 8,651,000; Area: 34,000 sq. kms.)																
31. Industrial production (h)	1929 = 100	100.0	84.0	90.2	91.4	102.8	104.1	115.3	114.94	109.67	127.03	118.68	116.73	112.49	105.23	123.14
32. Retained imports	Mill. gulden	229.36	108.29	77.99	84.71	129.18	117.90	96.08	90.53	83.15	97.89	92.07	92.10	73.65	72.85	97.18
33. Domestic exports	"	165.79	70.51	56.26	62.18	95.68	86.69	90.08	80.53	83.15	97.89	92.07	92.10	40.19	37.54	82.31
34. Unemployed registered (d)	Thousands	...	271.1	384.7	414.8	368.9	353.6	372.4	354.7	332.0	318.7	353.4	433.6	78.09	67.75	310.7
35. Wholesale prices	"	100.0	64.8	61.7	64.0	76.4	72.1	73.4	72.7	72.1	71.1	70.4	70.8	70.4	70.1	70.0
36. Cost of living	"	100.0	83.9	81.1	78.6	81.8	82.2	82.1	82.3	82.8	82.4	81.8	82.4	81.8	82.4	82.3
37. Price of industrial securities ..	"	100.0	34.5	38.7	45.1	67.0	65.3	65.0	63.5	64.4	66.3	68.2	68.1	66.3	65.8	68.0
38. Notes in circulation (e)	Mill. gulden	862	963	810	793	869	993	901	902	946	1,047	1,006	993	1,000	993	979
ITALY (Population 1938: 43,142,000; Area: 310,000 sq. kms.)																
39. Industrial production	1929 = 100	100.0	66.9	93.8	87.5	99.6	98.5	105.1	99.9	100.0	104.6	106.7	103.5	100.3	106.7	110.0
40. Retained imports (i)	Million lire	1805.6	689.0	649.2	503.3	1161.8	927.9	1017.8	977.4	881.9	767.1	799.8	1080.0	705.3	816.2	879.8
41. Domestic exports (i)	"	1269.7	562.7	436.5	369.5	869.5	864.9	813.5	823.3	802.2	938.8	798.2	1123.7	684.3	821.5	823.3
42. Wholesale prices	1929 = 100	100.0	73.0	71.5	80.1	93.4	100.3	98.3	99.6	100.3	101.6	101.9	101.0	101.8	101.9	102.3
43. Cost of living	"	100.0	83.1	76.6	82.6	90.7	98.0	98.1	97.6	98.6	97.9	98.4	98.8	99.4	99.0	98.8
44. Notes in circulation (e)	Million lire	16,774	13,672	16,297	16,525	17,468	18,956	...	...	...	19,625	...	...	...	17,967	...
NORWAY (Population 1937: 2,908,000; Area: 323,000 sq. kms.)																
45. Industrial production	1929 = 100	100.0	92.7	107.6	118.2	129.6	127.2	123.2	122.6	125.3	135.3	134.9	126.4	124.8	133.9	131.2
46. Retained imports	Million kroner	88.61	56.89	68.14	76.36	106.69	97.97	110.67	104.93	94.67	100.28	106.54	92.17	96.04	97.35	108.33
47. Domestic exports	"	61.89	46.74	49.80	56.21	67.57	64.50	66.15	62.32	60.27	80.08	64.55	85.13	64.63	63.00	68.04
48. Unemployed registered (f)	Thousands	19.09	32.70	36.10	32.64	28.52	28.92	34.10	29.83	25.69	30.08	33.86	34.83	34.12	34.01	33.19
49. Wholesale prices	1929 = 100	100.0	81.9	85.2	88.9	104.6	102.7	104.0	103.4	103.4	100.7	100.7	100.7	99.3	99.3	99.3
50. Cost of living	"	100.0	89.8	91.0	93.4	99.3	103.7	103.0	103.6	103.0	102.4	102.4	102.4	101.8	102.4	103.0
51. Price of industrial securities ..	"	100.0	53.8	84.4	109.4	125.8	113.7	109.6	107.2	106.9	125.1	121.1	121.2	118.9	116.5	117.4
52. Notes in circulation (e)	Million kroner	318	315	348	429	449	477	430	444	438	456	448	477	445	439	467
ROUMANIA (Population 1937: 19,646,000; Area: 295,000 sq. kms.)																
53. Industrial production	1929 = 100	100.0	88.5	122.1	130.0	131.7	156.4	131.4	115.1	127.5	...	...	...	1,464	2,074	2,003
54. Retained imports	Million lei	2,469	1,004	904	1,053	1,620	1,564	2,066	1,342	1,593	1,283	1,540	1,471	1,898	1,824	1,908
55. Domestic exports	"	2,413	1,391	1,396	1,809	2,631	1,794	1,867	1,544	1,682	2,010	2,340	1,969	1,888	1,824	1,908
56. Registered unemployed (d)	Thousands	...	38.89	13.85	13.55	15.85	7.27	10.47	7.98	5.62	5.29	5.39	8.67	10.88	9.35	7.42
57. Wholesale prices	1929 = 100	100.0	54.0	60.0	68.5	78.2	78.3	78.8	78.9	80.3	76.0	76.9	75.5	82.9	82.8	82.4
58. Cost of living (Bucarest)	"	100.0	61.8	55.6	57.9	66.1	74.6	73.5	75.0	74.5	75.1	75.6	75.5	75.3	76.4	73.1
59. Notes in circulation	Million lei	...	21,594	23,127	25,663	29,391	34,902	30,735	30,574	30,208	34,581	33,676	34,902	34,115	33,963	38,270
SWEDEN (Population 1937: 6,285,000; Area: 449,000 sq. kms.)																
60. Industrial production (b)	1929 = 100	100.0	88	125	135	149	146	149	149	147	142	145	145	147	150	151
61. Retained imports	Million kroner	148.6	96.2	123.0	136.1	177.0	173.2	173.0	167.4	167.2	19					

(a) Adjusted for seasonal variations. (b) Partly adjusted for seasonal variations. (c) March, 1939 = March 1-15. (d) Monthly figures refer to end of month.
(e) All figures refer to end of year or month (except for a few monthly figures for Italy). (f) Monthly figures refer to 15th of month. (g) Since October, 1938, new territory.
(h) From January, 1938, base is corresponding month of 1937. (i) June and December figures include parcel post for preceding half-year. (j) Government notes of 5, 20
(k) The Rumania and Moravia from March, 1939. (m) Token notes excluded.

RAW MATERIALS AND CRUDE FOODSTUFFS GROUP I—MONTHLY TABLE

Commodity	Unit of Measurement	Monthly Average												1938				1939			
		1929	1932	1935	1936	1937	1938 (a)	Mar.	Apr.	May	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.				
COAL																					
1. Production: Belgium	Tb. metric tons	2,245	1,785	2,207	2,323	2,473	2,465	2,701	2,501	2,163	2,526	2,531	2,568	2,665	2,357	2,724	2,452				
2. " France	"	4,482	3,856	3,851	3,769	3,693	3,875	4,284	4,013	3,734	4,231	4,188	4,430	4,214	3,932	4,393	4,131				
3. " Germany: Coal(b)	"	13,620	8,728	11,918	13,190	15,376	15,515	16,679	14,493	15,286	15,638	15,670	15,713	16,231	14,865	16,869	14,088				
4. " Poland	"	3,853	2,403	2,395	2,479	3,013	3,175	3,003	2,911	2,858	3,505	3,391	3,444	4,119	3,623	3,652	3,788				
5. " U.K.	"	21,837	17,177	18,877	19,349	20,421	19,323	22,359	18,112	19,428	20,012	20,289	19,461	20,684	19,481	22,179	17,989				
6. " All Principal countries	"	46,926	27,189	31,576	36,761	37,176	29,282	27,905	23,150	29,428	29,012	29,289	19,461	20,684	19,481	22,179	17,989				
7. " U.S.A.	"	103,772	73,529	85,843	94,705	99,947	91,884	96,217	83,292	84,615	98,961	102,514	103,545	102,736	96,070	110,100	74,730				
8. Price: Av. Br. expt. price	sh. per ton	16-08	16-25	16-29	16-98	18-57	20-89	20-92	20-78	21-10	20-80	20-81	20-58	20-83	20-44	20-18	20-09				
OIL																					
9. Production: Dutch East Indies	Tb. metric tons	437	424	507	538	605	617	634	613	639	637	627	653	648	608	660	654				
10. " Mexico	"	556	408	501	511	578	477	591	316	369	520	483	430	...	...	...	...				
11. " Iran (Ang.-Ir. Oil)	"	462	543	577	628	871	904	1,124	1,014	997	944	1,040	845	...	...	...	...				
12. " Roumania	"	403	612	698	723	596	550	573	590	571	550	525	542	...	...	...	...				
13. " U.S.A.	"	11,509	8,970	11,386	12,550	14,597	13,861	14,604	14,089	13,528	13,778	13,336	13,839	13,867	12,647	14,446	...				
14. " U.S.S.R.	"	1,206	1,791	1,989	2,193	2,307	2,357	2,192	2,448	2,411	2,357	2,386	2,339	2,332	2,400	2,469	...				
15. " All Principal countries	"	17,145	15,048	18,388	20,575	23,486	22,817	23,698	22,742	22,572	23,131	22,394	22,959	22,857	21,035	23,567	...				
16. Stocks: U.S.A. end year	million barrels	422	349	315	288	306	273	309	307	305	280	273	271	272	272	273	277				
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	96-0	96-0	96-0	96-0	96-0	96-0	96-0				
CRUDE STEEL																					
18. Production: Belgium	Tb. metric tons	342	232	252	265	322	190	175	160	162	207	219	219	210	199	225	219				
19. " France	"	308	470	523	559	660	514	562	500	501	512	534	576	595	575	688	625				
20. " Germany (c)	"	1,354	481	1,371	1,601	1,654	1,934	1,989	1,818	1,964	2,057	2,032	1,944	2,096	1,955	2,215	1,899				
21. " Japan, ex. castings	"	191	200	375	419	...	...	...	...	...	...	...	...	...	...	...	...				
22. " Luxembourg	"	225	163	153	165	209	120	109	109	111	132	142	138	138	136	146	149				
23. " U.K.	"	816	445	833	899	1,098	880	1,134	954	972	869	874	866	825	987	1,190	1,075				
24. " U.S.A., ex. castings	"	4,599	1,128	2,830	3,963	4,192	2,357	2,045	1,956	1,836	3,168	3,629	3,494	3,238	3,002	3,419	3,085				
25. " U.S.S.R.	"	407	490	1,034	1,362	1,485	1,631	1,596	1,575	1,566	...	...	...	...	...	...	...				
26. " All Principal countries	"	9,492	3,890	7,620	9,585	10,453	8,420	7,823	7,873	9,262	9,666	9,006	9,253	9,081	10,014	9,079	9,079				
27. Price: Pig Iron Cleveland No. 3	£ per ton	3-53	2-91	3-39	3-70	4-67	5-45	5-45	5-45	5-45	5-45	5-45	5-45	4-95	4-95	4-95	4-95				
GOLD																					
28. Production: Union of S. Africa	Thous. fine ozs.	868	963	898	945	978	1,013	1,014	981	1,023	1,041	1,024	1,029	1,034	986	1,078	1,017				
29. " U.S.S.R.	"	90	163	375	450	417	417	...	...	...	...	...	...	...	...	...	...				
30. " Canada	"	161	254	274	310	341	390	376	368	381	411	410	434	411	391	405	...				
31. " U.S.A.	"	171	185	264	319	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	142-54	139-89	139-70	139-94	145-68	147-73	148-92	149-25	148-49	148-33	148-51				
WHEAT																					
34. World shipments, yr. ended July	Mins. of bushels	77	67	43	42	50	45	50	44	40	58	48	49	47	46	49	38				
35. Stks.: World visible supplies (d)	"	370-1	408-2	339-5	275-1	229-5	202-4	279-4	245-6	194-8	441-8	448-5	490-8	472-6	418-4	390-2	365-4				
36. Average British import price	sh. per cwt.	10-33	6-15	6-02	7-53	9-28	7-73	8-40	8-34	8-34	8-34	8-34	8-34	8-34	8-34	8-34	8-34				
COTTON																					
37. Mill consumption: U.K. (e)	Thousands	233	182	209	228	240	189	179	179	179	190	190	190	190	190	190	190				
38. " Japan (e)	"	231	231	311	304	347	247	261	261	261	212	212	212	212	212	212	212				
39. " U.S.A. (e)	"	586	404	443	527	598	514	445	445	445	564	564	564	564	564	564	564				
40. " World (e)	"	2,157	1,860	2,035	2,116	2,383	2,213	2,006	2,006	2,006	2,284	2,284	2,284	2,284	2,284	2,284	2,284				
41. Stks.: World Visible Supplies (d)	Thousands bales	2,736	7,682	3,983	4,287	3,875	7,069	8,240	7,910	7,467	9,316	9,543	9,350	8,754	8,218	7,552	6,977				
42. Price: Mid. American	d. per lb.	10-33	5-25	6-70	6-69	6-37	4-97	5-07	4-87	4-65	5-16	5-13	5-15	5-19	5-13	5-21	4-96				
SUGAR																					
43. Stks.: World visible supplies (f)	Thous. tons	4,047	7,018	4,166	2,983	2,818	3,601	6,889	6,521	5,955	4,129	5,951	6,064	5,819	6,131	6,547	6,116				
44. Av. Brit. import price, unrefined	sh. per cwt.	9-68	7-70	6-38	6-71	8-62	7-92	8-04	7-54	6-57	8-79	8-79	8-85	9-24	8-37	8-22	8-30				

GROUP II (a)—BI-MONTHLY TABLE

RUBBER		GROUP 41 (a).—BI-MONTHLY TABLE																			
1. Exports: Ceylon	Thous. tons	6-69	4-10	4-52	4-14	5-88	4-12	3-83	1-95	2-83	4-84	6-42	3-07	7-24	5-50	3-72	2-18	7-24	5-50	3-72	2-18
2. " D. E. Indies	"	21-22	17-58	23-54	25-81	35-97	24-84	31-27	28-49	22-04	29-81	18-22	10-63	33-67	25-00	27-93	28-91	38-67	25-00	27-93	28-91
3. " British Malaya	"	38-65	33-80	34-71	23-48	39-16	31-00	33-57	44-74	28-01	25-79	28-21	26-35	24-39	23-28	29-30	29-79	24-39	23-28	29-30	29-79
4. " World	"	72-20	59-05	72-68	71-36	94-59	74-11	81-97	87-17	65-09	75-85	67-34	57-87	67-43	77-59	76-31	73-78	67-43	77-59	76-31	73-78
5. Quota of restricting countries	% of est. cap'ty																				
6. Consumption: U.K.	Thous. tons	6-02	6-50	8-29	6-59	5-55	8-91	10-04	60-00	60-00	45-00	45-00	45-00	50-00	50-00	50-00	50-00	45-00	45-00	50-00	50-00
7. " U.S.A.	"	38-95	28-08	41-04	47-79	45-3	34-25	30-49	27-99	9-47	9-17	9-80	9-06	9-00	9-33	11-02	8-69	9-00	9-33	11-02	8-69
8. " All imp. count.	"	67-12	57-70	78-53	85-07	90-06	75-74	77-69	69-71	76-19	87-51	93-69	90-41	82-80	94-35	88-50	94-35	88-50	94-35	88-50	94-35
10. Stocks: U.K. end year and mth.	"	18-08	6-46	9-42	10-18	13-25	9-70	77-69	69-71	76-19	87-51	93-69	90-41	82-80	94-35	88-50	94-35	88-50	94-35	88-50	94-35
11. " U.S.A.	"	73-92	9-27	16-43	7-85	52-29	86-85	78-62	73-91	8-47	12-48	13-39	12-97	13-00	12-83	15-32	13-39	12-83	15-32	13-39	12-83
12. " World	"	118-6	379-0	303-0	218-8	189-7	245-4	242-2	344-75	87-22	93-27	90-07	86-85	80-44	75-52	72-24	68-93	80-44	75-52	72-24	68-93
13. Price: London, st. sm. sheet	pence per lb.	328-7	589-2	595-3	413-9	413-9	441-2	529-2	545-8	545-8	488-0	458-2	426-8	412-1	429-5	404-9	383-5	412-1	429-5	404-9	383-5
14. " RAYON	"	10-25	2-34	6-00	7-75	9-50	7-22	6-68	5-84	5-68	7-38	8-16	8-06	7-97	7-07	8-16	7-97	8-06	7-97	8-16	7-97
Continuous Filament																					
14. Production: France (h)	Mill. lb.	3-1	4-3	4-4	3-5	6-1	6-2	6-1	6-1	6-1	6-1	6-1	6-1	6-1	6-1	6-1	6-1	6-1	6-1	6-1	6-1
15. " Italy	"	4-9	4-6	7-7	8-3	11-9	11-7	9-9	9-9	9-9	9-9	9-9	9-9	9-9	9-9	9-9	9-9	9-9	9-9	9-9	9-9
16. " Japan	"	5-8	5-9	7-1	7-1	8-7	8-7	11-0	11-0	11-0	11-0	12-2	12-2	12-2	12-2	12-2	12-2	12-2	12-2	12-2	12-2
17. " U.K.	"	2-4	6-3	18-3	22-9	27-7	17-4	21-8	21-1	21-1	21-1	21-1	21-1	21-1	21-1	21-1	21-1	21-1	21-1	21-1	21-1
18. " Japan	"	5-8	5-9	7-1	7-1	8-7	8-7	11-0	11-0	11-0	11-0	12-2	12-2	12-2	12-2	12-2	12-2	12-2	12-2	12-2	12-2
19. " U.S.A.	"	0-1	11-2	9-3	9-7	10-0	8-9	10-9	8-6	10-6	12-6	13-3	13-4	15-8	16-7	19-2	16-7	15-8	16-7	19-2	16-7
20. " World (h)	"	44-0	44-0	76-8	85-5	107-8	83-1	83-1	83-1	83-1	83-1	83-1	83-1	83-1	83-1	83-1	83-1	83-1	83-1	83-1	83-1
21. Price: Viscose, std. grade, per lb.	pence	17-0	55-5	55-5	55-5	55-5	55-5	55-5	55-5	55-5	55-5	55-5	55-5	55-5	55-5	55-5	55-5	55-5	55-5	55-5	55-5
(ii) Staple Fibre																					
22. Production: France (h)	Mill. lb.	0-3	0-5	0-7	1-0	0-9	1-1	1-1	1-1	1-1	1-1	1-1	1-1	1-1	1-1	1-1	1-1	1-1	1-1	1-1	1-1
23. " Italy	"	0-1	0-8	0-7	7-9	18-3	27-5	23-3	25-3	25-3	30-8	30-8	30-8	30-8	30-8	30-8	30-8	30-8	30-8	30-8	30-8
24. " Japan	"	0-2	0-1	0-1	3-8	14-8	14-8	18-7	18-7	18-7	17-5	14-1	12-5	13-9	13-9	13-9	13-9	13-9	13-9	13-9	13-9
25. " U.K.	"	0-1	0-1	0-1	1-3	14-8	31-2	26-7	33-0	39-2	26-5	26-7	27-5	24-0	23-0	20-5	24-0	23-0	20-5	24-0	23-0
26. " World (h)	"	0-6	3-0	2-9	1-0	2-2	2-2	2-2	2-2	2-2	3-1	3-9	4-0	2-8	3-4	4-2	5-1	4-8	5-1	4-8	5-1
27. " U.S.A.	"	0-0	10-4	10-4	25-4	51-6	81-2	75-0	81-0	82-5	80-4	79-1	79-8	79-8	79-8	79-8	79-8	79-8	79-8	79-8	79-8
28. " World (h)	"	0-0	10-4	10-4	25-4	51-6	81-2	75-0	81-0	82-5	80-4	79-1	79-8	79-8	79-8	79-8	79-8	79-8	79-8	79-8	79-8
29. Price: Viscose, std. grade, per lb.	pence	10-0	10-0	10-0	10-0	10-0	10-0	10-0	10-0	10-0	10-0	10-0	10-0	10-0	10-0	10-0	10-0	10-0	10-0	10-0	10-0
30. Stocks: Australia, S. Africa, N. Zealand, June 30	Million lbs.	35	100	94	47	29	105	69-0	69-0	69-0	69-0	69-0	69-0	69-0	69-0	69-0	69-0	69-0	69-0	69-0	69-0
31. Price: Weekly Wool Chart	1929 = 100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
PIG IRON																					
32. Production: France	metric tons	500	461	482	520	680	504	558	479	483	494	521	560	571	539	615	603	571	539	615	603
33. " Germany (c)	"	1,003	320	1,275	1,330	1,543	1,558	1,489	1,593	1,611	1,601	1,596	1,633	1,529	1,730	1,608	1,529	1,730	1,608	1,529	1,608
34. " U.K.	"	643	383	540	719	573	726	671	644	477	460	453	509	524	613	619	453	509	524	613	619
35. " U.S.S.R.	"	3,580	735	1,779	2,593	3,190	1,609	1,476	1,398	1,275	2,085	2,085	2,085	2,085	2,085	2,085	2,085	2,085	2,085	2,085	2,085
36. " All principal countries	"	5,013	3,178	5,898	7,340	8,116	6,297	6,364	6,076	6,108	6,853	7,013	7,031	6,937	6,595	7,515	7,623	6,595	7,515	7,623	6,595
37. " TBA	"	5,013	3,178	5,898	7,340	8,116	6,297	6,364	6,076	6,108	6,853	7,013	7,031	6,937	6,595	7,515	7,623	6,595	7,515	7,623	6,595
38. Exports: Ceylon	Million lbs.	21-0	21-1	17-7	18-2	17-9	19-6	22-1	24-0	27-6	18-5	16-2	17-7	16-4	16-4	19-1	18-7	16-4	16-4	19-1	18-7
39. " Dutch East Indies	"	33-0	14-5	12-1	12-8	12-2	13-2	13-6	14-8	14-7	13-7	12-7	13-5	12-7	13-4	13-9	13-9	12-7	13-4	13-9	13-9
40. " British India	"	10-3	30-8	27-4	26-2	27-6	28-3	28-3	8-8	11-1	43-9	35-5	36-5	18-4	13-0	7-4	7-4	36-5	18-4	13-0	7-4
41. " World	"	80-6	77-7	70-1	70-3	73-5	77-0	53-3	54-9	62-9	94-1	88-5	85-3	60-6	52-1	52-1	52-1	88-5	85-3	60-6	52-1
42. Quota of Restricting countries (f)	% of std. quantity																				
43. Consumption: U.K.	Mill. lbs.	35-4	37-9	36-9	36-5	38-5	39-5	37-5	39-5	40-1	38-1	37-4	34-5	32-5	32-5	32-5	32-5	34-5	32-5	32-5	32-5
44. " World	"	78-1	74-2	72-8	71-3	73-9	75-5	75-5	75-5	75-5	75-5	75-5	75-5	75-5	75-5	75-5	75-5	75-5	75-5	75-5	75-5
45. Stocks: U.K. and Holland, Dec.	"	28-1	31-8	27-0	27-5	28-2	28-2	28-2	28-2	28-2	28-2	28-2	28-2	28-2	28-2	28-2	28-2	28-2	28-2	28-2	28-2
46. Price: Av. London auctions	pence per lb.	10-25	2-34	6-00	7-75	9-50	7-22	6-68	5-84	5-68	7-38	8-16	8-06	7-97	7-07	8-16	7-97	8-06	7-97	8-16	7-97